

ARCO will need 2 strategically spaced wells in each 40-acre tract to recover 50 MBO per well in the Artesia (Q-G-SA) Field. The Glorieta-Yeso pay, with about 35 MBO per 20-acre location, is marginally economic, but only if completion cost is minimized. With current technology, the drainage radius for San Andres or Yeso completions is 10 acres or less, so we do not expect to be affecting any offset owner's correlative rights with these unorthodox recompletions.

Production Planning:

We plan to soon apply to vertically expand the Artesia (Q-G-SA) Field to include the Yeso, and thus enable co-mingling Yeso with San Andres to keep the wells economic, as was done at Grayburg-Jackson Field by Marbob.

Conclusion

ARCO respectfully requests approval to recomplete this well to the Glorieta-Yeso pay. Offset operators of San Andres and Yeso rights have been notified.