



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Arch Petroleum, Inc.

c/o **James Bruce**

P. O. Box 1056

Santa Fe, New Mexico 87504

August 13, 2004

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

REINSTATEMENT of Division Administrative Order NSP-928 (L) (SD)

Dear Mr. Bruce:

Reference is made to the following: (i) your application on behalf of the operator, Arch Petroleum, Inc. ("Arch"), initially submitted to the New Mexico Oil Conservation Division ("Division") on April 30, 2004 (*administrative application reference No. pSEM0-412431231*); (ii) the Division's response by letter dated June 16, 2004 from Mr. Michael E. Stogner, Hearing Officer/Engineer in Santa Fe, requesting that notification as required be furnished; (iii) your reply by letter dated June 24, 2004 with the necessary supplemental information to complete the application; and (iv) the Division's records in Santa Fe: all concerning Arch's request for exceptions to Rules 2 (A), 3 (A) (2), and 3 (C) of the "*Special Pool Rules for the Jalmat Gas Pool*," as promulgated by Division Order No. R-8170-P, issued in Case No. 12563 on December 14, 2001 and to reinstate a previously approved non-standard 332.64-acre gas spacing unit in the Jalmat Gas Pool (79240) comprising Lots 1 through 4 and the S/2 N/2 (N/2 equivalent) of Section 2, Township 23 South, Range 36 East, NMPM, Lea County, New Mexico.

Your application has been duly filed under the provisions of the "*Special Pool Rules for the Jalmat Gas Pool*," as promulgated by Division Order No. R-8170-P, issued in Case No. 12563 on December 14, 2001, and Division Memorandum of Interpretation dated June 8, 2004.

From the Division's records and from the information provided in your application, it is understood that by Division Administrative Order NSP-928, dated September 10, 1973, this 332.64-acre non-standard gas spacing unit was initially established for Jalmat gas production from Gulf Oil Company's J. F. Janda (NCT-1) Wells: (i) No. 1 (API No. 30-025-09210) located at a standard gas well location 1650 feet from the North line and 990 feet from the East line (Unit H) of Section 2; and (ii) Well No. 2 (API No. 30-025-09211), located at a standard gas well location 990 feet from the North and West lines (Lot 4/Unit D) of Section 2. This unit and the provisions of the order terminated when the last Jalmat gas well on the unit, the J. F. Janda (NCT-1) Well No. 2 operated by Chevron U.S.A., Inc.'s ceased producing in September, 1987.

It is the Division's understanding that Arch now intends to reintroduce Jalmat gas production within the N/2 equivalent of Section 2 with the two following-described replacement wells recently drilled at unorthodox gas well locations:

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(1) J. F. Janda (NCT-1) Well No. 11 (API No. 30-025-36396), spud on January 24, 2004 and located 560 feet from the North line and 2310 feet from the East line (Lot 2/Unit B) of Section 2; and

(2) J. F. Janda (NCT-1) Well No. 12 (API No. 30-025-36406), spud on January 30, 2004 and located 1890 feet from the North line and 1650 feet from the West line (Unit F) of Section 2.

By the authority granted me under the provisions of Rules 4 (C) and (D) of the special rules now governing the Jalmat Gas Pool, the subject 332.64-acre non-standard Jalmat gas spacing unit comprising Lots 1 through 4 and the S/2 N/2 (N/2 equivalent) of Section 2 is hereby restored, and Division Administrative Order NSP-928, September 10, 1973, shall be reinstated and the applicable provisions set forth shall be reestablished as to its initial extent and not in conflict with this order.

Further, by the authority granted me under the provisions of Rules 4 (A), (B), and (D) of the special rules governing the Jalmat Gas Pool: (i) the two above-described unorthodox Jalmat gas well locations for Arch's J. F. Janda (NCT-1) Wells No. 11 and 12 are hereby approved; and (ii) Arch is authorized to simultaneously dedicate Jalmat gas production to this 332.64-acre non-standard gas spacing unit from the two aforementioned wells.

Jurisdiction of this matter shall be further retained for the entry of any such subsequent orders, as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/mes

cc: New Mexico Oil Conservation Division – Hobbs
New Mexico State Land Office – Santa Fe
File: NSP-928
NSP-505
NSP-506