

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 14034
ORDER NO. R-12852**

**APPLICATION OF U.S. ENERCORP, LTD.
FOR AN EXCEPTION TO THE WELL
DENSITY REQUIREMENTS OF THE
SPECIAL RULES AND REGULATIONS FOR
THE WEST PUERTO CHIQUITO-MANCOS
POOL AND AN UNORTHODOX OIL WELL
LOCATION, RIO ARRIBA COUNTY,
NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 29, 2007, at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 18th day of December, 2007, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due notice has been given, and the Division has jurisdiction of the subject matter of this case.

(2) By this application, U.S. Enercorp, Ltd. (Applicant) seeks permission to drill a second well to the West Puerto Chiquito-Mancos Pool within a standard 640-acre, more or less, unit comprising all of Section 30, Township 24 North, Range 1 East, N.M.P.M., in Rio Arriba County, New Mexico, and to simultaneously dedicate that unit to both its proposed well and its existing Mancos well in that unit.

(3) In addition, Applicant seeks approval for an unorthodox location for its proposed well.

(4) The West-Puerto Chiquito-Mancos Pool is governed by the Special Rules for the West Puerto Chiquito-Mancos Oil Pool, promulgated by Division Order R-6469-B, issued in Case No. 8715 on March 7, 1986. Those rules provide for units of 640 acres, more or less, with wells to be located no closer than 1650 feet to a unit boundary, and no closer than 330 feet to a quarter section line, and specifically limit the number of wells to one well per unit.

(5) Applicant has previously drilled and completed in the Mancos formation its Almagre Arroyo 30 Well No. 1 (API No. 30-039-30083) (the existing well), a horizontal well drilled from a surface location 2605 feet from the South line and 2400 feet from the West line (Unit K) of Section 30, Township 24 North, Range 1 East, in Rio Arriba County, New Mexico to a bottom-hole location 1630 feet from the North line and 1462 feet from the West line (Unit F) of Section 30. The unorthodox location of this well was approved by Division Administrative Order NSL-5483.

(6) Applicant now proposes to drill its Almagre Arroyo 30 Well No. 2 (the proposed well) as a second horizontal well in the Mancos formation in Section 30. The proposed well will be drilled from a surface location 2313 feet from the South line and 2602 feet from the East line (Unit J) to a projected bottom hole location 1000 feet from the North line and 1000 feet from the West line (Unit D). The proposed location is unorthodox under the applicable special pool rules and Division Rule 111 because the bottom hole location is closer than 1650 feet to both the northern and western unit boundaries.

(7) Applicant appeared at the hearing through counsel and presented land and geologic testimony as follows:

(a) Applicant has given notice of this application and hearing to all owners of working interests in all sections offsetting Section 30.

(b) Applicant intends to complete the proposed well in a lateral shaft projected through the Mancos "C" sand, which underlies the Mancos B1 sand zone in which the existing well is completed. Applicant's geologic interpretation indicates that these sands are not in communication due to an intervening shale zone.

(c) Because the existing well was diverted horizontally into the Mancos B1 sand and cased, it is not feasible to test the Mancos C sand by deepening the existing well.

(d) Production from the existing well is considerably less than the applicable top unit allowable, and Applicant anticipates that both wells can be produced simultaneously without exceeding the top unit allowable.

(8) No other party appeared at the hearing or otherwise objected to the granting of this application.

(9) The granting of this application will probably enable Applicant to produce hydrocarbons underlying the subject unit that it cannot access or produce through the existing well, and accordingly will prevent waste and protect correlative rights.

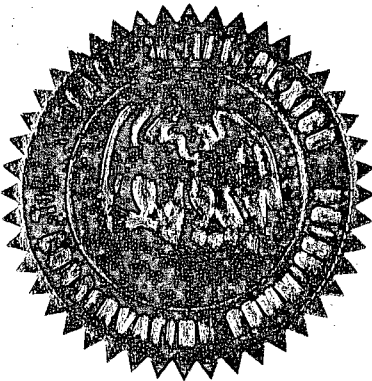
IT IS THEREFORE ORDERED THAT:

(1) The application of U.S. Enercorp, Ltd. to simultaneously dedicate a unit consisting of Section 30, Township 24 North, Range 1 East, NMPM, in Rio Arriba County, New Mexico, in the West Puerto-Chiquito Mancos Pool (Pool Code 50440) to the existing well and the proposed well, as described in Findings (5) and (6) of this Order, is hereby approved.

(2) The unorthodox location of Applicant's proposed Almagre Arroyo 30 Well No. 2, as described in Finding (6) of this Order is approved.

(3) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

MARK E. FESMIRE, P.E.
Director