

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR

[D] Other: Specify _____

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

- [A] Working, Royalty or Overriding Royalty Interest Owners
 [B] Offset Operators, Leaseholders or Surface Owner
 [C] Application is One Which Requires Published Legal Notice
 [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
 [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
 [F] Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

James Bruce
 Print or Type Name

James Bruce
 Signature

Attorney for Applicant 7/6/04
 Title Date

jamesbruc@aol.com
 e-mail Address

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July 6, 2004

Michael E. Stogner
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

37240

Dear Mr. Stogner:

Pursuant to Rule 104.F.(2), Arch Petroleum Inc. applies for approval of an unorthodox oil well location for the following well:

Well: Kelly State Well No. 5
Location: 1310 feet FSL & 1310 feet FWL
Well Unit: SW $\frac{1}{4}$ SW $\frac{1}{4}$ S16, Township 24 South, Range 37 East, NMPM, Lea County, New Mexico

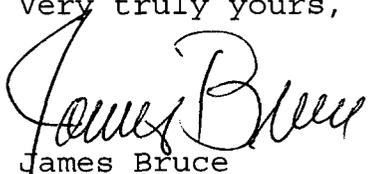
The well will be drilled to a depth sufficient to test the Langlie-Mattix Pool, which is spaced on 40 acres under regulations of the Division, with wells to be no closer than 330 feet to a quarter-quarter section line. A Form C-102 is being prepared and will be submitted separately.

The well's location is based on drainage factors. The Kelly State Well Nos. 1-4 were drilled in the late 1950s and completed in the Langlie-Mattix Pool. Those wells are located in the center of the quarter-quarter sections in the SW $\frac{1}{4}$ of Section 16. Applicant believes that the proposed location in the center of the existing wells will allow it to recover remaining reserves.

State Lease E-4958-1 covers the entire SW $\frac{1}{4}$ of Section 16, and leasehold ownership (royalty, working, and overriding royalty interests) is common as to all depths above 3800 feet subsurface (the Langlie-Mattix Pool is above 3800 feet). The well's location is internal to the lease, so there is no adversely affected interest owner. As a result, notice was not given to any offset interest owner.

Please call me if you need anything further regarding this matter.

Very truly yours,

A handwritten signature in cursive script that reads "James Bruce". The signature is written in black ink and is positioned above the printed name.

James Bruce

Attorney for Arch Petroleum Inc.