



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

May 25, 1999

ARCO Permian
P. O. Box 1610
Midland, Texas 79702-1610
Attention: Elizabeth A. Casbeer

RECEIVED
MAY 1999
OCD - ARTESIA

Administrative Order NSL-4060-A

Dear Ms. Casbeer:

Reference is made to: (i) your applications dated August 20, 1998 for several unorthodox oil well locations in the Glorieta and Yeso formations within ARCO Permian's ("ARCO") Washington "33" State Lease located within Section 33, Township 17 South, Range 28 East, NMPM, Eddy County, New Mexico; (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe including the files on Division Administrative Orders NSL-915-A, NSL-915-B(1), NSL-4003-A, and NSL-4060; and (iii) correspondence from Mr. David Percy with ARCO in Midland dated July 30, 1998.

The Division Director Finds That:

- (1) ARCO is the owner and operator the Washington "33" State Lease, which comprises the following described 600 acres, more or less, that comprise a portion of New Mexico State Land Office lease No. X-00647:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
Section 33: NE/4, NE/4 NW/4, S/2 NW/4, and S/2;

- (2) Both the Glorieta and Yeso formations underlying this area are subject to the statewide rules for oil wells, as set forth Division Rule 104.B(1)(b), which provides for 40-acre oil spacing and proration units, or drilling units, and requires that wells be located no closer than 330 feet to the outer boundary of such a unit;
- (3) All mineral interests are common throughout this lease;
- (4) These applications have been duly filed under the provisions of Division Rule 104.F;
- (5) Approval of the above referenced applications is in the best interest of conservation, will serve to prevent waste, protects correlative rights, exhibits sound engineering principles, and will allow ARCO to simultaneously develop both the oil bearing Glorieta and Yeso formations while developing the Artesia-Queen-Grayburg-San Andres Pool (see Division Administrative Order NSL-4060, dated June 19, 1998), thereby resulting in the recovery of additional reserves that might not otherwise be produced; and.

- (6) A procedure that allows ARCO to include additional Glorieta and/or Yeso oil wells as needed within its Washington "33" State lease at locations that are unorthodox based on the well location requirements of Division Rule 104.B(1)(b) without any further administrative review by the Director should be adopted, provided that any such unorthodox location within the Washington "33" State Lease is no closer than the required minimum orthodox distance (330 feet) to the outer boundary of the lease nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

It Is Therefore Ordered That:

(1) By the authority granted me under the provisions of Division Rule 104 F(2), ARCO Permian ("ARCO") is hereby authorized to complete the following four wells at unorthodox oil well locations within the Glorieta and/or Yeso formations within its Washington "33" State Lease in Section 33, Township 17 South, Range 28 East, NMPM, Eddy County, New Mexico:

<i>Well Name and No.</i>	<i>API Number</i>	<i>Footage Location</i>	<i>Unit</i>	<i>Dedicated 40-Acre Tract</i>
<i>Washington "33" State Well No. 16</i>	<i>30-015-22415</i>	<i>1500' FSL - 700' FEL</i>	<i>I</i>	<i>NE/4 SE/4</i>
<i>Washington "33" State Well No. 17</i>	<i>30-015-22821</i>	<i>1900' FSL & 1450' FEL</i>	<i>J</i>	<i>NW/4 SE/4</i>
<i>Washington "33" State Well No. 27</i>	<i>30-015-22605</i>	<i>815' FSL & 2525' FEL</i>	<i>O</i>	<i>SW/4 SE/4</i>
<i>Washington "33" State Well No. 30</i>	<i>30-015-22465</i>	<i>750' FSL & 1150' FEL</i>	<i>P</i>	<i>SE/4 SE/4</i>

It Is Further Ordered That:

(2) Within the following described 600 acres, known as the Washington "33" State Lease, ARCO is hereby authorized to recomplete existing wells and drill new wells into the Glorieta and/or Yeso formations that are unorthodox based on the well location requirements of Division Rule 104.B(1)(b), provided however that any such unorthodox location is no closer than the required minimum orthodox distance (330 feet) to the outer boundary of the Washington "33" Lease nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary:

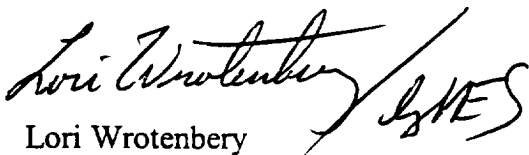
TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
Section 33: NE/4, NE/4 NW/4, S/2 NW/4, and S/2.

- (3) Any unorthodox location authorized by Ordering Paragraph (2) shall require the

submission of a Division Form C-102, in accordance with Division Rules 1101 and 1102, and the approval of the Supervisor of the Division's District Office in Artesia. The Form C-102 for any such well shall include the following additional information: (i) the boundary of the Washington "33" State Lease must be outlined; (ii) the designated 40 acres to be dedicated to the well is to be highlighted or outlined; (iii) all other wells within the Glorieta and/or Yeso formations that are dedicated to this 40-acre tract are to be identified and described; and, (iv) this administrative order (NSL-4060-A) must be referenced.

(4) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lori Wrotenbery", followed by a large, stylized flourish or set of initials.

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia /
New Mexico State Land Office - Santa Fe
Dave Percy, ARCO - Midland, Texas
William F. Carr, Legal Counsel for ARCO - Santa Fe
File: NSL-4060
NSL-915-A
NSL-915-B(1)
NSL-4003-A