



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

April 9, 2003

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-4855 (SD)

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*administrative application reference No. pKRV0-309853233*) dated April 7, 2003 on behalf of the operator Arch Petroleum, Inc. ("Arch"); (ii) your telephone conversation with Mr. Michael E. Stogner, Engineer/Chief Hearing Officer with the Division in Santa Fe, New Mexico on Tuesday afternoon, April 8, 2003; (iii) an earlier telephone conversation between someone representing Arch and Mr. Richard Ezeanyim, Chief Engineer with the Division in Santa Fe, requesting Arch be given special preferential consideration in this matter; and (vi) the Division's records in Santa Fe: all concerning Arch's request for an unorthodox infill oil well location within an existing standard 40-acre oil spacing and proration unit comprising the SW/4 SW/4 (Unit M) of Section 27, Township 23 South, Range 37 East, NMPM, Teague-Paddock Blinebry Pool (58300), Lea County, New Mexico.

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.

This 40-acre Paddock-Blinebry unit is currently dedicated to Arch's E. C. Hill "C" Well No. 1 (API No. 30-025-22547) located at a standard oil well location 660 feet from the South and West lines of Section 27.

It is our understanding that the 80-acre area comprising the E/2 SW/4 of Section 27 is a single fee lease with common mineral interests in which Arch is the leasehold operator; therefore, there are no adversely effected offsets to the subject 40-acre tract within the Paddock-Blinebry interval.

It is further understood that such unorthodox location is being sought in order to minimize drainage effects in that this location is approximately equidistance, more or less, to other offsetting Paddock-Blinebry oil producers within the lease and within the general area. The proposed infill oil well location should enable Arch to further develop and deplete the Paddock-Blinebry reserves within the E. C. Hill "C" fee lease that might not otherwise be recovered.

By the authority granted me under the provisions of Division Rule 104.F (2), the following

Administrative Order NSL-4855 (SD)

Arch Petroleum, Inc.

April 9, 2003

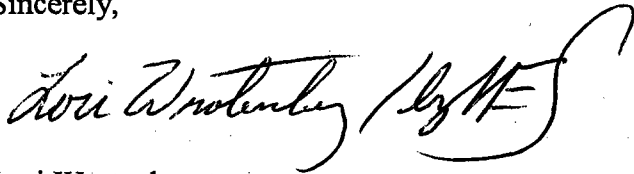
Page 2

described well to be drilled at an unorthodox "infill" oil well location within the SW/4 SW/4 (Unit M) of Section 27 is hereby approved:

**E. C. Hill "C" Well No. 4
1260' FSL & 990' FWL**

Further, both the existing E. C. Hill "C" Well No. 1 and the proposed E. C. Hill "C" Well No. 4 are to be simultaneously dedicated to the subject 40-acre unit.

Sincerely,

A handwritten signature in black ink, appearing to read "Lori Wrotenbery / by MES". The signature is fluid and cursive, with a large, stylized "S" at the end.

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs