

DATE IN 10/20/06	SUSPENSE	ENGINEER REZAYIN	LOGGED IN 10/25/06	TYPE NSL	APP NO. PTDSC062984180
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication
☒ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

- [D] Other: Specify _____

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners
 [B] ☒ Offset Operators, Leaseholders or Surface Owner
 [C] ☐ Application is One Which Requires Published Legal Notice
 [D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
 [E] ☒ For all of the above, Proof of Notification or Publication is Attached, and/or,
 [F] ☐ Waivers are Attached

2006 OCT 20 PM 12:50

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

JAMES BRUCE
P.O. BOX 1056
SANTA FE, NM 87504
Print or Type Name

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

James Bruce
 Signature

Attorney for Applicant
 Title

Date

jamesbruc@aol.com

e-mail Address

EXHIBIT

1

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)
(505) 660-6612 (Cell)
(505) 982-2151 (Fax)

jamesbruc@aol.com

August 18, 2006

Hand delivered

Michael E. Stogner
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Resubmittal of (revised) unorthodox location application (administrative reference No. pTDS0-613955856)

Dear Mr. Stogner:

Pursuant to Division Rule 104.F(2), U.S. Enercorp, Ltd. applies for approval of an unorthodox oil well location for the following well:

<u>Well:</u>	Almagre Arroyo "30" Well No. 1
<u>Surface Location:</u>	2605 feet FSL & 2400 feet FWL
<u>Bottom Hole Location:</u>	990 feet FNL & 990 feet FWL¹
<u>Well Unit:</u>	All of Section 30, Township 24 North, Range 1 East, N.M.P.M., Rio Arriba County, New Mexico

The well will be drilled to a depth sufficient to test the Mancos formation (West Puerto Chiquito-Mancos Pool). Pursuant to Division Order Nos. R-2565-B and R-6469-G, as amended, the pool is spaced on 640 acres, with wells to be located no closer than 1650 to a section line nor closer than 330 feet to a quarter section line. A Form C-102 is attached as Exhibit A.

Applicant intends to drill a pilot hole at the surface location to the Mancos, and then drill directionally to the proposed bottom hole location. A directional drilling plan is attached as Exhibit B.

¹ The original proposed bottom hole location was 660 feet from the north line and 660 feet from the west line of Section 30.

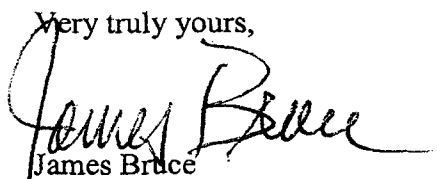
The location is based on geologic reasons. Due to the high dip rates of the subsurface geologic formations, directional drilling is required in order for the wellbore to stay within the Mancos formation. The directional plan will test the highly dipping formation from top to bottom over the course of the directional wellbore. The surface location, kickoff point, and bottom hole location are designed as part of that plan, and will maximize recovery from the well unit.

The well encroaches on §19-24N-1E, §24-24N-1W, and §25-24N-1W. There is no production from those sections, so the offset working interest owners or unleased mineral owners have been notified of this application, as shown by Exhibit C.

The original application was objected to by Merrion Oil & Gas Corporation and Benson-Montin-Greer Drilling Corp., and the application was returned unapproved. Since then both companies have reached agreement with applicant to withdraw their objections. Copies of their waiver letters are attached as Exhibit D. I will provide a fully executed copy of the B-M-G waiver when I receive it.

Please contact me if you need any further information on this application.

Very truly yours,

A handwritten signature in dark ink, appearing to read "James Bruce", is written over a printed name. The signature is fluid and cursive, with a large initial "J" and "B".

James Bruce

Attorney for U.S. Enercorp, Ltd.

AMENDED REPORT

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, NM 87504-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

* API Number		* Pool Code	* Pool Name
* Property Code	* Property Name ALMAGRE ARROYO 30		* Well Number 1
* OGRID No.	* Operator Name U.S. ENERCORP. LTD.		* Elevation 7212

¹⁰ Surface Location

Tr. or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	30	24 N	1 E		2605	SOUTH	2400	WEST	RIO ARriba

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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15. Dedicated Acres	13. Joint or Infill	14. Consolidation Code	12. Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>14 N 89°24'47" E</p> <p>5246.34'</p>	<p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p>Signature _____</p> <p>Printed Name _____</p> <p>Title _____</p> <p>Date _____</p>	<p>5274.47'</p> <p>990'</p> <p>990'</p> <p>① 39.01</p> <p>250' 1250'</p> <p>SECTION 30</p> <p>PLAT. 36.281820°</p> <p>BLNG. 106.876966°</p> <p>NAD 83</p> <p>2400'</p> <p>② 39.07</p> <p>2606'</p> <p>③ 39.13</p> <p>0°31'15" W</p> <p>④ 39.19</p> <p>S 89°27'47" W</p> <p>5254.26'</p>
<p>18 SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>3/14/06</p> <p>Date of Survey _____</p> <p>Signature and Seal of Professional Surveyor: _____</p>		<p>S 0°34'13" E</p> <p>5274.47'</p> <p>5254.26'</p>

ROBERT L. POUNDS

NEW MEXICO

LICENSED SURVEYOR

6846

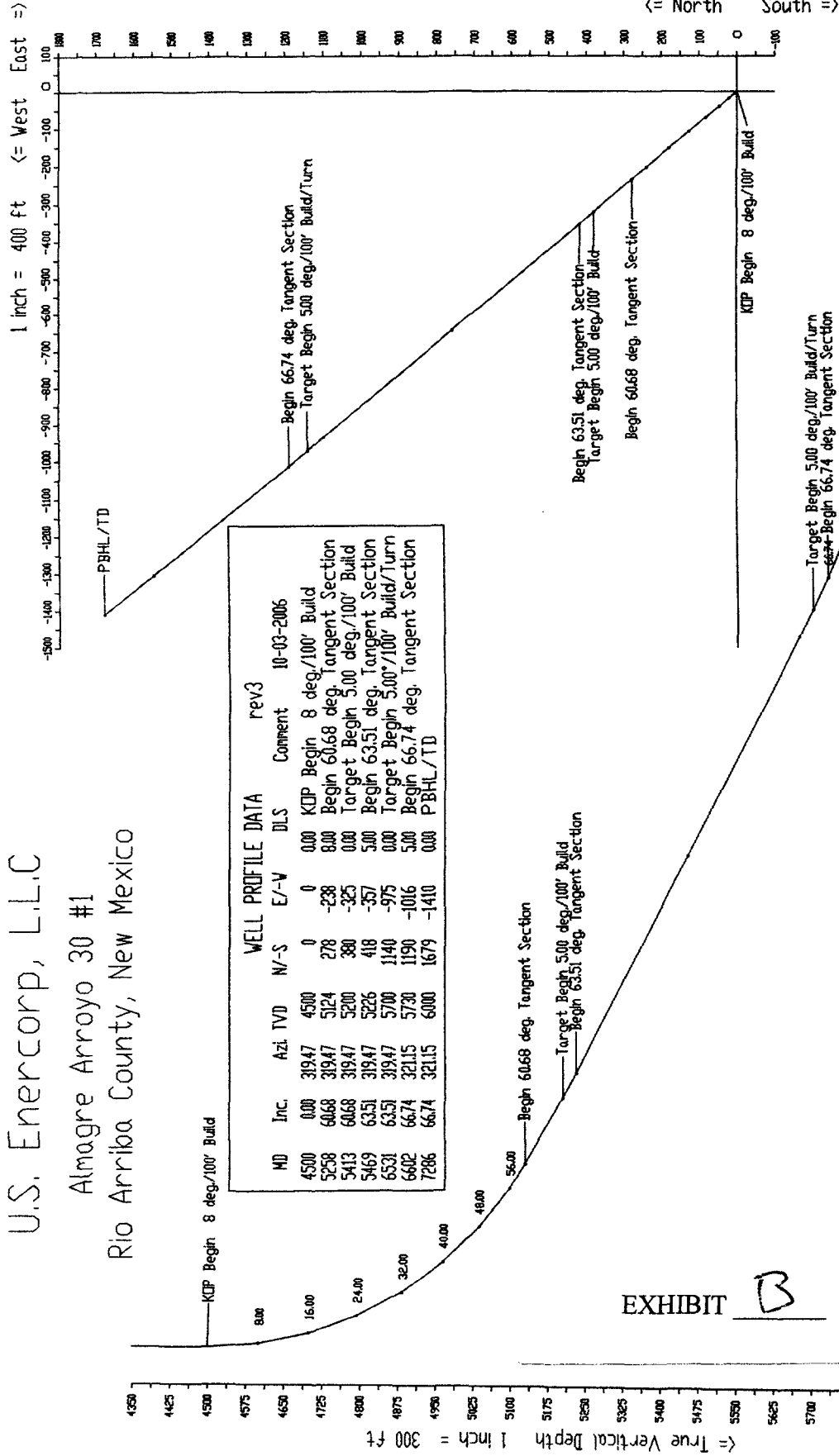
Certificate Number 5254.26

Exhibit A

U.S. Enercorp, L.L.C

Almagre Arroyo 30 #1

Rio Arriba County, New Mexico



Professional Directional Ltd.

Company: U.S. Enercorp
Well: Almagre Orroyo 30 #1
Location: Rio Arriba County, New Mexico

Date: 3-Oct-2006
Rev 3
Page 1
Job #: 2768

MD (feet)	Inclination (degrees)	Azimuth (degrees)	TVD (feet)	N-S (feet)	E-W (feet)	DLS (deg/100')	VS @ 319.98° Az (feet)	FNL	FSL	FWL	Comments
Surface Location											
4500.00	0.00	319.47	4500.00	0.00	0.00	0.00	0.00	2669.00	2605.00	2400.00	KOP Begin 8.00°/100' Build
4600.00	8.00	319.47	4599.68	5.30	-4.53	8.00	6.97	2663.70	2610.30	2395.47	
4700.00	16.00	319.47	4697.41	21.09	-18.03	8.00	27.74	2647.91	2626.09	2381.97	
4800.00	24.00	319.47	4791.30	47.06	-40.24	8.00	61.92	2621.94	2652.06	2359.76	
4900.00	32.00	319.47	4879.53	82.72	-70.72	8.00	108.82	2586.28	2687.72	2329.28	
5000.00	40.00	319.47	4960.36	127.36	-108.89	8.00	167.55	2541.64	2732.36	2291.11	
5100.00	48.00	319.47	5032.24	180.11	-153.99	8.00	236.96	2488.89	2785.11	2246.01	
5200.00	56.00	319.47	5093.75	239.96	-205.16	8.00	315.69	2429.04	2844.96	2194.84	
5258.50	60.68	319.47	5124.45	277.79	-237.51	8.00	365.47	2391.21	2882.79	2162.49	Begin 60.68° Tangent Section
5412.78	60.68	319.47	5200.00	380.03	-324.92	0.00	499.98	2288.97	2985.03	2075.08	Target Begin 5°/100' Build
5469.31	63.51	319.47	5226.46	418.00	-357.38	5.00	549.93	2251.00	3023.00	2042.62	
5969.31	63.51	319.47	5449.51	758.12	-648.19	0.00	997.41	1910.88	3363.12	1751.81	
6469.31	63.51	319.47	5672.55	1098.25	-938.99	0.00	1444.88	1570.75	3703.25	1461.01	
6530.84	63.51	319.47	5700.00	1140.10	-974.77	0.00	1499.94	1528.90	3745.10	1425.23	Target Begin 5°/100' Build/Turn
6602.28	66.74	321.15	5730.06	1189.98	-1016.15	5.00	1564.75	1479.02	3794.98	1383.85	Begin 66.74° Tangent Section
7102.28	66.74	321.15	5927.54	1547.73	-1304.27	0.00	2024.00	1121.27	4152.73	1095.73	
7285.76	66.74	321.15	6000.00	1679.00	-1410.00	0.00	2192.52	990.00	4284.00	990.00	PBHL/TD

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

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jamesbruc@aol.com

August 18, 2006

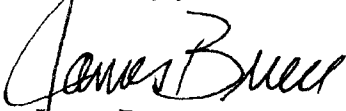
Certified Mail – Return Receipt Requested

To: Persons listed on Exhibit A

Ladies and gentlemen:

U.S. Enercorp, Ltd. has filed a revised application with the New Mexico Oil Conservation Division seeking an unorthodox oil well location in the Mancos formation in Section 30, Township 24 North, Range 1 East, NMPM, Rio Arriba County, New Mexico. A copy of the application is enclosed. If you object to the application, you must notify the Division in writing no later than Friday, September 8, 2006 (the Division's address is 1220 South St. Francis Drive, Santa Fe, New Mexico 87505). Failure to object will preclude you from contesting this matter at a latter date.

Very truly yours,



James Bruce

Attorney for U.S. Enercorp, Ltd.

- EXHIBIT C -

EXHIBIT A

§19-24N-1E:

Benson-Montin-Greer Drilling Corp.
4900 College Boulevard
Farmington, New Mexico 87402

§24-24N-1W:

Benson-Montin-Greer Drilling Corp.
4900 College Boulevard
Farmington, New Mexico 87402

Burlington Resources Oil & Gas Company LP
P.O. Box 4289
Farmington, New Mexico 87499

Elm Ridge Exploration Co.
Suite 950
12225 Greenville Avenue
Dallas, Texas 75243

Energen Resources Corporation
2198 Bloomfield Highway
Farmington, New Mexico 87402

Medicine Bow Operating Company
Suite 1900
1225 17th Street
Denver, Colorado 80202

§25-24N-1W:

Benson-Montin-Greer Drilling Corp.
4900 College Boulevard
Farmington, New Mexico 87402

Burlington Resources Oil & Gas Company LP
P.O. Box 4289
Farmington, New Mexico 87499

Elm Ridge Exploration Co.
Suite 950
12225 Greenville Avenue
Dallas, Texas 75243

Energen Resources Corporation
2198 Bloomfield Highway
Farmington, New Mexico 87402

Medicine Bow Operating Company
Suite 1900
1225 17th Street
Denver, Colorado 80202

Merrion Oil & Gas Corporation
610 Reilly Avenue
Farmington, New Mexico 87401

Ramon G. & Irene A. Sanchez
P.O. Box 533
Cuba, New Mexico 87013

Richard D. & Marilyn Sue Foster
3 Maya Lane
Los Alamos, New Mexico 87544

Mildred N. Pollack
312 Dartmouth S.E.
Albuquerque, New Mexico 87106

Evelyn June Wall, Trustee of
the Nordeen Family Trust
1730 Aliso
Albuquerque, New Mexico 87110

Ernest & Mary E. Sanchez
Route 4, Box 2041
Bloomfield, New Mexico 87413

Howard L. & Elsie M. Hays
P.O. Box 401
Regina, New Mexico 87046

Tedrick C. Sedillo
HC 78 Box 21
Regina, New Mexico 87046

Eduardo J. Lopez
P.O. Box 3786
Santa Fe, New Mexico 87504

U.S. ENERCORP, LTD.

Post Office Box 17098
San Antonio, Texas 78217
Telephone: (210) 829-4888
Fax: (210) 824-3950

August 7, 2006

Benson-Montin-Greer Drilling Corp.
4900 College Boulevard
Farmington, New Mexico 87402

Attn: James Hornbeck

Re: Protest of Non-Standard Location
Almagre Arroyo 30 No. 1 Well
NW Sec. 30-24N-R1E
Rio Arriba County, New Mexico

Gentlemen,

This letter, when signed by you, shall serve to evidence our prior verbal agreement regarding your protest of our Non-Standard Location Application for the Almagre Arroyo 30 No. 1 well as follows:

- (1) U.S. Enercorp, LTD. (USE) will amend (or re-file) the subject Non-Standard Location Application to reflect our agreement to cause the subject wellbore to be drilled no closer than 990' to your lease line, being the North and West lines of Section 30, T24N - R1E, rather than 660', as originally stated, and
- (2) USE will provide you with the daily drilling reports, a copy of any well logs, formation test results and other similar information directly related to the drilling of the subject well and,

In consideration for (1) and (2) above, Benson-Montin-Greer Drilling Corp. (BMG) will withdraw its protest of the subject Non-Standard Location Application. Furthermore, BMG's execution of this letter constitutes a waiver of protest to USE's amended (or re-filed) application with the NMOCD. BMG shall provide such additional approvals and consents as may be useful or necessary for the final approval of the subject non-standard location by the NMOCD.

The effective date of this letter agreement shall be the date of your agreement to the terms hereof as shown below and shall remain in effect for a period of one (1) year thereafter.

- EXHIBIT D -

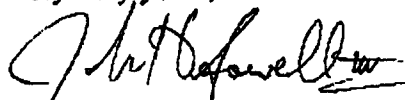
Benson-Montin-Greer Drilling Corp.

August 7, 2006

Page 2

If this letter correctly sets forth the terms and provisions of our agreement regarding the proposed Almagre Arroyo 30 No. 1 well, please date and sign the enclosed duplicate original and return it to this office in the enclosed envelope.

Very truly yours,



John H. Sowell, III

Landman

Agreed to and Accepted Effective this _____ day of _____, 2006.

Benson-Montin-Greer Drilling Corp.

By: _____

Title: _____

JHS:th

AUG-09-2006 14:46 FROM:

Aug-09-06 12:46pm From-Merrion Oil & Gas Corp.

TR 322151

P.2/3

505 326 5800

T-171 P.001/002 F-885

AUG-09-2006 14:00 FROM:

TO: 5053265800

P.2/3

U.S. ENERCORP, LTD.

Post Office Box 17098
San Antonio, Texas 78217
Telephone: (210) 824-4888
Fax: (210) 824-3950

August 7, 2006

Merrion Oil & Gas Corporation
610 Reilly Avenue
Farmington, New Mexico 87401

Attn: George F. Sharpe

Re: Protest of Non-Standard Location
Almagre Arroyo 30 No. 1 Well
NW Sec. 30-24N-R1E
Rio Arriba County, New Mexico

Gentlemen,

This letter, when signed by you, shall serve to evidence our prior verbal agreement regarding your protest of our Non-Standard Location Application for the Almagre Arroyo 30 No. 1 well as follows:

- (1) U.S. Enercorp, LTD. (USE) will amend (or re-file) the subject Non-Standard Location Application to reflect our agreement to cause the subject wellbore to be drilled no closer than 990' to your lease line, being the North and West lines of Section 30, T24N - R1E, rather than 660', as originally stated, and
- (2) USE will provide you with the daily drilling reports, a copy of any well logs, formation test results and other similar information directly related to the drilling and completion of the subject well and,

In consideration for (1) and (2) above, Merrion Oil & Gas Corporation (Merrion) will withdraw its protest of the subject Non-Standard Location Application. Furthermore, Merrion's execution of this letter constitutes a waiver of protest to USE's amended (or re-filed) application with the NMOCD. Merrion shall provide such additional approvals and consents as may be useful or necessary for the final approval of the subject non-standard location by the NMOCD.

The effective date of this letter agreement shall be the date of your agreement to the terms hereof as shown below and shall remain in effect for a period of one (1) year thereafter.

AUG-09-2006 14:46 FROM:

T 322151

P.3/3

Aug-09-06 12:48pm From-Morrison Oil & Gas Corp.

505 326 5900

T-171 P.002/002 F-985

AUG-08-2006 14:00 FROM:


TO:5053265900

P.3/3

Morrison Oil & Gas Corporation
August 7, 2006
Page 2

If this letter correctly sets forth the terms and provisions of our agreement regarding the proposed Almagre Arroyo 30 No. 1 well, please date and sign the enclosed duplicate original and return it to this office in the enclosed envelope.

Very truly yours,


John H. Sowell, III
Landman

Agreed to and Accepted Effective this 9 day of August, 2006.

Morrison Oil & Gas Corporation

By: George Sharpe
Title: Manager, Oil & Gas Investments

JHS:th

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Beason-Monin-Greer Drilling Corp.
4900 College Boulevard
Farmington, New Mexico 87402

COMPLETE THIS SECTION ON DELIVERY

A. Signature ☐ Agent ☐ Addressee

B. Received by (Printed Name) ☐ Date of Delivery

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type

- ☒ Certified Mail ☐ Express Mail
- ☐ Registered ☐ Return Receipt for Merchandise
- ☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) **7006 0100 0005 5711 9851**

PS Form 3811, February 2004 Domestic Return Receipt **USE** 102596-02-M-1540

U.S. Postal Service

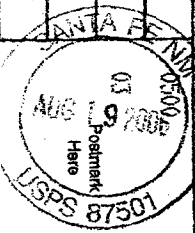
CERTIFIED MAIL RECEIPT

(Domestic Mail Only. No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

POSTAL SERVICE

Postage	\$	\$0.87
Certified Fee	\$	\$2.40
Return Receipt Fee (Endorsement Required)	\$	\$1.85
Restricted Delivery Fee (Endorsement Required)	\$	\$0.00
Total Postage & Fees	\$	\$5.12



Sent To

Beason-Monin-Greer Drilling Corp.
4900 College Boulevard
Farmington, New Mexico 87402
City, State, ZIP+4

PS Form 3800, June 2002 See Reverse for Instructions

7006 0100 0005 5711 9851

EXHIBIT

2