

## Regina Com 25-2-14-15 #1H and 25-2-14-13 #1H

Rio Arriba County, New Mexico

Hunt Oil Company (Hunt) is proposing to drill two horizontal wells to test the Mancos Formation in Sections 13, 14 and 15, Township 25 North, Range 2 West. The Regina Com 25-2-14-15 #1H is to be 14,545' MD (7,218' TVD). The surface location is to be 1443' FSL and 2262' FEL of Section 14. The lateral is to be 7,000' long, running east to west. The bottom hole location is to be 2023' FSL and 462' FWL of Section 15.

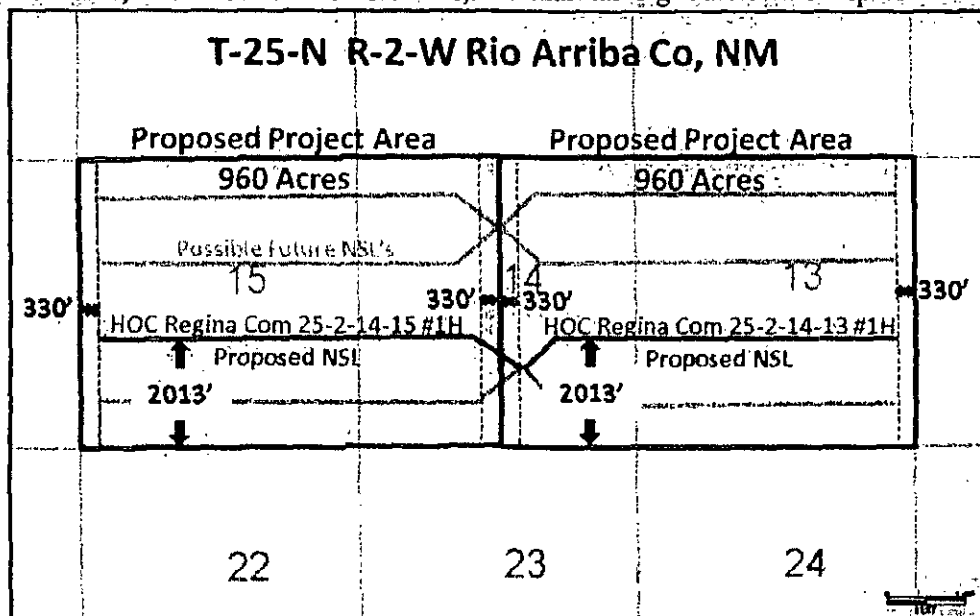
The Regina Com 25-2-14-13 #1H is to be 13,840' MD (7,220' TVD) in Sections 13 and 14, Township 25 North, Range 2 West. The surface location is to be 1421' FSL and 2257' FEL of Section 14. The lateral is to be 6,655' long, running west to east. The bottom hole location is to be 2013' FSL and 430' FEL of Section 13. Both of these wells are oil tests in the Gavilan-Mancos Pool.

The standard spacing unit for the Gavilan-Mancos Pool is 640 acres. To facilitate the drilling of the wells, Hunt is proposing 960 acre Project Areas (PA's) by forming two 320 acre Non-Standard Proration Units (NSPU's), in the west half of section 14 and the east half of section 14. The NSPU's will be combined with all of sections 15 and 13 respectively to form the two PA's. The PA's are necessary due to the 7,000' and 6,655' lateral lengths which are essential for economic wells.

Hunt is also proposing Non-Standard Locations (NSL's) within the above PA's. The setbacks for the Gavilan-Mancos Pool are 790'. Hunt is requesting setbacks of 330' at the heel and toe of the laterals. The length of the lateral will be 2,013' from the south lines of the PA's. Therefore the proposed encroachment on the standard setbacks only occurs on the east and west lines of the PA's. This encroachment is necessary because without it there will be a distance of 1580' separating the toe of the proposed well with the toe or heel of additional horizontal wells that may be drilled in the offsetting tracts. This would represent significant waste of undeveloped oil and gas. This situation is exacerbated by the fact that the direction of maximum stress in this area is north-south, meaning that fractures (both natural and induced) trend north-south. The cumulative effects of the standard setback distances and the trend of fracturing would render a significant north-south strip of acreage impossible to develop as oil and gas productive. Operators of offsetting tracts within 790' of the proposed encroachment will be contacted by certified letter.

If approved, the two PA's facilitate the development of three full sections of land (1920 acres) that could be developed by eight wells from two pads. This would minimize the surface impact of our operations including total pad area, access roads, and pipeline right of ways.

Developing HOC's acreage position in the San Juan Basin with NSL's and PA's is an efficient plan that minimizes reserve waste, allows for economic wells, and maintains good stewardship of the environment.



Case No. 15234