



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

June 11, 2001

Lori Wrotenbery

Director

Oil Conservation Division

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

Telefax No. (505) 982-2151

Administrative Order NSL-4467-A (SD)

Dear Mr. Bruce:

Reference is made to the following: (i) your original application on behalf of the operator, Arch Petroleum, Inc. ("Arch"), submitted to the New Mexico Oil Conservation Division ("Division") on May 2, 2001; and (ii) the Division's records in Santa Fe, including the file on Division Administrative Order NSL-4467: all concerning Arch's request for an unorthodox "infill" oil well location within an existing standard 40-acre oil spacing and proration unit comprising the SW/4 NW/4 (Unit E) of Section 27, Township 23 South, Range 37 East, NMPM, Teague-Simpson Pool, Lea County, New Mexico.

This 40-acre unit is currently dedicated to Arch's C. E. Lamunyon Well No. 71-Y (API No. 30-025-35106) located at an unorthodox oil well location (approved by AMENDED Division Administrative Order NSL-4467, dated July 19, 2000) 2305 feet from the North line and 1280 feet from the West line of Section 27.

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 NW/4 and the S/2 of Section 22 and the N/2 of Section 27, Township 23 South, Range 37 East, NMPM, Lea County, New Mexico is 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 Arch is seeking this location exception based on geology and previous reservoir drainage.

It is further understood that Arch's proposed infill well is at the optimum location to test for remaining oil reserves within the C. E. Lamunyon federal lease, and, if successful, will allow the operator to drain production from the lease and unit that would not otherwise be drained, thereby preventing waste.

By the authority granted me under the provisions of Division Rule 104.F (2), the

Administrative Order NSL-4467-A(SD)
Arch Petroleum, Inc.
June 11, 2001
Page 2

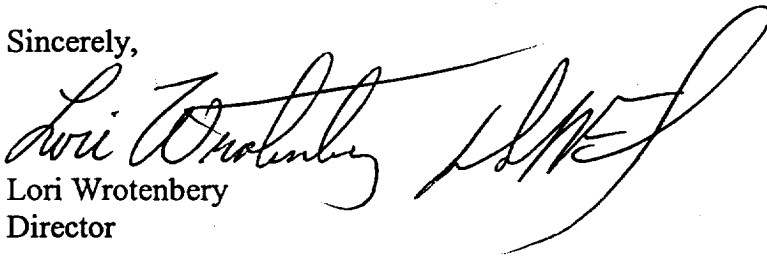
following described well to be drilled at an unorthodox infill oil well location within the above-described 40-acre unit is hereby approved:

**C. E. Lamunyon Well No. 80
1500' FNL & 150' FWL.**

Both the existing C. E. Lamunyon Well No. 71-Y and the proposed C. E. Lamunyon Well No. 80 are to be simultaneously dedicated to the subject 40-acre unit within the Teague-Simpson Pool; furthermore, Arch shall be permitted to produce the allowable assigned this 40-acre unit from both wells in any proportion.

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,



Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs /
U. S. Bureau of Land Management - Carlsbad
File: NSL-4467