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November 9, 1992

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

RECEIVED

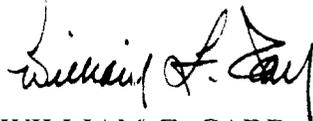
OIL CONSERVATION DIVISION
Case 10639

Re: In the Matter of the Application of American Hunter Exploration, Ltd., for an Exception to the Provisions of the Division's No-Flare Rule 306 and for the Establishment of Special Allowable Rates, Rio Arriba County, New Mexico

Dear Mr. LeMay:

Enclosed in triplicate is an Application for American Hunter Exploration, Ltd. in the above-referenced case. American Hunter respectfully requests that this matter be placed on the docket for the December 3, 1992 Examiner hearings.

Very truly yours,



WILLIAM F. CARR

WFC:mlh

Enclosures

cc w/enclosures: Mr. Howard Anderson
American Hunter Exploration, Ltd.

BEFORE THE
OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF AMERICAN HUNTER EXPLORATION, LTD.
FOR AN EXCEPTION TO THE PROVISIONS
OF THE DIVISION'S NO-FLARE RULE
306 AND FOR THE ESTABLISHMENT
OF SPECIAL ALLOWABLE RATES,
RIO ARRIBA COUNTY, NEW MEXICO.

RECEIVED
OIL CONSERVATION DIVISION
CASE NO. 10839

APPLICATION

AMERICAN HUNTER EXPLORATION, LTD. ("American Hunter"), through its undersigned attorneys, **makes application for an order exempting its Jicarilla 3F-1 Well from the No-Flare provisions of New Mexico Oil Conservation Division Rule 306 for a period of time from January 1, 1993 through June 30, 1993 and for the establishment of special allowable rates for this well, and in support thereof states:**

1. American Hunter drilled its Jicarilla 3F-1 Well located in the SE/4 NW/4 of Section 3, Township 27 North, Range 1 West, N.M.P.M., Rio Arriba County, New Mexico, in late 1991 as a horizontal well in the Mancos formation pursuant to Division Order No. R-9606. This well was completed in early 1992 and represents a new extension to the productive Mancos trend of the West Puerto Chiquito-Mancos Oil Pool.

2. This well is governed by the Special Rules and Regulations for the West Puerto Chiquito-Mancos Oil Pool, and is assigned an allowable of 800 barrels of oil per day and operates under a gas-oil ratio limitation of 2,000 to 1.

3. Although this well initially did not produce, through the efforts of American Hunter the well's production rate has increased and it can produce oil at rates in excess of the allowable limits for this pool. Natural gas produced from this well has been vented.

4. The sixty (60) day testing exception to the no flare provisions of Oil Conservation Division General Rule 306 for this well ended on April 24, 1992, and since that time the well has been produced at various times, natural gas vented, and tests conducted in accordance with a Division approved testing program.

5. Although American Hunter proposed to convert its offsetting Jicarilla 2A-1 Well to injection and thereby eliminate the need to vent natural gas produced from the Jicarilla 3F-1 Well, recent tests show that there are insufficient reservoir characteristics to allow gas injection in the Jicarilla 2A-1 Well.

6. American Hunter therefore has committed to the construction of a gas sales pipeline to transport the gas produced from the Jicarilla 3F-1 Well to a Northwest Pipeline tie-in point in Section 16, Township 27 North, Range 2 West.

7. While this pipeline is being constructed, American Hunter seeks an exception to Division Rule 306, commencing on January 1, 1993 and extending for no more than six months to permit it to vent gas from the Jicarilla 3F-1 Well and thereby to enable it to test the Mancos formation and gather data to determine, among other things, if gravity drainage is truly an effective depletion mechanism in this portion of the Mancos formation.

8. To permit it to continue to test the Jicarilla 3F-1 Well American Hunter requests permission to produce it at the allowable rate for this pool of 800 barrels of oil

per day up to accumulated volume of 146 MSTB of oil and to vent or flare up to 800 MCF of gas per day, not exceed a total cumulative volume vented or flared of 146 MMCF.

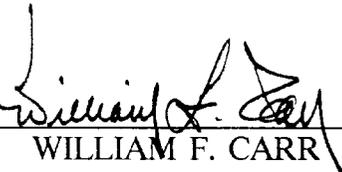
9. This test will not continue past June 30, 1993, and will be discontinued prior to that date, and before the authorized accumulated volume of oil is produced, if the sales pipeline for the produced natural gas from this well is available prior to that date.

10. It is in the best interest of conservation to continue to produce the Jicarilla 3F-1 Well, for the data acquired during the test of the well will enable operators to more efficiently and effectively produce the Mancos formation in this area. Furthermore, continued production of this well will have no adverse effects on the Mancos reservoir, the correlative rights of any interest owner therein and will not constitute waste.

WHEREFORE, American Hunter requests that this application be set for hearing before an Examiner of the Oil Conservation Division on December 3, 1992, and that, after notice and hearing as required by law, the Division enter its Order permitting the American Hunter Jicarilla 3F-1 Well to continue to produce at a rate no higher than that which corresponds to 800 barrels of oil per day authorized by the Special Pool Rules and Regulations for the West Puerto Chiquito-Mancos Oil Pool; granting an exception to the No Flare Provisions of Division Rule 306 thereby permitting it to vent or flare up to a total cumulative volume of 146 MMCF of natural gas, and granting such other relief as the Division deems appropriate.

Respectfully submitted,

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.

By: 
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