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*Case 12904*

July 1, 2002

Hand Delivered

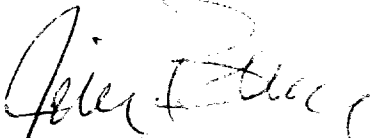
Florene Davidson  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed are an original and one copy of an application for approval of a pilot pressure maintenance project, together with a proposed advertisement, filed on behalf of Arch Petroleum Inc. Please set this matter for the November 1, 2001 Examiner hearing.

The advertisement is also on the enclosed disk under "ARCH."

Very truly yours,



James Bruce

Attorney for Arch Petroleum Inc.

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EXHIBIT A

Apache Corporation  
Suite 100  
2000 Post Oak Boulevard  
Houston, Texas 77056

Audrey M. Baker  
809 Lawson  
Midland, Texas 79701

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF ARCH PETROLEUM  
INC. FOR COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO.

No. 12904

APPLICATION

Arch Petroleum Inc. applies for an order pooling all mineral leasehold interests from the surface to the base of the Teague (Simpson) Pool underlying the NW $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 27, Township 23 South, Range 37 East, N.M.P.M., Lea County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the NW $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 27, and has the right to drill a well thereon.

2. Applicant proposes to drill its E.C. Hill "C" Well No. 3, at an orthodox oil well location, to a depth sufficient to test the McKee formation, and seeks to dedicate the NW $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 27 to the well to form a standard 40 acre oil spacing and proration unit for any formations and/or pools developed on 40 acre spacing within that vertical extent, including the Teague (Simpson) Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral leasehold interest owners in the NW $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 27 for the purposes set forth herein.

4. Although applicant attempted to obtain voluntary agreements from all mineral leasehold interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral leasehold interest

owners in the NW¼SW¼ of Section 27, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral leasehold interests underlying the NW¼SW¼ of Section 27 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

**WHEREFORE**, Applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral leasehold interests in the NW¼SW¼ of Section 27, from the surface to the base of the Teague (Simpson) Pool;
- B. Designating applicant as operator of the well;
- C. Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;
- D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting said rates pursuant to the COPAS accounting procedure; and
- E. Setting a penalty for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,



James Bruce  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
(505) 982-2043

Attorney for Arch Petroleum Inc.

PROPOSED ADVERTISEMENT

Case 12904: Application of Arch Petroleum Inc. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Teague (Simpson) Pool underlying the NW $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 27, Township 23 South, Range 37 East, NMPM, to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within that vertical extent, including but not limited to the Teague (Simpson) Pool. The unit is to be dedicated to applicant's E.C. Hill "C" Well No. 3, to be drilled at an orthodox location in the NW $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 27. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for the risk involved in drilling and completing the well. The unit is located approximately 11 $\frac{1}{2}$  miles south of Eunice, New Mexico.

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