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October 30, 2007

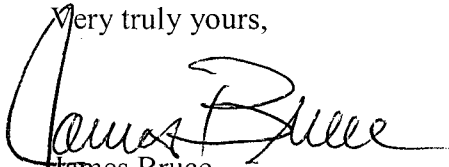
Florene Davidson
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Case 14034

Dear Florene:

Enclosed for filing, on behalf of U.S. Enercorp, Ltd., are an original and one copy of an application for an exception to pool rules, *etc.*, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please set this matter for the November 29, 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
AN EXCEPTION TO THE WELL DENSITY
REQUIREMENTS OF THE SPECIAL RULES AND
REGULATIONS FOR THE WEST PUERTO CHIQUITO
-MANCOS POOL AND AN UNORTHODOX OIL WELL
LOCATION, RIO ARriba COUNTY, NEW MEXICO.

Case No. 14034

APPLICATION

U.S. Enercorp, Ltd. applies for an order approving a second well on a spacing and proration unit in the West Puerto Chiquito-Mancos Pool, and approving an unorthodox location for the second well, and in support thereof, states:

1. Applicant is an interest owner in Lots 1-4, E $\frac{1}{2}$ W $\frac{1}{2}$, and E $\frac{1}{2}$ (All) of Section 30, Township 24 North, Range 1 East, N.M.P.M., containing 636.40 acres.
2. 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 spacing and proration units, comprised of a single governmental section, with wells to be located no closer than 1650 feet to the outer boundary of a unit and no closer than 330 feet to a quarter section line. One well is allowed per spacing and proration unit. **Division Order No. R-2565, as amended, and Division Order No. R-6469, as amended.**
3. Applicant has drilled and completed its Almagre Arroyo 30 Well No. 1 in the West Puerto Chiquito-Mancos Pool, at a surface location 2605 feet from the south line and 2400 feet from the west line of Section 30, with a permitted bottom hole location 990 feet from the north line and 990 feet from the west line of Section 30. Section 30 is dedicated to the well. The well's location was approved by Division Administrative Order NSL-5483.

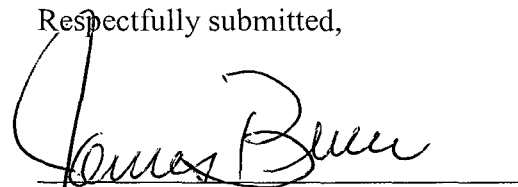
4. Applicant proposes to drill its Almagre Arroyo 30 Well No. 2, to a depth sufficient to test the West Puerto Chiquito-Mancos Pool, at a surface location 2313 feet from the south line and 2602 feet from the east line of Section 30, with an approximate a bottom hole location 1000 feet from the north line and 1000 feet from the west line of Section 30. The well's surface location and bottom hole location are unorthodox. Section 30 will be dedicated to the No. 2 Well.

5. Applicant requests an exception to the special rules and regulations for the West Puerto Chiquito-Mancos Pool so that both the No. 1 Well and No. 2 Well can be produced concurrently.

6. The approval of the exception to the well density requirements of the special rules and regulations for the West Puerto Chiquito-Mancos Pool, and the unorthodox oil well location, will prevent waste and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order approving the relief requested above.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "James Bruce", is written over a horizontal line.

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

Attorney for U.S. Enercorp, Ltd.

PROPOSED ADVERTISEMENT

Case No. 14034: **Application of U.S. Enercorp, Ltd. for an exception to the well density requirements of the special rules and regulations for the West Puerto Chiquito-Mancos Pool and an unorthodox oil well location, Rio Arriba County, New Mexico.** Applicant seeks an order approving an unorthodox oil well location in the West Puerto Chiquito-Mancos Pool for its proposed Almagre Arroyo 30 Well No. 2, to be drilled at a surface location 2313 feet from the south line and 2602 feet from the east line of Section 30, with an approximate bottom hole location 1000 feet from the north line and 1000 feet from the west line of Section 30, Township 24 North, Range 1 East, NMPM. Lots 1-4, E/2W/2, and E/2 (All) of Section 30 will be dedicated to the well. Applicant further requests that said well be allowed to produce concurrently with applicant's Almagre Arroyo 30 Well No. 1, which is completed in the West Puerto Chiquito-Mancos Pool at a surface location 2605 feet from the south line and 2400 feet from the west line of Section 30, with a permitted bottom hole location 990 feet from the north line and 990 feet from the west line of Section 30. The unit is located approximately 5 miles north-northwest of Gallina, New Mexico.

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