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2011 APR 15 P 3:04

April 15, 2011

Ms. Florene Davidson
New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Case 14654

Re: In The Matter of The Application of Energen Resources Corp. for Exception to The Well Density Provisions of The Special Rules and Regulations for The Basin-Fruitland Coal Gas Pool to Authorize The Recompletion of Wells as Horizontal Lateral or Sidetrack Wells and for Simultaneous Dedication, Rio Arriba County, New Mexico

Dear Ms. Davidson:

On behalf of Energen Resources Corporation, enclosed for filing is an original and one copy of Energen's Application in the above matter.

Please set this matter for hearing on the May 26, 2011 examiner docket. Also enclosed is a proposed advertisement for the case.

Thank you.

Very truly yours,

J. Scott Hall

JSH:kw
Enclosure

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Case 14654

Application of Energen Resources Corporation for exception to the well density provisions of the pool rules for the Basin-Fruitland Coal Gas Pool for three spacing units and for simultaneous dedication, Rio Arriba County, New Mexico. Applicant seeks an order authorizing the re-entry of a vertical well for the drilling of additional horizontal lateral or sidetrack wells in the Fruitland Coal formation within three existing standard spacing and proration units as follows:

Township 32 North, Range 5 West

Section 32: N/2

State Bancos No. 100-S (API No. 3003927273)
720' FSL & 1180' FWL (surface location)
760' FNL & 760' FEL (bottom-hole location)

Section 29: W/2

Elkhorn No. 100 (API No. 3003927337)
725' FSL & 800' FWL (surface location)
760' FNL & 1880' FWL (bottom-hole location)

Township 32 North, Range 6 West

Section 25: E/2

San Juan 32-5 No. 105-S (API No. 3003927265)
1670' FNL & 1340' FEL (surface location)
600' FNL & 100' FEL (bottom-hole location)

Applicant also seeks to simultaneously dedicate each of these units to the proposed horizontal sidetrack lateral well and to the existing initial well and infill well currently producing from the Fruitland Coal formation. These wells and lands are located approximately one-half to one mile east of Navajo Reservoir and thirty miles east of Aztec, New Mexico.

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

**IN THE MATTER OF THE APPLICATION OF
ENERGEN RESOURCES CORPORATION FOR
EXCEPTION TO THE WELL DENSITY
PROVISIONS OF THE SPECIAL RULES AND
REGULATIONS FOR THE BASIN-FRUITLAND
COAL GAS POOL TO AUTHORIZE THE
RECOMPLETION OF WELLS AS HORIZONTAL
LATERAL OR SIDETRACK WELLS AND FOR
SIMULTANEOUS DEDICATION, RIO ARriba
COUNTY, NEW MEXICO**

CASE NO. 14654

APPLICATION

ENERGEN RESOURCES CORPORATION, ("Energen"), through its undersigned attorneys, Montgomery & Andrews, P. A., (J. Scott Hall), hereby makes application to the Oil Conservation Division for an order providing an exception to the well density provisions of the Rules and Regulations for the Basin-Fruitland Coal Gas Pool (71629) for the drilling of additional horizontal or lateral sidetrack wells within two standard spacing and proration units located in Township 32 North, Range 5 West and one located in Township 32 North, Range 6 West NMPM in Rio Arriba County, New Mexico. In support of its application, Energen states:

1. Energen is the operator of the initial vertical well and one infill vertical well drilled and completed in the Fruitland Coal formation, Basin-Fruitland Coal Gas Pool in each of the following standard 320-acre \pm spacing and proration units:

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Township 32 North, Range 5 West

Section 32: N/2

State Bancos No. 100 (API No. 3003927272)
1405' FNL & 1060' FEL

State Bancos No. 100-S (API No. 3003927273)
720' FSL & 1180' FWL

Section 29: W/2

Elkhorn No. 100 (API No. 3003927337)
725' FSL & 800' FWL

Elkhorn No. 100-S (API No. 3003927449)
1400' FNL & 685' FWL

Township 32 North, Range 6 West

Section 25: E/2

San Juan 32-5 No. 105-S (API No. 3003927265)
1670' FNL & 1340' FEL

San Juan 32-5 No. 105 (API No. 3003924270)
1060' FNL & 1780' FEL

2. Each of the above-referenced spacing units is located within the low-productivity area of the Basin-Fruitland Coal Gas Pool defined by Rule 7(C) of the Special Rules and Regulations for the Pool, promulgated by Order R-8768-F dated July 17, 2003.

3. Rule 7(D) of the pool rules for the low-productivity area within the Basin-Fruitland Coal Gas pool provides as follows:

Rule 7D: Well Density

(1) Well density within the low productivity area: "No more than two (2) wells per standard 320 acre gas spacing unit may be located in the "*Low-Productivity Area*" of the Pool as follows:

(i) The *optional in-fill well* drilled on an existing spacing unit shall be located in the quarter section not containing the *initial Fruitland Coal Gas Well*;

4. Energen seeks authorization to re-enter one of the vertical wells in each of the spacing units and recomplete the well as a horizontal sidetrack in the Fruitland coal formation at the surface and bottom-hole locations in each of the spacing units as follows:

Section 32: N/2

State Bancos No. 100-S (API No. 3003927273)
720' FSL & 1180' FWL (surface location)
760' FNL & 760' FEL (bottom-hole location)

Section 29: W/2

Elkhorn No. 100 (API No. 3003927337)
725' FSL & 800' FWL (surface location)
760' FNL & 1880' FWL (bottom-hole location)

Section 25: E/2

San Juan 32-5 No. 105-S (API No. 3003927265)
1670' FNL & 1340' FEL (surface location)
600' FNL & 100' FEL (bottom-hole location)

5. Under the Division's current application of its statewide rules, sidetracks and well laterals in the same common source of supply in a spacing unit are not regarded as multiple-completions or multiple wells. Rather, lateral sidetracks are approved as recompletions of the originally-permitted wells and they do not receive new API numbers. Further, the special pool rules for the Basin-Fruitland Coal Gas Pool were drafted at a time when development in the pool was predominantly by vertical wells and before the onset of extensive development by horizontal drilling. The pool rules do not address the recompletion and extension of lateral sidetracks into an adjoining quarter-section already containing another well. However, the extension of the

lateral sidetracks as proposed would result in the location of two wellbores within the same quarter-section.

6. None of the referenced spacing units includes more than a single lease. The surface, producing interval and bottom hole terminus locations of each of the proposed sidetrack wells will conform to the provisions of Rule 7(A) of the Special Pool Rules for the Basin-Fruitland Coal Gas Pool as none will be located closer than 660 feet to the outer boundary of a spacing unit or federal unit.

7. Approval of this Application authorizing the recompletion and extension of the sidetracked wells on each of the spacing units will allow the owners therein to produce their just and equitable share of gas from the Basin-Fruitland Coal Gas pool and will allow the production of additional coal bed methane reserves that would otherwise go un-recovered. Approval of this Application will further be in the interests of conservation, the prevention of waste and the protection of correlative rights.

8. Applicant further proposes that each of the referenced units be simultaneously dedicated to the additional sidetrack laterals and the initial and infill wells identified in paragraph 1, above.

WHEREFORE, Energen Resources Corporation requests that this Application be set for hearing before one of the Division's examiners on May 26, 2011, and that after a Notice of Hearing as required by law, the Division enter its order granting this Application and providing such further relief as the Division deems appropriate.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

A handwritten signature in cursive script, appearing to read "J. Scott Hall", positioned above a horizontal line.

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Attorneys for Energen Resources Corporation

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