



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

May 28, 2004

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

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

Administrative Order NSP-1873 (L) (SD)

Dear Mr. Bruce:

Reference is made to the following: (i) your application on behalf of the operator, Arch Petroleum, Inc. ("Arch"), submitted to the New Mexico Oil Conservation Division ("Division") on April 30, 2004 (*administrative application reference No. pSEM0-412436293*); and (ii) the Division's records in Santa Fe: all concerning Arch's request for exceptions to Rules 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 for a non-standard 160-acre gas spacing unit [see Rule 2 (A)] comprising the following acreage within the Jalmat Gas Pool (79240):

LEA COUNTY, NEW MEXICO
TOWNSHIP 23 SOUTH, RANGE 37 EAST, NMPM
Section 28: NW/4.

Your application submitted on behalf of Arch has been duly filed under the provisions of the special rules governing the Jalmat Gas Pool

The proposed 160-acre unit is to be simultaneously dedicated to following two described existing Arch operated wells:

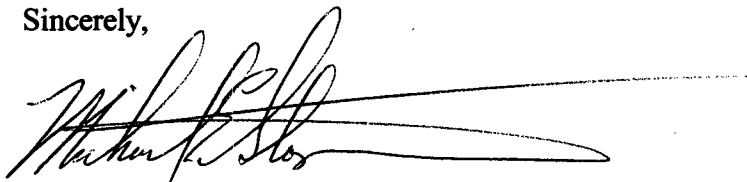
- (1) C. E. Lamunyon Well No. 32 (API No. 30-025-22472), located at a standard gas well location pursuant to Rule 3 (A) (2) of the special Jalmat pool rules 660 feet from the North line and 1980 feet from the West line (Unit C) of Section 28. This well was initially drilled in 1968 by Gulf Oil Corporation to a total depth of 6,308 feet and subsequently completed in the Teague-Paddock-Blinebry Pool (58300) at a standard oil well location with a standard 40-acre oil spacing and proration unit comprising the NE/4 NW/4 of Section 28. It is the Division's understanding that Arch recently recompleted this well up-hole into the Jalmat Gas Pool.

(2) C. E. Lamunyon Well No. 78 (API No. 30-025-36188), located at an unorthodox gas well 990 feet from the North line and 430 feet from the West line (Unit D) of Section 28. This well was initially drilled by Arch in April, 2003 to a total depth of 3,670 feet and subsequently completed in the Langlie-Mattix (Seven Rivers-Queen-Grayburg) Pool (37240) at a standard 40-acre oil spacing and proration unit comprising the NW/4 NW/4 of Section 28. It is the Division's understanding that Arch recently recompleted this well up-hole into the Jalmat Gas Pool. **PLEASE NOTE HOWEVER THAT IN THE FUTURE**, Arch, as a prudent operator, should take all necessary steps to locate wells at a location considered to be standard for all possible zones to be encountered and should be more cognizant of well location requirements for different producing horizons within the immediate area of operations.

By the authority granted me under the provisions of Rules 4 (A), (B), (C), and (D) of the special rules now governing the Jalmat Gas Pool, the above-described: (i) non-standard 160-acre Jalmat gas spacing unit; (ii) unorthodox Jalmat gas well location for Arch's C. E. Lamunyon Well No. 78; and (iii) simultaneous dedication of this 160-acre Jalmat unit to both Arch's C. E. Lamunyon Wells No. 32 and 78, are hereby approved.

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

Sincerely,



Michael E. Stogner
Engineer/Hearing Officer

MES/ms

cc: New Mexico Oil Conservation Division - Hobbs
U. S. Bureau of Land Management - Carlsbad
File: Division Case No. 13274
Division Case No. 13275