United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Farmington Field Office
1235 La Plata Highway, Suite A
Farmington, New Mexico 87401

TAKE PRIDE
IN AMERICA

IN REPLY REFER TO:
US Enercorp NSP Application

July 2, 2007

Mark Fesmire
New Mexico Oil Conservation Division
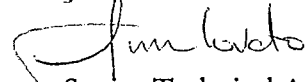1220 S. St. Frances Drive
Santa Fe, New Mexico 87505

Dear Mr. Fesmire:

Reference is made to Case No. 13951, whereby US Enercorp, Ltd., is seeking approval for a 644.28 acre non-standard proration (NSP) unit covering the W1/2 of section 2, and the E1/2 of section 3, Township 23N., Range 1 W., Rio Arriba County, New Mexico. In addition, US Enercorp is also seeking approval for an associated non-standard well location (NSL). We recently reviewed the technical merits of this case with representatives of US Enercorp and find that the proposed NSP and NSL are necessary because of the prevailing geologic conditions that exist at this proposed location. If approved however, US Enercorp's application would leave the E1/2 of section 2 and the W1/2 of section 3, somewhat stranded based on the current 640 acre West Puerto Chiquito Mancos Pool spacing. As such, both of these stranded 320 acre tracts would have to be given a simultaneous NSP designation.

Pursuant to the Memorandum of Understanding between the BLM and the OCD, we support US Enercorp's application for a NSL and NSP unit based on prevailing geologic factors that exist at the proposed location. The BLM also supports simultaneous designation of the E1/2 of section 2 and the W1/2 of section 3, as non-standard 320 acre West Puerto Chiquito Mancos Pool spacing units. By allowing these NSP units, US Enercorp would be able to optimally drill and complete their proposed well in the most favorable geologic setting while still allowing the adjacent 320 acre NSP units to be independently developed.

If you have any questions regarding the above, contact me at (505) 599-6367.

Jim Lovato

Senior Technical Advisor,
Petroleum Engineer

CC: NMOCD Aztec
       US Enercorp

Oil Conservation Division
Case No. _____
Exhibit No. _____