



Arch Petroleum Inc.

February 22, 2000

Administrative Application for Unorthodox
Well Location-Fowler-Upper Yeso Oil Pool,
Lillie #3 Well, 2,310' FNL and 330' FWL, Unit Letter E,
Section 23, T-24-S, R-37-E, N.M.P.M.,
Lea County, New Mexico

State of New Mexico
Energy, Minerals & Natural Resources Dept.
Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87505

Attention: Mr. Michael E. Stogner

Dear Mr. Stogner:

Arch Petroleum Inc. respectfully requests approval of the subject Unorthodox Oil Well Location.

Arch Petroleum Inc. is planning to re-complete its Lillie #3 uphole in the Fowler-Upper Yeso Oil Pool. The Lillie #3 well is currently completed in the Fowler (Drinkard) Oil Pool. The location of the Lillie #3 is 2,310' FNL and 330' FWL of Section 23, Unit Letter E, Township 24 South, Range 37 East, N.M.P.M., Lea County, New Mexico. It is our intent to dedicate the W/2 NW/4 as the Standard 80 acre proration unit for this well.

In addition, we have sent an Amended Form C-102 (see enclosed copy) to the NMOCD District Office changing the Standard 80 acre proration unit (S/2 NW/4) dedicated to Arch's Lillie #4 well (located in Unit Letter F or SE/4 NW/4 of Section 23) which also produces from the Fowler-Upper Yeso Oil Pool, to the E/2 NW/4 of Section 23. The working, royalty, and overriding royalty interest owners are common in the NW/4 of said Section 23; therefore, the re-orientation of the proration unit for the Lillie #4 Well will not affect the royalty owners.

Pursuant to Order No. R-2424-A, spacing for the Fowler Upper Yeso Pool is 80 acres, with wells to be within 150 feet of the center of a quarter-quarter section. Therefore, the Lillie #3 Well location is closer to the outer boundary of the proration unit than allowed, and Arch Petroleum Inc. requests that you grant an exception to the requirements of Rule 4 of said order.

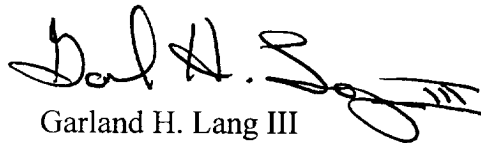
Application for Unorthodox Location
Lillie #3 Well
February 22, 2000
Page Two

In order to prevent waste, Arch Petroleum Inc. respectfully requests approval of this administrative application for the stated unorthodox oil well location and a Standard 80 acre unit for the Lillie #3 Well. Attached hereto as Exhibit "A" is a map showing the offset operators, a list of offset operators that could be affected by this unorthodox location, Form C-101 and Form C-102 plat. A copy of this letter and attachments are being furnished by Certified Mail to the offset operators as their notice of this application.

If you have any questions or require any further information concerning this application, please contact me at (915) 685-8126.

Yours very truly,

ARCH PETROLEUM INC.


Garland H. Lang III
Consulting Landman

Attachments

cc: NMOCD-Hobbs, N.M.
Rex Jasper

ARCH PETROLEUM INC.
Request for Unorthodox Location
Fowler-Upper Yeso Oil Pool

Lillie #3

2,310' FNL and 330' FWL, Unit Letter E, Section 23, T-24-S, R-37-E,
N.M.P.M.,
Lea County, New Mexico

Offset Operators

Altura Energy LTD
P.O. Box 4294
Houston, Texas 77210-4294

