



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

June 19, 1998

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

Administrative Order NSL-4060

Dear Ms. Casbeer:

Reference is made to: (i) your applications dated April 29, May 12, May 20, June 3, and June 16, 1998 for several unorthodox oil well locations in the Artesia-Queen-Grayburg-San Andres Pool within ARCO Permian's ("ARCO") Washington "33" State Lease in Section 33, Township 17 South, Range 28 East, NMPM, Eddy County, New Mexico; (ii) the records of the Division in Santa Fe including the files on Division Administrative Orders NSL-915-A, NSL-915-B, NSL-4003, NSL-4007, NSL-4035, and NSL-4036; and (iii) a telephone conversation between David Percy with ARCO in Midland and Mr. Michael E. Stogner, Engineer with the New Mexico Oil Conservation Division ("Division") on Monday, June 18, 1998.

The Division Director Finds That:

- (1) ARCO is the owner and operator of 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) The Artesia-Queen-Grayburg-San Andres Pool underlying this area is subject to the statewide rules for oil wells, as set forth in Division Rule 104.C(1), 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) The application has 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 develop the Artesia-Queen-Grayburg-San Andres Pool with infill wells in order to recover additional reserves that might not otherwise be produced; and
- (6) A procedure that allows ARCO to include additional Artesia-Queen-Grayburg-San Andres oil wells as needed within its Washington "33" State at locations that are unorthodox under Division Rule 104.C(1)(a) without 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 recompleat five existing wells and drill two additional wells at unorthodox oil well locations in the Artesia-Queen-Grayburg-San Andres Pool within its Washington "33" State Lease in Section 33, Township 17 South, Range 28 East, NMPM, Eddy County, New Mexico, as follows:

<i>Well Name and No.</i>	<i>API Number</i>	<i>Footage Location</i>	<i>Unit</i>	<i>Dedicated 40-Acre Tract</i>
Washington "33" State Well No. 16 (formerly the Empire Abo Unit "G" Well No. 323)	30-015-22415	1500' FSL - 700' FEL	I	NE/4 SE/4
Washington "33" State Well No. 17 (formerly the Empire Abo Unit "G" Well No. 315)	30-015-22821	1900' FSL & 1450' FEL	J	NW/4 SE/4
Washington "33" State Well No. 18 (formerly the Empire Abo Unit "G" Well No. 312)	30-015-21745	1550' FSL & 2511' FEL	J	NW/4 SE/4
Washington "33" State Well No. 19 (new drill)	NA	2360' FSL - 2165' FWL	K	NE/4 SW/4
Washington "33" State Well No. 23 (new drill)	NA	975' FSL - 1060' FWL	M	SW/4 SW/4
Washington "33" State Well No. 27 (formerly the Empire Abo Unit "H" Well No. 312)	30-015-22605	815 FSL & 2525' FEL	O	SW/4 SE/4
Washington "33" State Well No. 30 (formerly the Empire Abo Unit "H" Well No. 322)	30-015-22465	750' FSL & 1150' FEL	P	SE/4 SE/4

It Is Further Ordered That:

(2) Within the following described 600 acres, known as the Washington "33" State Lease, ARCO is hereby authorized to locate wells within the Artesia-Queen-Grayburg-San Andres Pool that are

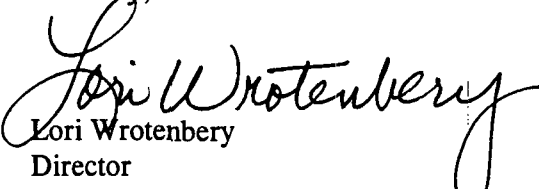
unorthodox based on the well location requirements of Division Rule 104.C(1)(a), provided that any such unorthodox location is no closer than the required minimum orthodox distance (330 feet) to the outer boundary of the Washington "33" Lease nor closer than 10 feet to any quarter-quarter section line 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 must be highlighted or outlined; (iii) all other wells within the Artesia-Queen-Grayburg-San Andres Pool that are dedicated to this 40-acre tract must be identified and described; and, (iv) this administrative order (NSL-4060) must be referenced.

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

Sincerely,


Lori Wrotenberg
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