



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

August 17, 2000

Lori Wrotenbery
Director
Oil Conservation Division

Arch Petroleum, Inc.
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87504

Telefax No. (505) 982-2151

Administrative Order NSL-4419-A

Dear Mr. Bruce:

Reference is made to the following: (i) your application dated August 15, 2000; and (ii) the records of the New Mexico Oil Conservation Division ("Division"), including the file on Administrative Order NSL-4419, as amended: all concerning Arch Petroleum, Inc.'s request for an unorthodox oil well location in the Undesignated Central Justis-Abo Pool for the existing Learcy McBuffington Well No. 13-Y (API No. 30-025-35004) at an unorthodox oil well location 630 feet from the South line and 2490 feet from the East line (Unit O) of Section 13, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico. The SW/4 SE/4 of Section 13 is to be dedicated to this well in order to form a standard 40-acre oil spacing and proration unit for this pool.

Amended Division Administrative Order NSL-4419, dated April 12, 2000, authorized Arch Petroleum, Inc. to complete the above-described well within the Justis-Montoya Pool at an unorthodox oil well location within a standard 40-acre oil spacing and proration unit comprising the SW/4 SE/4 of Section 13. It is our understanding that Arch Petroleum, Inc. intends to perforate the shallower Abo interval in an attempt to establish oil production and then plans to proceed to downhole commingle production from both pools.

The location of this well within the Undesignated Central Justis-Abo Pool is also considered to be unorthodox, pursuant to Rule 104.B, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

This application has been duly filed under the provisions of Division Rule 104.F, as revised.

Further, it is our understanding that the Abo formation underlying the S/2 of Section 13 is within a single fee lease in which Arch is the leasehold operator; therefore, there are no effected offsets to the subject 40-acre tract other than Arch.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox oil well location for the Learcy McBuffington Well No. 13-Y within the Undesignated Central Justis-Abo Pool is hereby approved.

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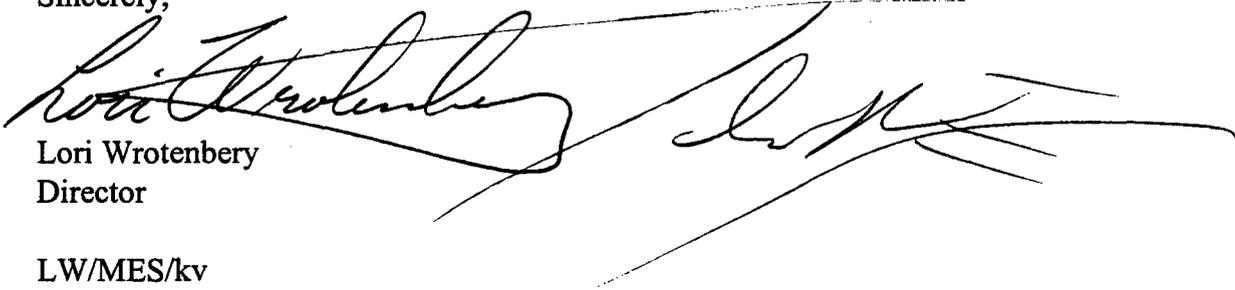
Arch Petroleum Inc.

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Further all provisions of Amended Division Order NSL-4419 shall remain in full force and affect until further notice.

Sincerely,

A handwritten signature in black ink, appearing to read "Lori Wrotenbery", is written over a horizontal line. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
File: NSL-4419