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2012 JUN 12 P 4: 23

June 12, 2012

Ms. Jami Bailey, Director
NM Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87501

Hand-Delivered

Re: NMOCD Case No. 14878: Application of Energen Resources Corporation for Establishment of a Special Infill Well Development Area in Portions of the Gavilan-Pictured Cliffs Pool, for Exception from Rule 19.15.15.11 NMAC, Approval of Unorthodox Well Locations and for Downhole Commingling, Rio Arriba County, New Mexico

Dear Ms. Bailey:

On behalf of Energen Resources Corporation, enclosed for filing is an original and one copy of an Application in the above-referenced case. Please set this matter for hearing on the July 12, 2012 examiner docket. Also enclosed is a proposed advertisement for the case.

Very truly yours,

J. Scott Hall

Enclosures

380948

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

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**IN THE MATTER OF THE APPLICATION OF
ENERGEN RESOURCES CORPORATION
FOR ESTABLISHMENT OF A SPECIAL INFILL
WELL DEVELOPMENT AREA IN PORTIONS OF
THE GAVILAN-PICTURED CLIFFS POOL,
FOR EXCEPTION FROM RULE 19.15.15.11 NMAC,
APPROVAL OF UNORTHODOX WELL
LOCATIONS AND FOR DOWNHOLE
COMMINGLING, RIO ARRIBA COUNTY,
NEW MEXICO**

Case No. 14878

APPLICATION

ENERGEN RESOURCES CORPORATION, ("Energen"), by its undersigned attorneys, Montgomery and Andrews, P.A., (J. Scott Hall) hereby makes application pursuant to *inter alia* Rule 19.15.15.11 for an order: (1) Approving the establishment of a Special Infill Well Development Area in portions of the Gavilan-Pictured Cliffs Pool (77360) in Rio Arriba, County, New Mexico; (2) Providing for an exception to the well density development limitations applicable to the pool to allow two producing gas wells per 160-acre spacing unit throughout the Special Infill Well Development Area; (3) Approving unorthodox well locations pursuant to Rule 19.15.15.13 for certain Mesaverde formation wells to be recompleted in the Pictured Cliffs formation; (4) Authorizing the dual completion of new wells to be drilled to both formations; and (5) for downhole commingling. In support of this Application, Energen states:

1. Energen is the operator of 47 Pictured Cliffs formation wells and spacing units in the Gavilan-Pictured Cliffs Pool and owns or controls leases on approximately 12,207.6 largely contiguous acres within the pool.

2. The Gavilan-Pictured Cliffs Pool is an “unprorated gas pool” not subject to the Division’s statewide rules for Gas Proration and Allocation. The pool is currently governed by Division Rules 19.15.10 C and 19.15.11 C which provide for 160-acre spacing units, require wells to be no closer than 660 feet to the outer boundary of their assigned units or closer than 10 feet to any quarter-quarter section line or subdivision inner boundary, but do not provide for the drilling, recompletion, and production of a second gas well within a single 160-acre gas spacing unit.

3. In 2011, the Division issued Order No. R-13347-A approving of the establishment of an infill pilot project study area in portions of the Gavilan, Tapacito and South Blanco-Pictured Cliffs pools operated by Energen. In connection with the pilot project, Energen drilled or recompleted a number of infill wells in 160-acre units located within the Gavilan-Pictured Cliffs pool.

4. Based in-part on the results from the pilot project, Energen has determined that Pictured Cliffs formation reserves can be efficiently and economically developed, without waste or violating correlative rights, by drilling or recompleting an additional infill well in each of the quarter-section spacing units it operates within the Gavilan-Pictured Cliffs pool.

5. Energen’s acreage in the northern portion of the Gavilan-Pictured Cliffs Pool is contiguous or in close proximity and can be efficiently administered as a single Special Infill Well Development Area. Energen proposes that the Special Infill Well Development Area be comprised of the following lands:

Township 27 North, Range 3 West, NMPM

Section 11: All
 Section 13: All
 Section 14: All
 Section 15: S/2
 Section 22: All
 Section 23: All
 Section 24: All
 Section 25: All
 Section 26: All
 Section 27: All
 Section 35: All
 Section 36: All

Township 26 North, Range 3 West, NMPM

Section 1: All
 Section 2: All
 Section 3: E/2
 Section 10: E/2
 Section 11: All
 Section 12: All
 Section 13: All
 Section 14: E/2, NW/4
 Section 23: NE/4
 Section 24: All

6. Energen proposes to recomple 35 existing Mesaverde formation wells located in the proposed Special Infill Well Development Area in the Pictured Cliffs formation and operate them as new infill wells in the following existing spacing units:

UWI (APINum)	Well	NS Footage	NS Dir	EW Footage	EW Dir	Sec	Twp	Rge	Prod Fm
30039068500000	Jicarilla 95 #7	900	FNL	990	FEL	36	27N	3W	Mesaverde
30039070210000	Jicarilla 94 #4	790	FNL	790	FEL	23	27N	3W	Mesaverde
30039211270000	Jicarilla 95 #7A	990	FNL	990	FWL	36	27N	3W	Mesaverde
30039212360000	Jicarilla 96 #7A	990	FNL	790	FWL	1	26N	3W	Mesaverde
30039212370000	Jicarilla 96 #2A	990	FSL	990	FEL	2	26N	3W	Mesaverde
30039212590000	Jicarilla 96 #1A	990	FSL	990	FEL	11	26N	3W	Mesaverde
30039212600000	Jicarilla 95 #8A	990	FSL	990	FEL	26	27N	3W	Mesaverde
30039212730000	Jicarilla 96 #8A	990	FNL	1190	FWL	12	26N	3W	Mesaverde
30039214820000	Jicarilla 94 #4A	1190	FSL	1090	FEL	23	27N	3W	Mesaverde
30039214840000	Jicarilla 94 #2A	990	FNL	1190	FWL	27	27N	3W	Mesaverde
30039228000000	Jicarilla 89 #5A	1520	FSL	790	FEL	14	27N	3W	Mesaverde
30039228110000	Jicarilla 94 #8	790	FNL	890	FWL	24	27N	3W	Mesaverde
30039262620000	Johnston Shear #1A	1735	FSL	1105	FEL	3	26N	3W	Mancos/ Mesaverde

30039262690000	Jicarilla 99 #3A	1835	FSL	1620	FEL	13	26N	3W	Mesaverde
30039263540000	Jicarilla 96 #3B	660	FSL	1980	FEL	12	26N	3W	Mesaverde
30039263550000	Jicarilla 94 #5B	1980	FSL	1785	FWL	23	27N	3W	Mesaverde
30039265460000	Jicarilla 94 #6C	1065	FSL	1455	FEL	27	27N	3W	Mesaverde
30039265490000	Jicarilla 96 #6C	990	FNL	1970	FWL	2	26N	3W	Mesaverde
30039265730000	Jicarilla 96 #1B	720	FNL	1775	FEL	11	26N	3W	Mesaverde
30039265740000	Jicarilla 95 #6B	1980	FSL	800	FWL	36	27N	3W	Mesaverde
30039265860000	Jicarilla 95 #1C	1285	FNL	1940	FEL	35	27N	3W	Mesaverde
30039268270000	Jicarilla 96 #2C	1750	FNL	1825	FEL	2	26N	3W	Mesaverde
30039268440000	Jicarilla 99 #7B	790	FNL	1600	FWL	13	26N	3W	Mesaverde
30039268450000	Johnston Shear #1C	660	FSL	660	FEL	3	26N	3W	Mesaverde
30039268460000	Johnston Shear #1B	660	FNL	660	FEL	3	26N	3W	Mesaverde
30039268520000	Jicarilla 95 #4B	915	FSL	1975	FWL	26	27N	3W	Mesaverde
30039268560000	Jicarilla 94 #2B	660	FSL	1975	FWL	27	27N	3W	Mesaverde
30039268870000	Jicarilla 94 #4B	1980	FSL	1980	FEL	23	27N	3W	Mesaverde
30039268890000	Jicarilla 95 #5B	660	FSL	1975	FWL	25	27N	3W	Mesaverde
30039268900000	Jicarilla 95 #8C	1865	FNL	1795	FEL	26	27N	3W	Mesaverde
30039274130000	Jicarilla 94 #2C	1600	FNL	1980	FWL	27	27N	3W	Mesaverde
30039274380000	Jicarilla 94 #1B	1600	FNL	660	FEL	22	27N	3W	Mesaverde
30039274820000	Jicarilla 94 #3B	660	FSL	1980	FWL	22	27N	3W	Mesaverde
30039275280000	Jicarilla 96 #3R	660	FNL	2500	FEL	12	26N	3W	Mesaverde
30039301640000	Jicarilla 94 #4C	1000	FNL	1950	FEL	23	27N	3W	

7. 16 of the recompleted Mesaverde formation wells will result in unorthodox locations for Pictured Cliffs formation wells which will require Division approval:

UWI (APINum)	Well	NS Footage	NS Dir	EW Footage	EW Dir	Sec	Twp	Rge	Prod Fm
30039265480000	Jicarilla 95 #3C	2340	FNL	990	FWL	35	27N	3W	Mancos/ Mesaverde
30039265510000	Jicarilla 96 #6B	2155	FSL	1845	FWL	2	26N	3W	Mesaverde
30039265710000	Jicarilla 96 #7B	2330	FNL	1145	FWL	1	26N	3W	Mesaverde
30039265880000	Jicarilla 94 #6B	2075	FNL	770	FEL	27	27N	3W	Mesaverde
30039268430000	Jicarilla 96 #8C	2480	FSL	1750	FWL	12	26N	3W	Mesaverde
30039268470000	Jicarilla 115E #14B	2400	FNL	680	FEL	10	26N	3W	Mesaverde
30039268530000	Jicarilla 94 #1C	2400	FSL	1650	FEL	22	27N	3W	Mesaverde
30039268880000	Jicarilla 96 #4Y	1560	FSL	2340	FEL	1	26N	3W	Mesaverde
30039268910000	Jicarilla 96 #7C	2360	FSL	1980	FWL	1	26N	3W	Mesaverde
30039268920000	Jicarilla 95 #6C	660	FSL	2500	FEL	36	27N	3W	Mancos/ Mesaverde
30039269140000	Jicarilla 95 #4C	2405	FNL	1650	FWL	26	27N	3W	Mesaverde
30039273110000	Jicarilla 96 #5C	660	FSL	2600	FWL	11	26N	3W	Mesaverde
30039274370000	Jicarilla 99 #7C	2010	FSL	1600	FWL	13	26N	3W	Mesaverde
30039274830000	Jicarilla 94 #2R	2350	FSL	1125	FWL	27	27N	3W	Mesaverde
30039276720000	Jicarilla 95 #5C	2140	FNL	105	FWL	25	27N	3W	Mesaverde
30039301530000	Jicarilla 96 #4B	2500	FNL	1420	FEL	1	26N	3W	Mesaverde

8. Energen is the only operator and owner of the leasehold working interest in the offsetting spacing units toward which the resulting unorthodox locations would encroach.

9. Production from the recompleted Mesaverde formation wells or Mesaverde/Mancos formation will be commingled downhole with production from the Pictured Cliffs formation. Ownership in the Pictured Cliffs, Mancos and Mesaverde formations is common in each of the 160-acre units operated by Energen where commingling will occur.

10. In addition to the re-completions of existing Mesaverde formation wells, Energen has identified the following spacing units for the drilling of new Mesaverde wells, which it also proposes to dually complete and commingle downhole with production from the Pictured Cliffs formation:

UWI (APINum)	Well Label	NS Footage	NS Dir	EW Footage	EW Dir	Sec	Twp	Rge
NA	Jicarilla 94 #3C	1350	FNL	1350	FWL	22	27N	3W
NA	Jicarilla 99 #2B	1350	FNL	1350	FEL	14	26N	3W
NA	Jicarilla 96 #3D	1350	FSL	1350	FEL	12	26N	3W
NA	Jicarilla 96 #3B	1350	FNL	1350	FEL	13	26N	3W
NA	Jicarilla 96 #3C	1350	FSL	1350	FEL	13	26N	3W
NA	Jicarilla 96 #3C	1350	FNL	1350	FEL	12	26N	3W
NA	Jicarilla 99 #2C	1350	FSL	1350	FEL	14	26N	3W

11. In no case is any one of the existing wells or proposed new-drills located within 660 feet of the outer boundary of the proposed Special Infill Well Development Area.

12. Notice of this application will be provided in accordance with Division Rule 19.15.15.11 C and 19.15.15.13.

WHEREFORE, Applicant requests that this Application be set for hearing before a duly appointed examiner of the Oil Conservation Division on July 12, 2012 and that after notice and hearing as required by law, the Division enter its order granting this application and making such other and further provisions as the Division determines appropriate.

Montgomery and Andrews, P.A.

By:



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CASE ~~14878~~ Application of Energen Resources Corporation for establishment of a Special Infill Well Development Area in portions of the Gavilan-Picutred Cliffs Pool, for exceptions from Rule 19.15.15.11, approval of unorthodox well locations and for downhole commingling, Rio Arriba County, New Mexico. Applicant seeks and order (1) Approving the establishment of a Special Infill Well Development Area in portions of the Gavilan-Pictured Cliffs Pool (77360) in Rio Arriba, County, New Mexico; (2) Providing for an exception to the well density development limitations applicable to the pool to allow two producing gas wells per 160-acre spacing unit throughout the Special Infill Well Development Area; (3) Authorizing recompletions of existing Mesaverde formation wells in the Pictured Cliffs formation and approving unorthodox well locations pursuant to Rule 19.15.15.13 for certain of those wells; (4) Authorizing the dual completions of new wells to be drilled to both formations; and (5) for downhole commingling. Energen proposes that the Special Infill Well Development Area be comprised of the following lands centered approximately 15 miles northwest of Lindrith, New Mexico:

Township 27 North, Range 3 West, NMPM

Section 11:	All
Section 13:	All
Section 14:	All
Section 15:	S/2
Section 22:	All
Section 23:	All
Section 24:	All
Section 25:	All
Section 26:	All
Section 27:	All
Section 35:	All
Section 36:	All

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Township 26 North, Range 3 West, NMPM

Section 1:	All
Section 2:	All
Section 3:	E/2
Section 10:	E/2
Section 11:	All
Section 12:	All
Section 13:	All
Section 14:	E/2, NW/4
Section 23:	NE/4
Section 24:	All