

CAMPBELL, CARR, BERGE

& SHERIDAN, P.A.

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June 16, 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

JUN 18 1992

OIL CONSERVATION DIVISION

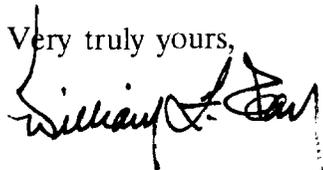
10506

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; cancellation of overproduction or, in the alternative, special provisions governing overproduction; and the adoption of special operating procedures, Rio Arriba County, New Mexico

Dear Mr. LeMay:

Enclosed in triplicate is the Application of American Hunter Exploration, Ltd. in the above-referenced case. American Hunter respectfully requests that this matter be placed on the docket for the July 9, 1992 Examiner hearings.

Very truly yours,



WILLIAM F. CARR

WFC:mlh

Enclosures

cc w/enclosures: Mr. Jim Lister
American Hunter Exploration, Ltd.

Mr. Ernie Bush
Mr. Frank Chavez

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;
CANCELLATION OF OVERPRODUCTION OR,
IN THE ALTERNATIVE, SPECIAL PROVISIONS
GOVERNING OVERPRODUCTION; AND THE ADOPTION
OF SPECIAL OPERATING PROCEDURES,
RIO ARRIBA COUNTY, NEW MEXICO.

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OIL CONSERVATION DIVISION
CASE NO. 10506

APPLICATION

AMERICAN HUNTER EXPLORATION, LTD., ("American Hunter") through its undersigned attorneys, makes application for an Order exempting its 3F 1 Well from No-Flare Rule 306; cancellation of the overproduced status of this well or, in the alternative, adoption of special provisions governing the computation of this well's overproduced status and establishment of a reasonable time within which said overproduction shall be made up; and adopting special operating procedures 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 field.

2. The productive history of the well has thus far made attempts to project GOR and gas reserves difficult. The well originally appeared to be incapable of production. Following clean up of sludge and the installation of a pumping unit, the well

produced consistently at about 380 barrels of oil per day with associated gas of 170-180 mcfpd (GOR of 450) until May 29, 1992, when the production rate increased and has since that time produced at higher oil rates and a GOR level of about 800 cubic feet per stock tank barrel.

3. Since this well is governed by the Special Rules and Regulations for the West Puerto Chiquito-Mancos Oil Pool, it is assigned an allowable of 800 barrels of oil per day and operates under a gas/oil ratio limitation of 2000 to 1.

4. Since there are no facilities into which American Hunter can deliver the gas produced from this well, it obtained a six month testing period for the well from the BLM to permit it to continue to vent produced natural gas. However, through inadvertence it failed to obtain an exception to No-Flare Provisions of Division Rule 306.

5. The Jicarilla 3F 1 Well is currently overproduced relative to gas and has vented gas for longer than the 60-day period authorized by Division Rule 306, thereby making it subject to shut in.

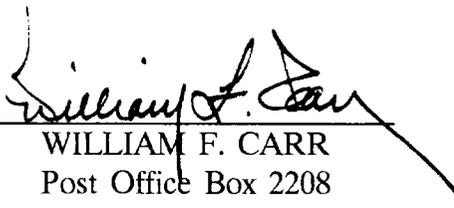
6. It is in the best interest of conservation to continue to produce the Jicarilla 3F 1 Well, for shutting in this well will prevent the gathering of production data which is necessary to avoid problems which could significantly reduce the well's deliverability and potential and which could interfere with the way the well is currently cleaning up. Furthermore, continued production of the well will have no adverse effects on the Mancos Reservoir, the correlative rights of any interest owner therein and will not constitute waste.

7. American Hunter is currently reviewing the available options associated with gas conservation and at the time of hearing will present its findings and recommend to the Division an effective development program including gas conservation for the Mancos formation in this area.

WHEREFORE, American Hunter requests that this application be set for hearing before an Examiner of the Oil Conservation Division on July 9, 1992, and that, after notice and hearing as required by law, the Division enter its Order permitting the American Hunter 3F 1 Well to continue to produce at a rate no higher than that which corresponds to the 800 barrels of oil per day and associated GOR of 2,000 to 1 which is established 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; cancelling the current overproduction for the Jicarilla 3F 1 Well or, in the alternative adopting special provisions governing how this overproduction shall be calculated and made up; and adopting special operating procedures which will permit the Jicarilla 3F 1 Well to be produced in accordance with a Division approved program for the effective production and development of the Mancos Formation in this area; and granting such other relief as the Division deems appropriate.

Respectfully submitted,

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

By: 
WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR AMERICAN HUNTER
EXPLORATION, LTD.

BEFORE THE
OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

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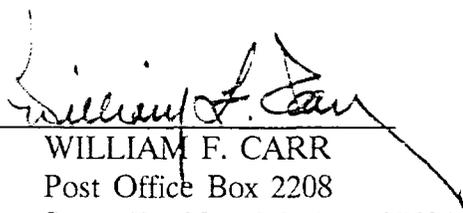
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STATE OF NEW MEXICO
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OIL CONSERVATION DIVISION

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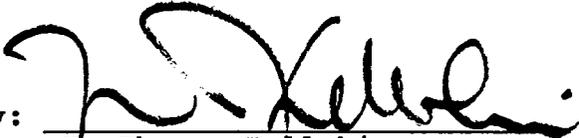
OIL CONSERVATION DIVISION

ENTRY OF APPEARANCE

COMES NOW Kellahin, Kellahin & Aubrey (W. Thomas
Kellahin, Esq.) and enters their appearance on behalf
of Benson Montin Greer Drilling Corporation (Mr. Al
Greer) in the above-captioned matter.

Respectfully submitted,

KELLAHIN, KELLAHIN & AUBREY,

By: 

W. Thomas Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Entry of Appearance was hand-delivered to American Hunter Exploration, Ltd., c/o William F. Carr, Campbell, Carr, Berge & Sheridan, Jefferson Place, Corner of San Francisco and Guadalupe Streets, Santa Fe, New Mexico 87501 on this 30th day of June, 1992.



W. Thomas Kellahin

entt630.625

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

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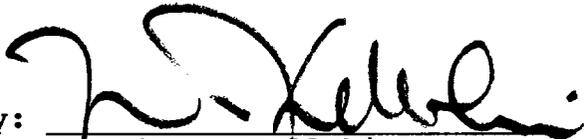
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W. Thomas Kellahin

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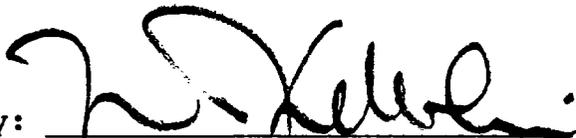
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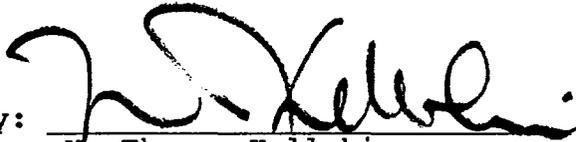
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