



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

June 16, 2000

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

Telefax No. (505) 982-2151

Administrative Order NSL-4471

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 June 5, 2000; and (ii) the Division's records in Santa Fe, including the files in Division Administrative Orders NSL-4449 and NSL-4467: all concerning Arch's request to drill its proposed C. E. Lamunyon Well No. 77 at an unorthodox oil well location within the Teague-Simpson Pool 1330 feet from the South line and 1650 feet from the West line (Unit K) of Section 22, Township 23 South, Range 37 East, NMPM, Lea County, New Mexico.

The NE/4 SW/4 of Section 22 is to be dedicated to this well in order to form a standard 40-acre oil spacing and proration unit.

This application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

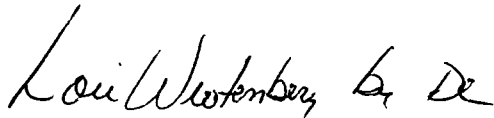
It is the Division's understanding that the NW/4 and the S/2 of Section 22 and the N/2 of Section 27, Township 23 South, Range 37 East, NMPM, Lea County, New Mexico is a single Federal lease (United States Government Lease No. LC-030187) in which Arch is the leasehold operator; therefore, there are no effected offsets to the subject 40-acre tract other than Arch. It is further understood that Arch is seeking this location exception based on geology and previous reservoir drainage.

The proposed C. E. Lamunyon Well No. 77 is at the optimum location to test for remaining oil reserves within the C. E. Lamunyon federal lease, and, if successful, will allow the operator to drain production from the lease that would not otherwise be drained, thereby preventing waste.

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By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox oil well location is hereby approved.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lori Wrotenbery".

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
U. S. Bureau of Land Management - Roswell
U. S. Bureau of Land Management - Carlsbad
File: NSL-4449
NSL-4467