

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

*Case No. 10639
Order No. R-9766-A*

**APPLICATION OF AMERICAN HUNTER EXPLORATION, LTD. FOR
AUTHORIZATION TO FLARE GAS AS AN EXCEPTION TO DIVISION GENERAL
RULE 306 AND FOR THE ESTABLISHMENT OF SPECIAL ALLOWABLE RATES,
RIO ARRIBA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on December 17, 1992, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 30th day of August, 1993, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant in this matter, American Hunter Exploration, Ltd. ("American Hunter"), is the owner and operator of the Jicarilla "3F" Well No. 1 ("the Jicarilla 3F Well") located 1845 feet from the North line and 1900 feet from the West line (Unit F) of Section 3, Township 27 North, Range 1 West, NMPM, Rio Arriba County, New Mexico. Said well was drilled in late 1991 as a horizontal well in the West Puerto Chiquito-Mancos Oil Pool pursuant to the provisions of Division Order R-9606 and completed in early 1992 in the Mancos Formation.

(3) The subject well is within the boundaries of the West Puerto Chiquito-Mancos Oil Pool and, as such, is subject to the Special Rules and Regulations governing said pool, as promulgated by Division Order No. R-6469-B, as amended, which provides for 640-acre spacing and proration units with an allowable of 800 barrels of oil per day and an associated GOR of 2,000 to 1.

(4) American Hunter seeks from the Division an exception to the No-Flare Provisions of General Rule 306 authorizing the flaring of gas from said well for a maximum period of six months at a maximum rate being the lower of:

(a) 800 barrels of oil per day or 800 MCF of gas per day, up to a maximum cumulative volume of 146 MMCF; or,

(b) 146 thousand barrels of oil produced while flaring gas.

(5) Division General Rule 306 states in part:

(a) "No casinghead gas produced from any (oil) well in this state (New Mexico) shall be flared or vented after 60 days following completion of the well."; and,

(b) provides that an exception may be granted "when the same appears reasonably necessary to protect correlative rights, prevent waste, or prevent undue hardships on the applicant".

(6) Benson-Montin-Greer Drilling Corp. is the operator of Sections 9, 10, 15 and 16, Township 27 North, Range 1 West, NMPM, immediately to the southwest of the Jicarilla 3F Well and appeared in this case in opposition to this application.

(7) Upon the initial completion of the well the Division granted a 60-day testing exception to the No-Flare Provisions of Division General Rule 306 for the Jicarilla 3F Well ending on April 24, 1992.

(8) On May 1, 1992, American Hunter sought the approval of the U.S. Bureau of Land Management (BLM) and the Oil Conservation Division to continue to flare gas produced from this well. The Division accepted American Hunter's letter as an application for exception to General Rule 306 on May 1, 1992.

(9) On June 3, 1992, as confirmed by letter dated June 11, 1992, the BLM granted American Hunter a six-month testing period beginning April, 1992 and ending September, 1992 during which the gas from the Jicarilla 3F Well may be vented or flared.

(10) On June 4, 1992, the Division's Aztec District Office directed American Hunter to curtail production from the Jicarilla 3F Well to approximately 30 MCF per day until alternative arrangements were made. The applicant opted to shut in the well at that time.

(11) By Division Order No. R-9766, dated November 12, 1992, the applicant was granted another exception to the No-Flare Provisions Of Division General Rule 306 for the 120-day period commencing July 9, 1992.

(12) The applicant failed to present adequate evidence to show approval of this application is necessary to protect correlative rights, prevent waste, or prevent undue hardships on the applicant.

(13) This application should therefore be denied.

IT IS THEREFORE ORDERED THAT:

(1) The application of American Hunter Exploration, Ltd. for an exception to the No-Flare Provisions of General Rule 306 authorizing the flaring of gas from its Jicarilla "3F" Well No. 1 ("the Jicarilla 3F Well") located 1845 feet from the North line and 1900 feet from the West line (Unit F) of Section 3, Township 27 North, Range 1 West, NMPM, West Puerto Chiquito-Mancos Oil Pool, Rio Arriba County, New Mexico, for a maximum period of six months at a maximum rate being the lower of:

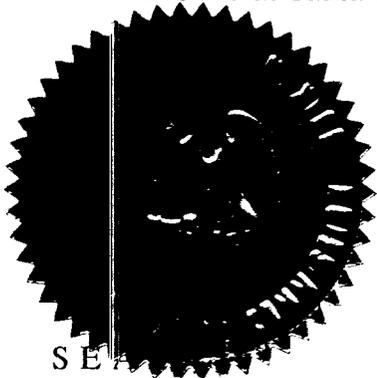
(a) 800 barrels of oil per day or 800 MCF of gas per day, up to a maximum cumulative volume of 146 MMCF; or,

(b) 146 thousand barrels of oil produced while flaring gas,

is hereby denied.

(2) Jurisdiction of this cause is retained for the entry of such further Orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, appearing to read "William J. Lemay".

WILLIAM J. LEMAY,
Director