

**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. 10538
Order No. R-9733**

**APPLICATION OF AMERICAN HUNTER
EXPLORATION, LTD. FOR AN UNORTHODOX
OIL WELL LOCATION AND A NON-STANDARD
OIL PRORATION UNIT, RIO ARRIBA COUNTY,
NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 20 and September 17, 1992, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 22nd day of September, 1992, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, American Hunter Exploration, Ltd. (American Hunter), seeks an exception to Rule No. (4) of the Special Rules and Regulations for the Gavilan-Mancos Oil Pool, as promulgated by Division Order No. R-7407, as amended, for its Jicarilla 28B-1 (27-2) Well to be drilled at an unorthodox oil well location no closer than 330 feet from the North line nor closer than 1400 feet from the East line (Unit B) of Irregular Section 28, Township 27 North, Range 2 West, Gavilan-Mancos Oil Pool, Rio Arriba County, New Mexico. All of Section 28 is to be dedicated to this well forming a non-standard 430.56-acre spacing and proration unit for this pool.

(3) The proposed well is subject to the Special Rules and Regulations for the Gavilan-Mancos Oil Pool, specifically Rule No. (4) which requires that wells be located no closer than 790 feet from the outer boundary of the proration unit nor closer than 330 feet from any quarter-quarter section line.

(4) The subject well will be drilled to the Mancos formation at an estimated depth of 7,700 feet.

(5) The Mancos formation consists of a highly fractured shale and for a well in this formation to be a commercial producer it must intersect the natural fracture system in the reservoir.

(6) To locate the fracture system in the Mancos formation, seismic lines were shot across the proposed dedicated acreage.

(7) The location of these seismic lines was dictated, in part, by surface geology and topographic conditions and the seismic locations were approved by the Jicarilla Tribe.

(8) Although the seismic lines across Section 28 traverse only unorthodox locations as established by the Special Rules and Regulations for the Gavilan-Mancos Oil Pool, these lines are at reasonable locations to enable the owners in this and offsetting tracts to gather data on and evaluate this formation.

(9) The proposed unorthodox location is on or in close proximity to a seismic line traversing Section 28 and shows what is interpreted to be the natural fracture system at this location.

(10) The drilling of a well at a standard location in this section cannot be justified because sufficient seismic data indicating the presence of a natural fracture system does not exist.

(11) Development of this spacing and proration unit with a well at the proposed unorthodox location is the most prudent location from which to develop this acreage to produce the reserves thereunder in the Mancos formation and should thereby prevent waste.

(12) The offsetting acreage to the north and east of the proposed unorthodox well location is operated by the Jicarilla Apache Tribe and American Hunter and is being developed as a Joint Venture Property between the two parties.

(13) No other offset operator and/or interest owner appeared at the hearing in opposition to the application.

(14) The proposed non-standard proration unit is necessitated by a variation in the legal subdivision of the United States Public Lands Survey.

(15) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the oil in the affected pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

(16) The subject well should be assigned an acreage factor of 0.67 for purposes of assigning an allowable in the Gavilan-Mancos Oil Pool.

IT IS THEREFORE ORDERED THAT:

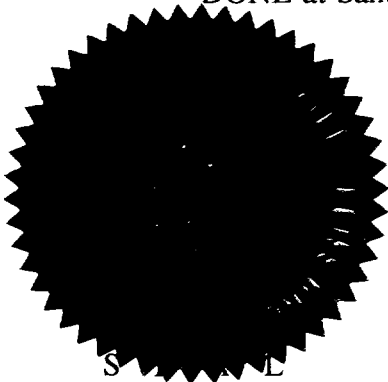
(1) The applicant, American Hunter Exploration, Ltd. is hereby authorized to drill its Jicarilla 28B-1 (27-2) Well at an unorthodox oil well location no closer than 330 feet from the North line nor closer than 1400 feet from the East line (Unit B) of Irregular Section 28, Township 27 North, Range 2 West, Gavilan-Mancos Oil Pool, Rio Arriba County, New Mexico.

(2) All of Section 28 shall be dedicated to the above-described well forming a non-standard 430.56-acre spacing and proration unit, also hereby approved.

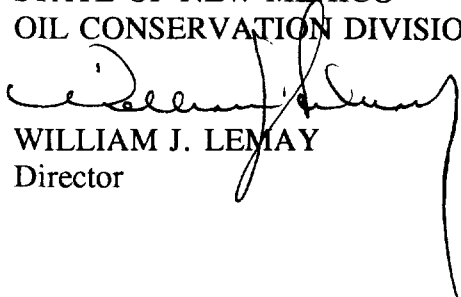
(3) The subject well is hereby assigned an acreage factor of 0.67 for purposes of assigning an allowable in the Gavilan-Mancos Oil Pool.

(4) Jurisdiction of this cause 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.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director