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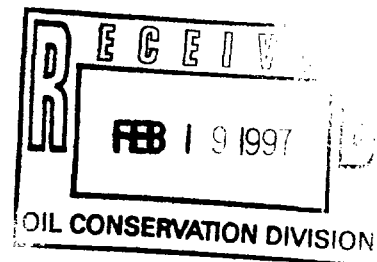
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February 19, 1997

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505



Re: Oil Conservation Division Case No. 11727:
Application of ARCO Permian, a Division of Atlantic Richfield Company, for
an unorthodox bottomhole location and directional drilling, Eddy County, New
Mexico

Dear Mr. LeMay:

ARCO Permian, a Division of Atlantic Richfield, respectfully requests that this matter which
is currently set on the Division docket for the February 20, 1997 hearings be continued to the
March 6, 1997 Examiner hearing.

Your attention to this matter is appreciated.

Very truly yours,

A handwritten signature in dark ink, appearing to read "William F. Carr". The signature is fluid and cursive, with a long, sweeping underline.

WILLIAM F. CARR
WFC:mlh

cc: Mr. Lee Scarborough
ARCO Permian
a Division of Atlantic Richfield
Post Office Box 1610
Midland, TX 79702

J. E. Gallegos, Esq.

CASE 11727: (Continued from February 20, 1997, Examiner Hearing.)

Application of ARCO Permian, a Division of Atlantic Richfield Company, for an unorthodox bottomhole location and directional drilling, Eddy County, New Mexico. Applicant seeks authorization to directionally drill its Evelyn 35 State Com Well No. 1 to the base of the Upper Mississippian formation from a surface location 1730 feet from the North line and 660 feet from the East line (Unit H) to an unorthodox bottomhole location within 100 feet of a point in the Morrow formation, South Empire-Morrow Gas Pool, 1253 feet from the North line and 508 feet from the East line of Section 35, Township 17 South, Range 28 East. The N/2 of said Section 35 shall be dedicated to this well. Said area is located approximately 18 miles southeast of Artesia, New Mexico.

CASE 11723: (Continued to February 20, 1997, Examiner Hearing.)

Application of Mewbourne Oil Company for an unorthodox gas well location and non-standard gas proration unit, Eddy County, New Mexico. Applicant seeks authorization to drill a well at an unorthodox gas well location 660 feet from the South line and 2310 feet from the East line (Lot 31-Unit W) of Irregular Section 1, Township 21 South, Range 25 East, to test the Catclaw Draw-Morrow Gas Pool. Lots 29, 30, 31, and 32 and the SW/4 (S/2 equivalent) of said irregular Section 1 is to be dedicated to said well to form a non-standard 297.88-acre, more or less, gas spacing and proration unit for said pool. Said unit is located approximately 9 miles northwest of Carlsbad, New Mexico.

CASE 11724: (Continued from February 20, 1997, Examiner Hearing.)

Application of Gillespie-Crow, Inc. for unit expansion, statutory unitization, and qualification of the expanded unit area for the recovered oil tax rate and certification of a positive production response pursuant to the "New Mexico Enhanced Oil Recovery Act", Lea County, New Mexico. Applicant seeks an order expanding the West Lovington Strawn Unit and unitizing all mineral interests in the designated and Undesignated West Lovington-Strawn Pool underlying the S/2 SE/4 of Section 28, all of Section 33, and the W/2 and W/2 SE/4 of Section 34, Township 15 South, Range 35 East; Lots 1 through 8 of Section 1, Township 16 South, Range 35 East; and Lots 3 through 5 of Section 6, Township 16 South, Range 36 East, comprising 1618.95 acres, more or less, of state, federal, and fee lands. Among the matters to be considered at the hearing, pursuant to the New Mexico Statutory Unitization Act, Sections 70-7-1 et. seq., will be: the necessity of unit operations; the determination of horizontal and vertical limits of the unit area; the determination of the fair, reasonable, and equitable allocation of production and costs of production, including capital investments, to each of the tracts in the unit area; the determination of credits and charges to be made among the various owners in the unit area for their investment in wells and equipment; and such other matters as may be necessary and appropriate. Applicant further seeks to qualify the expanded unit area for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5), and to certify two wells within the expanded unit area for a positive production response. Said unit is located approximately 4.5 miles west-northwest of Lovington, New Mexico.

CASE 11714: (Continued from February 20, 1997, Examiner Hearing.)

Application of Yates Petroleum Corporation for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests in all formations developed on 320-acre spacing underlying the S/2, in all formations developed on 160-acre spacing underlying the SE/4, in all formations developed on 80-acre spacing underlying the S/2 SE/4, and in all formations developed on 40-acre spacing underlying the SW/4 SE/4 from the surface to the base of the Morrow formation in Section 3, Township 24 South, Range 33 East. Said unit is to be dedicated to its Quest "AQS" State Well No. 1 which will be drilled as a wildcat well at a standard location 660 feet from the South line and 1980 feet from the East line (Unit O) of said Section 3. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 9 miles east of the intersection of Highway FAS 1271 with the Lea County/Eddy County line.

CASE 11744: **Application of Mewbourne Oil Company for compulsory pooling, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests from 3500 feet beneath the surface to the base of the Morrow formation, underlying the following described acreage in Section 34, Township 18 South, Range 28 East, and in the following manner: the S/2 of Section 34 to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within said vertical extent, including the Undesignated North Turkey Track-Atoka Gas Pool and the Undesignated North Turkey Track-Morrow Gas Pool; the SE/4 of Section 34 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent; and the SW/4 SE/4 of Section 34 to form a standard 40-acre oil spacing and proration unit for any formations and/or pools developed on 40-acre spacing within said vertical extent, including the Undesignated Palmillo-Bone Spring Pool. Said units are to be dedicated to its Scanlon Draw "34" State Com. Well No. 1, to be drilled at an orthodox location in said Section 34. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well, and a charge for risk involved in drilling said well. Said unit is located approximately 3 miles east-southeast of Old Illinois Camp.

CASE 11736: (Continued from February 20, 1997, Examiner Hearing.)

Application of John H. Hendrix Corporation for a non-standard gas proration unit and an unorthodox gas well location, Lea County, New Mexico. Applicant seeks approval of an unorthodox gas well location in the Eumont Gas Pool for its existing New Mexico "B" State Well No. 6 (API No. 30-025-33352) located 990 feet from the North line and 2310 feet from the East line (Unit B) of Section 29, Township 21 South, Range 36 East. Further, the applicant seeks to dedicate said well to a non-standard 40-acre gas spacing and proration unit comprising the NW/4 NE/4 of said Section 29, which is located approximately 7 miles west of Eunice, New Mexico.

CASE 11470: (Reopened)

Application of Pride Energy Company to reopen Energy Development Corporation's Case No. 11470 for salt water disposal and designation of a portion of the Menefee member of the Mesaverde formation as an "Exempted Aquifer", Sandoval County, New Mexico. Applicant, being the successor operator to Energy Development Corporation within the San Isidro (Shallow) Unit, seeks to reopen Case No. 11470 which was heard by the Division on March 21 and May 2, 1996, to present additional technical evidence in its application for authority to inject produced water into the Menefee interval through perforations from 2,438 feet to 2,624 feet in its existing San Isidro (Shallow) Unit Well No. 7-11, located 2074 feet from the South line and 1,650 feet from the West line (Unit K) of Section 7, Township 20 North, Range 2 West. Applicant also seeks to designate the Menefee interval underlying the W/2 E/2 and W/2 of Section 7 and the N/2 NW/4 of Section 18, Township 20 North, Range 2 West, and the E/2 E/2 of Section 12, Township 20 North, Range 3 West, as an "Exempted Aquifer" pursuant to Division Rule No. 701.E. and applicable Federal Underground Injection Control Program Rules and Regulations, as contained within the Code of Federal Regulations, 40 CFR Parts 145 and 146, thereby enabling the injection of produced water, for purpose of disposal, into said interval. Said area is located approximately 8 miles southwest of Cuba, New Mexico.

CASE 11728: (Continued from February 20, 1997, Examiner Hearing.)

Application of Thompson Engineering & Production Company for an unorthodox coal gas well location, San Juan County, New Mexico. Applicant seeks authorization to drill its Steward Com Well No. 1 at an unorthodox "off pattern" coal gas well location in the Basin Fruitland Coal (Gas) Pool 790 feet from the South and East lines (Unit P) of Section 28, Township 32 North, Range 13 West. The E/2 of said Section 28 is to be dedicated to said well forming a standard 320-acre spacing and proration unit. Said unit is located approximately 3 miles north of La Plata, New Mexico.

CASE 11726: (Continued from February 20, 1997, Examiner Hearing.)

Application of ARCO Permian, a unit of Atlantic Richfield for compulsory pooling, directional drilling and unorthodox well locations, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests in all formations developed on 320-acre spacing underlying the S/2, in all formations developed on 160-acre spacing underlying the SW/4, in all formations developed on 80-acre spacing underlying the S/2 SW/4, and in all formations developed on 40-acre spacing underlying the SE/4 SW/4, from below 3300 feet to the base of the Upper Mississippian formation, of Section 8, Township 18 South, Range 28 East. Said units are to be dedicated to its Mimosa 8 State Com Well No. 1 which will be directionally drilled from an unorthodox surface location 350 feet from the South line and 2003 feet from the West line (Unit N) to an unorthodox bottomhole location in the Mississippian and Morrow formations, within 55 feet of a point 404 feet from the South line and 1749 feet from the West line of said Section 36. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 14 miles southeast of Artesia, New Mexico.