



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

March 26, 2004

Joanna Prukop
Cabinet Secretary
Acting Director
Oil Conservation Division

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

Administrative Order NSL-5027

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*administrative application reference No. pMES0-408629982*) dated March 24, 2004 on behalf of the operator Arch Petroleum, Inc. ("Arch"); (ii) your telefax of March 25, 2004 with attachment containing supplemental data to support this application; and (iii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe: all concerning Arch's request for an unorthodox Devonian replacement oil well location within a former standard 40-acre oil spacing and proration unit in the Fowler-Devonian Pool (26030) comprising the SW/4 NE/4 (Unit G) of Section 16, Township 24 South, Range 37 East, NMPM, 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.

It is the Division's understanding that initial development of Devonian oil production within this 40-acre unit commenced in the 1958 when Gulf Oil Corporation ("Gulf") drilled and completed its J. R. Holt (NCT-A) Well No. 3 (API No. 30-025-11126) at a standard oil well location 1980 feet from the North and East lines of Section 16. Fowler-Devonian oil production ceased in August, 1977 when Gulf abandoned the Devonian interval within this wellbore and recompleted up-hole into the Fowler Upper-Yeso Pool (26680).

Further, the SW/4 NE/4 (Unit G), SE/4 SW/4 (Unit N), and W/2 SE/4 (Units J and O) of Section 16 is a single fee lease with common ownership in which Arch is the leasehold operator.

It is further understood that such unorthodox location is necessitated for geologic and engineering reasons. This replacement well at the proposed unorthodox oil well location will enable Arch to further develop and deplete the Devonian reserves within this fee lease that might not otherwise be recovered.

By the authority granted me under the provisions of Division Rule 104.F (2), the following described well to be drilled at an unorthodox oil well location within this former 40-acre Fowler-Devonian oil spacing and proration unit is hereby approved:

**J. R. Holt (NCT-A) Well No. 6
2530' FNL & 1980' FEL.**

Sincerely,

Michael E. Stogner
Engineer/Hearing Officer

MES/ms

cc: New Mexico Oil Conservation Division - Hobbs