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OIL CON. DIV.  
DIST. 3

William J. LeMay, Director  
Oil Conservation Division  
New Mexico Department of Energy  
Minerals and Natural Resources  
State Land Office Building  
310 Old Santa Fe Trail, Room 206  
Santa Fe, NM 87503

Dear Mr. LeMay:

This office received a copy of an Application for Hearing submitted on the behalf of American Hunter Exploration Ltd. by their attorney. The Application seeks exception to Division No-Flare Rule 306 and Special Allowable Rates for the Jicarilla 3F 1 located SE $\frac{1}{4}$  NW $\frac{1}{4}$ , Sec. 3, T. 27 N., R. 1 W., Rio Arriba County, New Mexico. The Application also indicated that American Hunter would seek an extended testing period of up to six-months to "determine if gravity drainage is truly an effective depletion mechanism".

By correspondence from this office dated June 11, 1992, American Hunter was granted a six-month testing period commencing with the end of the initial thirty-day test period when the well was completed and ending September 30, 1992. By Order from the Authorizing Officer dated September 25, 1992, and effective beginning October 1, 1992, American Hunter was ordered to restrict venting to 30 MCFD or 900 MCF per month plus or minus ten percent. American Hunter was given the right to appeal this order within twenty days. They did not file an appeal.

The Gallup reservoir has been studied on numerous occasions by several operators here in the San Juan Basin. It is doubtful if additional testing would provide any data which is not presently available either from the initial six-month test of the Jicarilla 3F 1 or from previous testing conducted in the basin. To protect the reservoir and provide maximum recovery of liquid hydrocarbons with minimum waste, the venting restriction imposed by the Authorizing Officer will remain in effect until alternate disposition of the gas with minimum waste has been approved.

If you have any questions, please contact Duane Spencer at (505) 599-8950. or Ray Hager at 599-8959.

Sincerely,

/s/ John L. Keller

FOR Mike Pool  
Area Manager

cc:

New Mexico Oil Conservation Division  
1000 Rio Brazos Road  
Aztec, NM 87410