



**The Home-Stake Royalty Corporation  
The Home-Stake Oil & Gas Company**

15 East 5th Street, Suite 2800  
Tulsa, Oklahoma 74103  
November 6, 1997

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**VIA REGISTERED MAIL, RETURN RECEIPT REQUESTED and  
FACSIMILE (915) 685-1232**

Arch Petroleum, Inc.  
10 Desta Drive, Ste 420E  
Midland TX 79705

Attention: Mr. Glenn Curry

RE: Exception to Division Rule 104.C  
Republic No. 1-5  
SW/4 NE/4 Sec. 5-T22S-R37E  
Lea County, New Mexico  
L1703010W

Dear Mr. Curry:

On November 6, 1997 The Home-Stake Royalty Corporation filed an application with the New Mexico Oil Conservation Division requesting administrative approval of an unorthodox location for the subject well. A copy of the application, exhibits and attachments is enclosed for your information.

The well has been permitted to be drilled 330' FNL & 330' FEL of the 40-acre spacing unit consisting of the SW/4 NE/4 Sec. 5-T22S-R37E (1650' FNL & 1650' FEL of Section 5) as shown on attached application. We are planning to drill a vertical well to produce the Fusselman formation which is truncated by the Permian near the East line of the spacing unit (See enclosed subcrop map). The Fusselman is a water drive reservoir with no penetrations in this fault block, therefore, the depth of the water table has not been established. If the vertical well penetrates the Fusselman at a structural position below the water table, it is proposed to sidetrack the hole a maximum distance of 230' to the East to attempt to penetrate the Fusselman above the water table. The Fusselman beds are dipping to the West at approximately 11°. We will gain approximately 45' of structural position in the 230' of Eastward movement. (See enclosed cross-section). Penetrating the Fusselman at this point will result in an unorthodox location for the 40-acre spacing unit. We have, therefore, requested administrative approval for an exception to Division Rule 104.C to permit Home-Stake to expand the window and allow the well to legally produce from the Fusselman at a distance no closer than 100' FEL spacing unit (1420' FEL Sec. 5).