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June 12, 2007

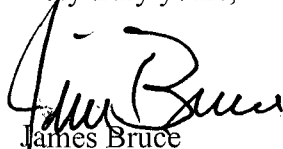
Florene Davidson
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Case 13951

Dear Florene:

Enclosed for filing, on behalf of U.S. Enercorp, Ltd., are an original and one copy of an application for a non-standard unit and an unorthodox oil well location, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please set this matter for the July 12, 2007 Examiner hearing. Thank you.

Very truly yours,



James Bruce

Attorney for U.S. Enercorp, Ltd.

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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APPLICATION OF U.S. ENERCORP, LTD.
FOR A NON-STANDARD OIL SPACING AND
PRORATION UNIT AND AN UNORTHODOX
OIL WELL LOCATION, RIO ARriba COUNTY,
NEW MEXICO.

Case No. 13951

APPLICATION

U.S. Enercorp, Ltd. applies for an order approving a non-standard oil spacing and proration unit and unorthodox oil well location in the Mancos formation, and in support thereof, states:

1. Applicant is an interest owner in the following lands, and has the right to drill a well thereon:

Township 23 North, Range 1 West, N.M.P.M.

Section 2: Lots 3, 4, S $\frac{1}{2}$ NW $\frac{1}{4}$, and SW $\frac{1}{4}$ (the W $\frac{1}{2}$)

Section 3: Lots 1, 2, S $\frac{1}{2}$ NE $\frac{1}{4}$, and SE $\frac{1}{4}$ (the E $\frac{1}{2}$)

Containing 644.28 acres.

2. Applicant proposes to drill its Laguna Colorado 2/3 Well No. 1 as a directional well, to a depth sufficient to test the Mancos formation, as follows:

Surface Location: 3250 feet from the south line and 1220 feet from the east line of Section 3; and

Terminus: 2180 feet from the south line and 1870 feet from the west line of Section 2.

3. The above-described lands are in the West Puerto Chiquito-Mancos Pool. The special rules and regulations for the West Puerto Chiquito-Mancos Pool provide for 640 acre well units, comprised of a single governmental section, with wells to be located no closer than

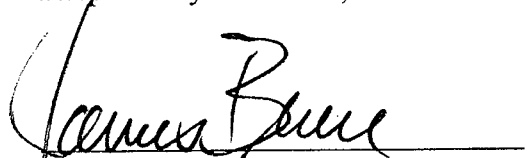
1650 feet to the outer boundary of a well unit and no closer than 330 feet to a quarter section line. **Order No. R-2565-B, as amended, and Order No. R-6469-A, as amended.**

4. Applicant seeks to dedicate the W $\frac{1}{2}$ of Section 2 and E $\frac{1}{2}$ of Section 3 to the well to form a non-standard 644.28 acre oil spacing and proration unit (project area) for any formations and/or pools developed on 640 acre spacing within that vertical extent, including the West Puerto Chiquito-Mancos Pool. Thus, the well unit and location are non-standard.

5. The approval of the non-standard unit and unorthodox oil well location will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order approving a non-standard oil spacing and proration unit (project area) in the Mancos formation, comprised of the W $\frac{1}{2}$ of Section 2 and E $\frac{1}{2}$ of Section 3, and approving an unorthodox oil well location.

Respectfully submitted,


James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for U.S. Enercorp, Ltd.

PROPOSED ADVERTISEMENT

Case No. 13951: **Application of U.S. Enercorp, Ltd. for a non-standard oil spacing and proration unit and an unorthodox oil well location, Rio Arriba County, New Mexico.** Applicant seeks an order approving a non-standard oil spacing and proration unit (project area) comprised of Lots 3, 4, S/2NW/4, and SW/4 (the W/2) of Section 2, and Lots 1, 2, S/2NE/4, and SE/4 of Section 3 (the E/2), in Township 23 North, Range 1 West, NMPM, to form a non-standard 644.28-acre oil spacing and proration unit (project area) for any and all formations or pools developed on 640-acre spacing within that vertical extent, including the West Puerto Chiquito-Mancos Pool. The unit is to be dedicated to the Laguna Colorado 2/3 Well No. 1, a directional well to be drilled at a surface location 3250 feet from the south line and 1220 feet from the east line of Section 3, with a terminus 2180 feet from the south line and 1870 feet from the west line of Section 2. Applicant also requests approval of an unorthodox location for the well. The unit is located approximately 4 miles west-northwest of Gallina, New Mexico.

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