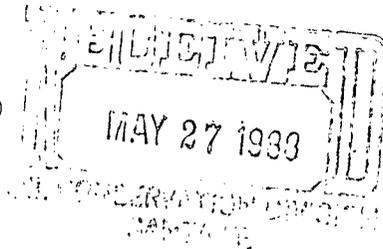


ARCO Oil and Gas Company
Central District
Post Office Box 1610
Midland, Texas 79702
Telephone 915 688 5200



May 23, 1988

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87501-2088

Attention: Mr. Michael Stogner

RE: Application for Non-Standard Proration Unit
McDonald State WN #31
Jalmat Gas Pool

Dear Mr. Stogner:

Per your request in our telephone conversation on May 20, 1988, I have attached the return receipts from the offset operators who received a copy of our application for a non-standard proration unit for our McDonald State WN #31. You also asked if ARCO has documentation of the simultaneous dedication of Section 14 T22S R36E as a 640 acre proration unit for the McDonald State WN wells Nos. 11, 27 and 28. I have attached a letter from Joe D. Ramey of the Oil Conservation Commission dated June 18, 1976 which granted administrative approval for this proration unit. This is the only reference to this matter that we could find in our files.

Please let me know if there is any additional information that we can provide to expedite approval of ARCO's request for formation of a 160 acre non-standard proration unit for our McDonald State WN #31 and formation of a 480 acre marginal multi-well unit for the McDonald State WN well Nos. 11, 27 and 28.

Sincerely,

D. J. Hartman
Area Engineer

DJH:jee



DIRECTOR
JOE D. RAMEY

OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 · SANTA FE
87501

LAND COMMISSIONER
PHIL R. LUCERO



STATE GEOLOGIST
EMERY C. ARNOLD

June 18, 1976

Atlantic Richfield Company
P. O. Box 1610
Midland, Texas 79701

Attention: Mr. Jerry L. Tweed

Gentlemen:

Administrative approval is hereby granted to dedicate Section 14, Township 22 South, Range 36 East, Lea County, New Mexico, a 640-acre proration unit in the Jalmat Gas Pool, to your McDonald State WN Wells Nos. 11, 27, and 28.

McDonald State Well No. 28 is to be drilled 2310 feet from the North line and 2310 feet from the West line of said Section 14.

Very truly yours,

Joe D. Ramey
JOE D. RAMEY,
Secretary-Director

JDR/JEK/dr

cc: Jerry Sexton, Oil Conservation
Commission - Hobbs
Ms. Celia Roybal, OCC, Santa Fe
Well Files 11, 27, 28
Case File 5437

CENTRAL FILES COPY

Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address. Restricted Delivery *(Extra charge)†*

3. Article Addressed to:

CONOCO, Inc.
P. O. Box 460
Hobbs, NM 88240

4. Article Number
P 699 088 848

Type of Service:
 Registered Insured
 Certified COD
 Express Mail

8. Addressee's Address **ONLY if requested and fee paid!**
Always obtain signature of addressee or agent and **DATE DELIVERED.**

6. Signature - Agent
X *[Signature]*

7. Date of Delivery
5-2-88

PS Form 3811, Mar. 1987 * U.S.G.P.O. 1987-178-268 **DOMESTIC RETURN RECEIPT**

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.

Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address. Restricted Delivery *(Extra charge)†*

3. Article Addressed to:

Doyle Hartman
P. O. Box 10426
Midland, TX 79702

4. Article Number
P 699 088 849

Type of Service:
 Registered Insured
 Certified COD
 Express Mail

8. Addressee's Address **ONLY if requested and fee paid!**
Always obtain signature of addressee or agent and **DATE DELIVERED.**

6. Signature - Agent
X *[Signature]*

7. Date of Delivery
5-2-88

PS Form 3811, Mar. 1987 * U.S.G.P.O. 1987-178-268 **DOMESTIC RETURN RECEIPT**

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1. Show to whom delivered, date, and addressee's address. Restricted Delivery *(Extra charge)†*

3. Article Addressed to:

Sun Oil Company
P. O. Box 1861
Midland, TX 79702

4. Article Number
P699088846

Type of Service:
 Registered Insured
 Certified COD
 Express Mail

8. Addressee's Address **ONLY if requested and fee paid!**
Always obtain signature of addressee or agent and **DATE DELIVERED.**

6. Signature - Agent
X *[Signature]*

7. Date of Delivery
5-2-88

PS Form 3811, Mar. 1987 * U.S.G.P.O. 1987-178-268 **DOMESTIC RETURN RECEIPT**

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1. Show to whom delivered, date, and addressee's address. Restricted Delivery *(Extra charge)†*

3. Article Addressed to:

Marathon Oil Company
P. O. Box 562
Midland, TX 79702

4. Article Number
P 699 088 847

Type of Service:
 Registered Insured
 Certified COD
 Express Mail

8. Addressee's Address **ONLY if requested and fee paid!**
Always obtain signature of addressee or agent and **DATE DELIVERED.**

6. Signature - Agent
X *[Signature]*

7. Date of Delivery
5-2-88

PS Form 3811, Mar. 1987 * U.S.G.P.O. 1987-178-268 **DOMESTIC RETURN RECEIPT**

ARCO Oil and Gas Company
Central District
Post Office Box 1610
Midland, Texas 79702
Telephone 915 688 5200

R-601
558



April 21, 1988

MAY 2 1988

CONSERVATION DIVISION
SANTA FE

Mr. William J. LeMay
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87501

RE: Application for Non-Standard Proration Unit
McDonald State WN #31
NE/4 Sec. 14, T22S, R36E, Unit Letter A

Dear Mr. LeMay:

ARCO Oil and Gas Company respectfully requests administrative approval to form a 160 acre non-standard proration unit consisting of the northeast quarter of Section 14, T22S, R36E as per the requirements of Rule 104 D II. All of Section 14 (640 acres) is currently dedicated as a marginal multi-well unit to the McDonald State WN #11, 27, and 28. We ask that this multi-well unit be contracted to include 480 acres being the west half of Section 14 (320 acres) and the southeast quarter of Section 14 (160 acres). The attached Form C-102 identifies the proposed acreage dedication.

ARCO Oil and Gas believes approval of this request will be in the interest of conservation, will protect correlative rights, and will allow for a more complete recovery of Jalmat gas reserves from the subject acreage.

ARCO Oil and Gas Company plans to drill the McDonald State WN #31 in May, 1988, at a standard Jalmat gas well location, no closer than 660 feet from the lease line or 330 feet from the governmental quarter-quarter section line. Appropriate permit applications will be filed separately. ARCO is notifying the offset operators of this application by certified mail and is asking for a waiver of objection.

Thank you for your consideration.

Very truly yours,

D. J. Hartman
Area Engineer

DJH:CWE:jee

Mr. William J. LeMay
April 21, 1988
Page two

xc: New Mexico Oil Conservation Division
P. O. Box 1980
Hobbs, NM 88240

Sun Oil Company
P. O. Box 1861
Midland, TX 79702

Marathon Oil Company
P. O. Box 552
Midland, TX 79702

Conoco, Inc.
P. O. Box 460
Hobbs, NM 88240

Doyle Hartman
P. O. Box 10426
Midland, TX 79702

Waiver to Objection
Non-Standard Proration Unit Request
McDonald State WN #31 - ARCO Oil and Gas Company, Operator
Jalmat Gas Pool
NE/4 Sec. 14, T22S, R36E
Lea County, New Mexico

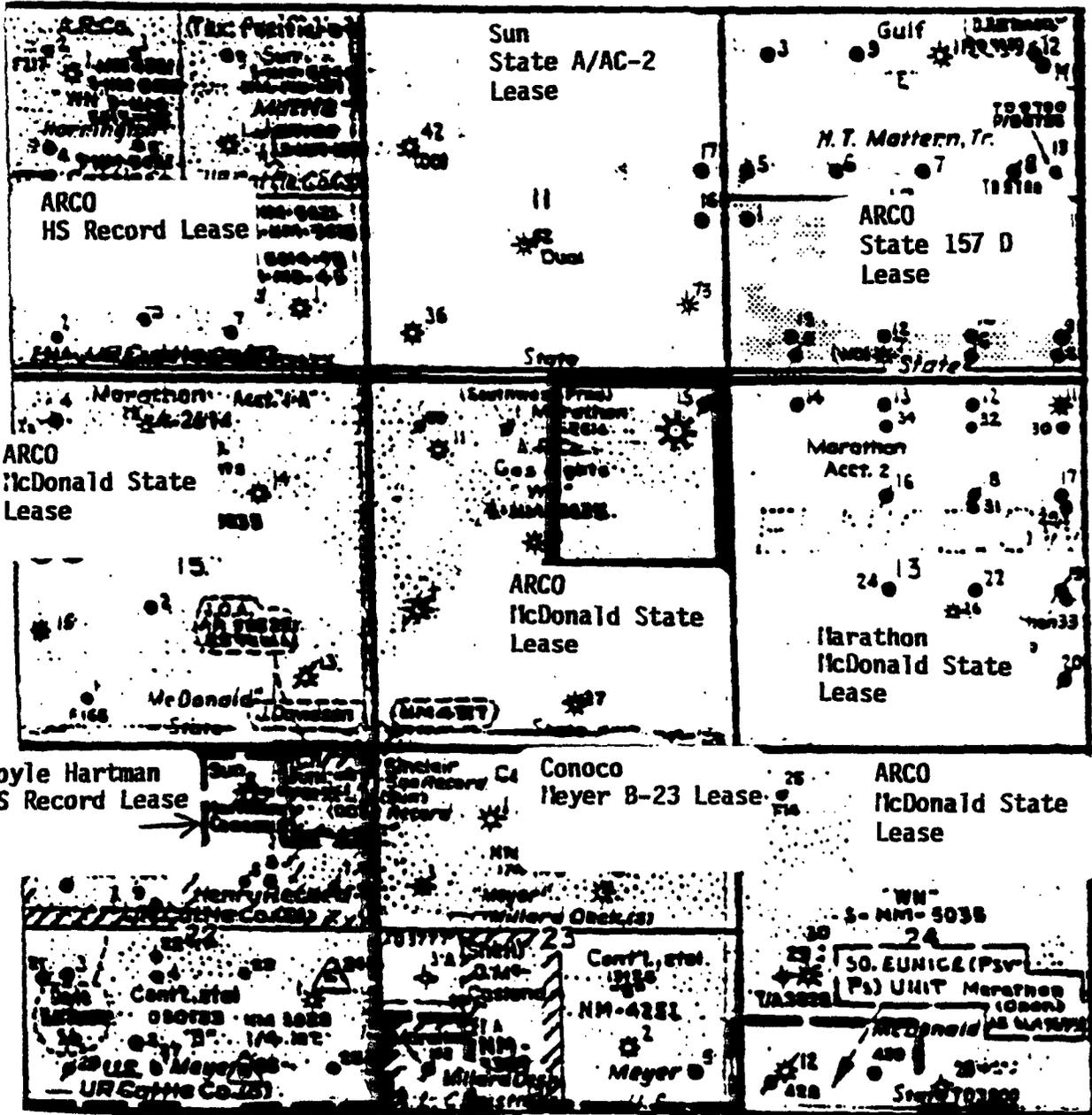
I/We do hereby waive any objection to ARCO Oil and Gas Company's request for NMOC approval of a 160-acre non-standard proration unit for the McDonald State WN #31, a proposed Jalmat gas producer.

Signed: _____

Company: _____

Date: _____

ARCO Oil & Gas Company
 McDonald State WN #31
 Application for Non-Standard Proration Unit
 NE/4 Sec 14, T22S, R36E (160 ac)
 Lea County, New Mexico



OIL CONSERVATION DIVISION

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-102
Revised 10-1-78

All distances must be from the outer boundaries of the Section.

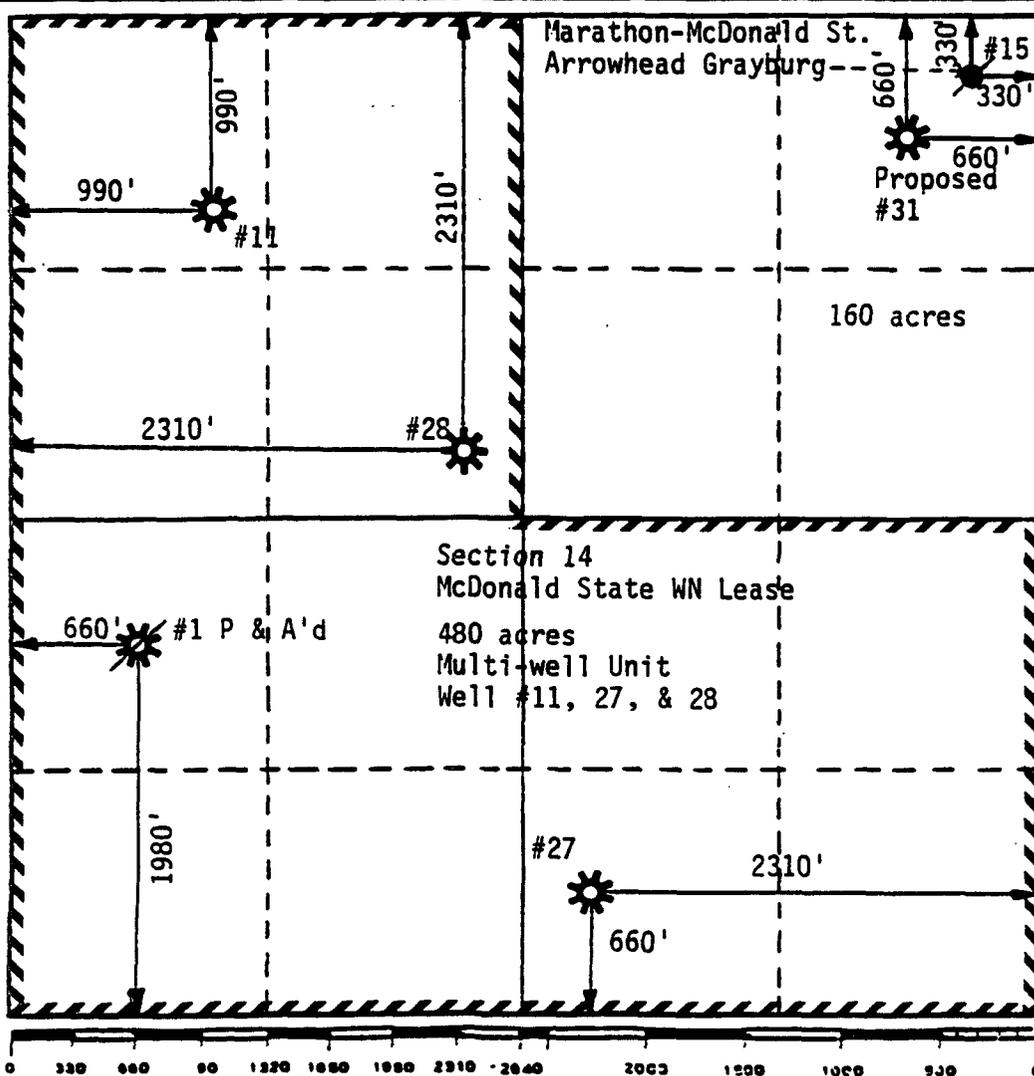
Operator ARCO Oil and Gas Company		Lease McDonald State WN			Well No. 27, 28
Unit Letter D, F, O	Section 14	Township 22S	Range 36E	County Lea	
Actual Footage Location of Wells: #11: 990' FNL & 990' FWL; #27: 660' FSL & 2310' FEL; #28: 2310' FNL & 2310' FWL					
Ground Level Elev.		Producing Formation Yates/Seven Rivers	Pool Jalmat Gas	Dedicated Acreage 480 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Cindy W. Ellis

Name
Cindy W. Ellis

Position
Senior Engineer

Company
ARCO Oil and Gas Company

Date
April 21, 1988

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed

Registered Professional Engineer and/or Land Surveyor

Certificate No.

OIL CONSERVATION DIVISION

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-102
Revised 10-1-78

All distances must be from the outer boundaries of the Section.

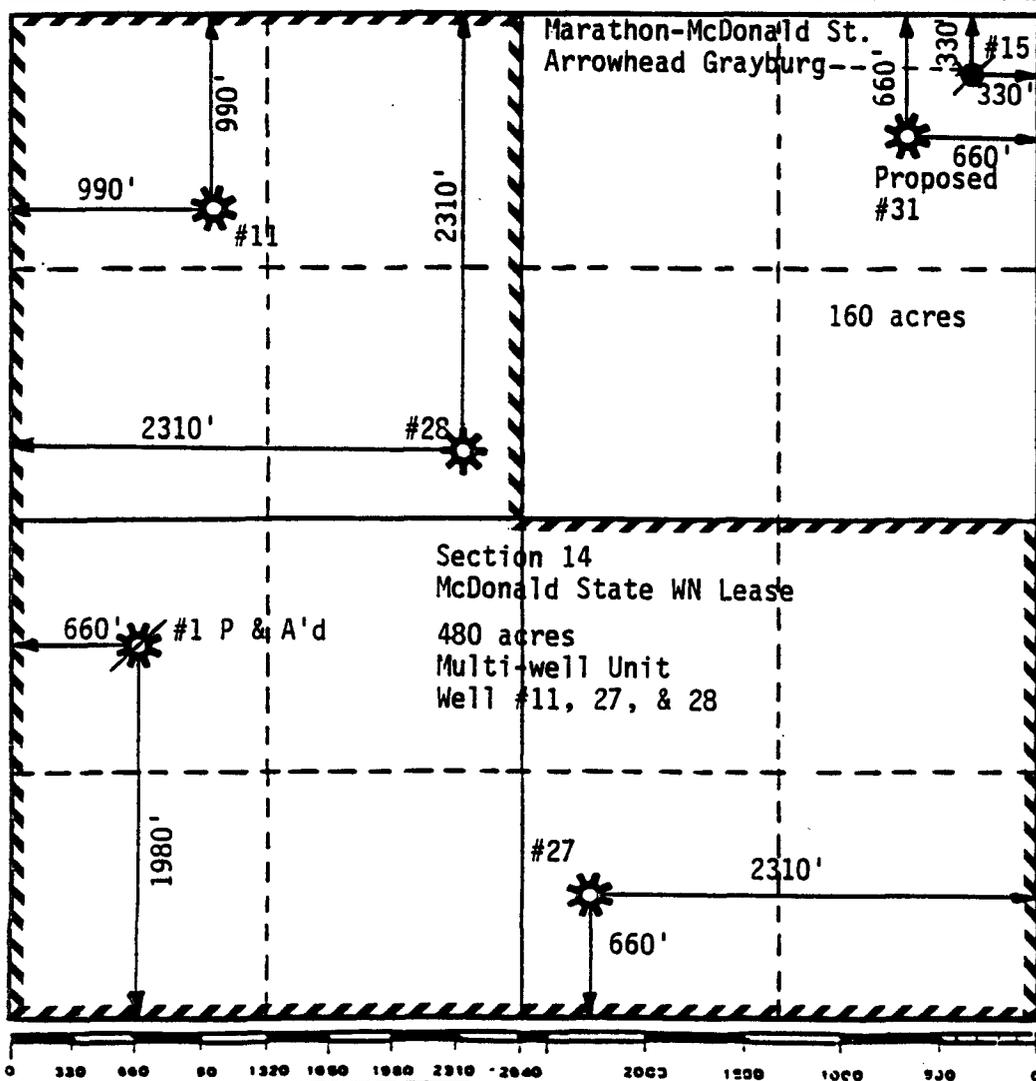
Operator ARCO Oil and Gas Company		Lease McDonald State WN		Well No. 11, 28
Unit Letter D, F, O	Section 14	Township 22S	Range 36E	County Lea
Actual Footage Location of Wells: #11: 990' FNL & 990' FWL; #27: 660' FSL & 2310' FEL; #28: 2310' FNL & 2310' FWL				
Ground Level Elev.		Producing Formation Yates/Seven Rivers	Pool Jalmat Gas	Dedicated Acreage 480 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Cindy W. Ellis

Name
Cindy W. Ellis
Position
Senior Engineer
Company
ARCO Oil and Gas Company

Date
April 21, 1988

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed
Registered Professional Engineer and/or Land Surveyor
Certificate No.

OIL CONSERVATION DIVISION

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-102
Revised 10-1-78

All distances must be from the outer boundaries of the Section.

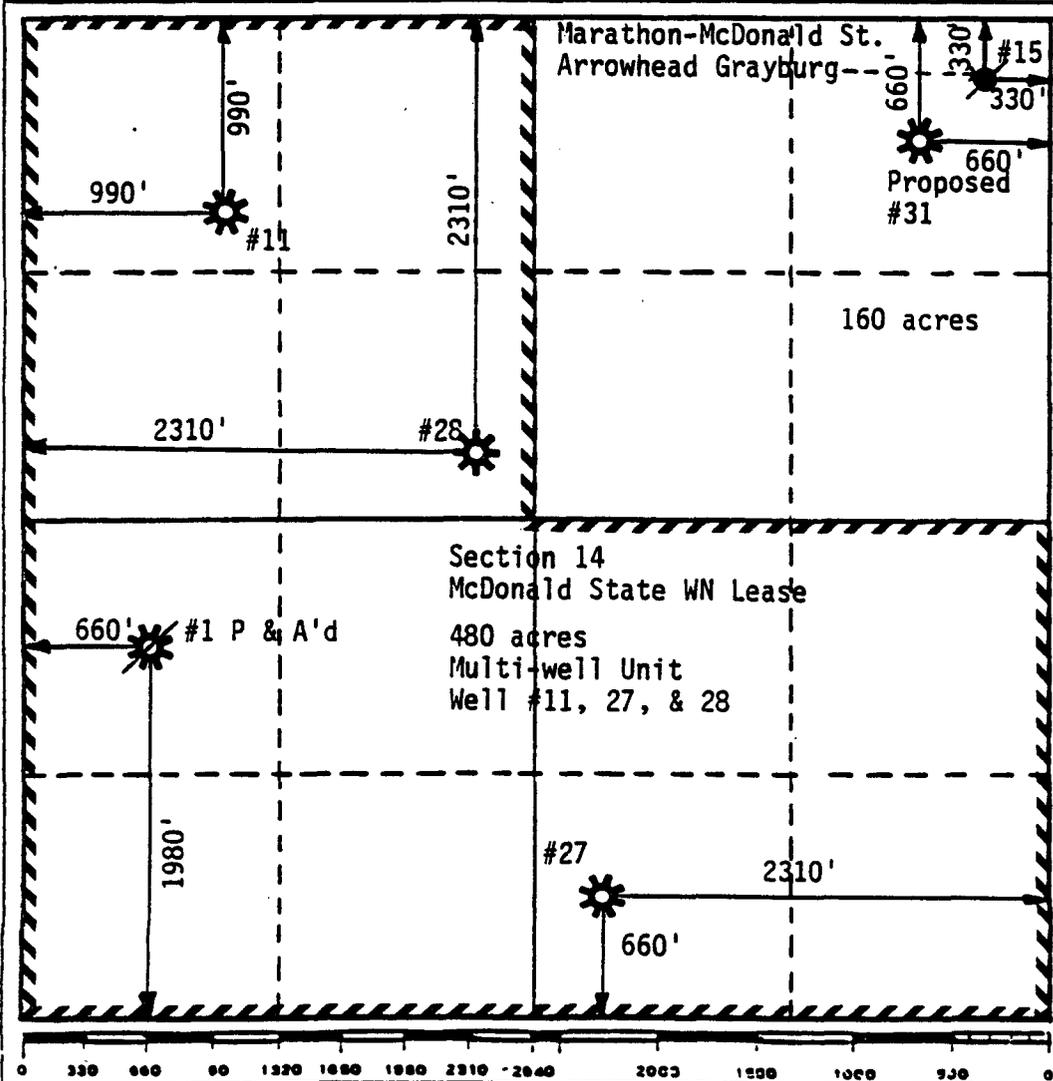
Operator ARCO Oil and Gas Company		Lease McDonald State WN		Well No. 11, 27, 28
Unit Letter D, F, O	Section 14	Township 22S	Range 36E	County Lea
Actual Postage Location of Wells: #11: 990' FNL & 990' FWL; #27: 660' FSL & 2310' FEL; #28: 2310' FNL & 2310' FWL				
Ground Level Elev.	Producing Formation Yates/Seven Rivers	Pool Jalmat Gas	Dedicated Acreage 480 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Cindy W. Ellis

Name Cindy W. Ellis
Position Senior Engineer
Company ARCO Oil and Gas Company
Date April 21, 1988

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed
Registered Professional Engineer and/or Land Surveyor
Certificate No.

OIL CONSERVATION DIVISION

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-102
Revised 10-1-78

All distances must be from the outer boundaries of the Section.

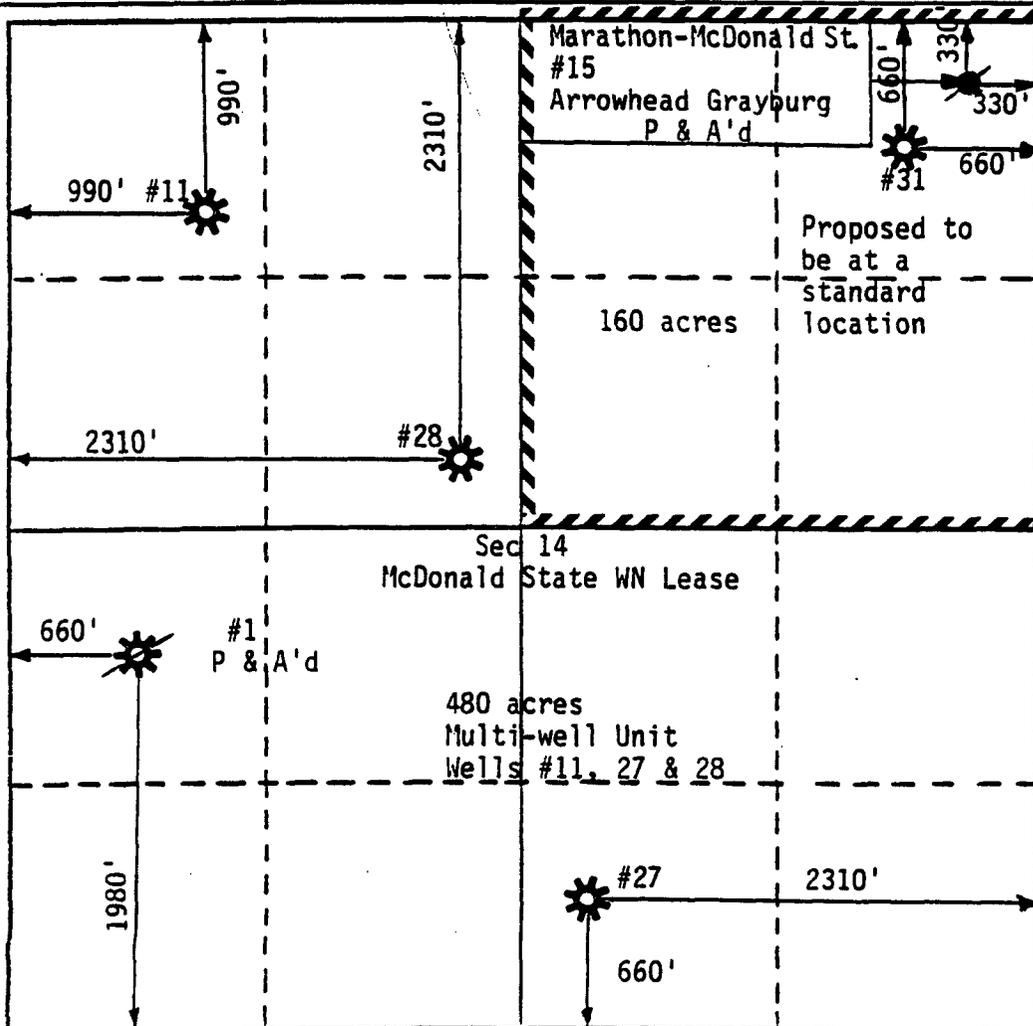
Operator ARCO Oil and Gas Company		Lease McDonald State WN			Well No. 31
Unit Letter A	Section 14	Township 22S	Range 36E	County Lea	
Actual Footage Location of Well: 660 feet from the north line and 660 feet from the east line					
Ground Level Elev. NA	Producing Formation Yates/Seven Rivers		Pool Jalmat Gas	Dedicated Acreage 160 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

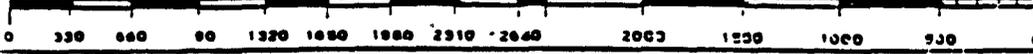
Yes No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.

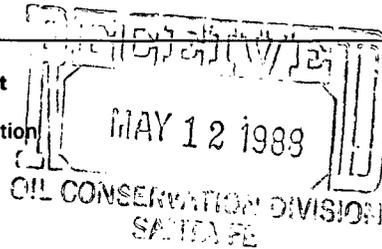


CERTIFICATION	
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.	
<i>Cindy W. Ellis</i>	
Name	Cindy W. Ellis
Position	Senior Engineer
Company	ARCO Oil and Gas Company
Date	April 21, 1988
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.	
Date Surveyed	
Registered Professional Engineer and/or Land Surveyor	
Certificate No.	





Production Department
Hobbs Division
North American Production



Conoco Inc.
P.O. Box 460
726 East Michigan
Hobbs, NM 88240
(505) 393-4141

May 9, 1988

New Mexico Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501

Attention William J. LeMay

Gentlemen:

Application for Non-Standard Proration Unit, McDonald State WN #31 - ARCO
Oil & Gas Company

Conoco Inc. has approved, as offset operator, ARCO's request for the subject well. One copy of our approval is attached for your file. One copy is being returned to ARCO.

Yours very truly,


H. A. Ingram
Conservation Coordinator

/tm

cc: ARCO Oil & Gas Company
P.O. Box 1610
Midland, TX 79702
Attention D. J. Hartman

Waiver to Objection
Non-Standard Proration Unit Request
McDonald State WN #31 - ARCO Oil and Gas Company, Operator
Jalmat Gas Pool
NE/4 Sec. 14, T22S, R36E
Lea County, New Mexico

I/We do hereby waive any objection to ARCO Oil and Gas Company's request for NMOCD approval of a 160-acre non-standard proration unit for the McDonald State WN #31, a proposed Jalmat gas producer.

Signed:



Company:

Conoco Inc.

Date:

May 9, 1988

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 5437
Order No. R-4984

APPLICATION OF ATLANTIC RICHFIELD
COMPANY FOR TWO UNORTHODOX WELL
LOCATIONS AND SIMULTANEOUS DEDICATION,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on March 5, 1975, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 11th day of March, 1975, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Atlantic Richfield Company, is the operator of two 320-acre non-standard gas proration units comprising the N/2 and S/2, respectively, of Section 14, Township 22 South, Range 36 East, NMPM, Jalmat Gas Pool, Lea County, New Mexico.

(3) That the applicant seeks to form a standard 640-acre gas proration unit consisting of All of said Section 14 and to dedicate, thereto, its McDonald State WN Well No. 11 and Well No. 27 located at unorthodox gas well locations in Units D and O, respectively, of said Section 14.

(4) That the applicant further seeks to produce the unit allowable from either of said McDonald State WN Wells Nos. 11 and 27 in any proportion.

Case No. 5437
Order No. R-4984

(5) That approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the Jalmat Gas Pool and will otherwise prevent waste and protect correlative rights.

(6) That the appropriate portion of Commission Order No. R-4716 and Order No. R-4795 should be superseded.

IT IS THEREFORE ORDERED:

(1) That the applicant, Atlantic Richfield Company, is hereby authorized two non-standard gas well locations for its McDonald State WN Wells Nos. 11 and 27 located, respectively, in Unit D and Unit O of Section 14, Township 22 South, Range 36 East, NMPM, Jalmat Gas Pool, Lea County, New Mexico.

(2) That effective at 7:00 a.m. April 1, 1975, the applicant is hereby authorized to simultaneously dedicate a standard 640-acre gas proration unit comprising all of said Section 14 to said McDonald State WN Wells Nos. 11 and 27 with unit production to be taken from said wells in any proportion.

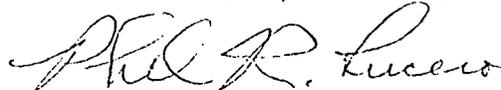
(3) That the portion of Commission Order No. R-4716 relating to the N/2 of Section 14, Township 22 South, Range 36 East, NMPM, Lea County, New Mexico, and Order No. R-4795 are hereby superseded.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

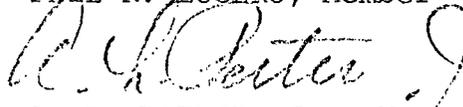
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

I. R. TRUJILLO, Chairman



PHIL R. LUCERO, Member



A. L. PORTER, Jr., Member & Secretary

S E A L

dr/