



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
BETTY RIVERA
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

May 22, 2002

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

Telefax No. (505) 982-2151

Administrative Order NSL-4735

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 May 3, 2002 (*application reference No. PKRV0-213540038*); and (ii) the Division's records in Santa Fe: all concerning Arch's request to drill its proposed C. E. Lamunyon Well No. 81 at an unorthodox oil well location within the Teague-Simpson Pool (**58900**) 330 feet from the North line and 150 feet from the West line (Unit D) of Section 27, Township 23 South, Range 37 East, NMPM, Lea County, New Mexico.

The NW/4 NW/4 of Section 27 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 N/2 of Section 27 and the N/2 of Section 28, Township 23 South, Range 37 East, NMPM, Lea County, New Mexico, among other acreage, is included within 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 the proposed location is of equidistance between two previously producing Teague-Simpson oil wells: (i) Arch's C. E. Lamunyon Well No. 7 (**API No. 30-025-10828**) in the SW/4 SW/4 (Unit M) of Section 22, Township 23 South, Range 37 East, NMPM, Lea County, New Mexico, which was located at a standard oil well location 660 feet from the South and West lines (Unit M) of Section 22; and (ii) the plugged and abandoned Gulf Oil Corporation's C. E. Lamunyon Well No. 6, located at a standard oil well location within the NE/4 NE/4 (Unit A) of Section 28, 767 feet from the North line and 554 feet from the East line (Unit A) of Section 28.

Arch's proposed C. E. Lamunyon Well No. 81 will be at the optimum location to test for remaining oil reserves between these two previous Teague-Simpson producing wells, and, if

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successful, will allow the operator to drain production from the lease that would not otherwise be drained, thereby preventing waste.

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", followed by a large, stylized flourish or mark.

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
U. S. Bureau of Land Management - Carlsbad