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**Case No. 15436** *Application of Energen Resources Corporation for Approval of the Divide Unit, Creation of a New Pool for Horizontal Development and Establishing 330 Foot Exterior Boundary Setbacks for Completed Intervals for Horizontal Wells Within the Unit, Sandoval County, New Mexico* . Applicant seeks approval of its Divide Unit comprised of 2,364.50 acres of federal lands described as follows:

**Township 23 North, Range 1 West N.M.P.M., Sandoval County**

Sec. 29: SW/4

Sec. 30: S/2

Sec. 31: All

Sec. 32: All

**Township 22 North, Range 1 West N.M.P.M., Sandoval County**

Sec. 5: W/2

Sec. 6: All

Applicant also seeks the creation of a new pool for horizontal development within the unit area with vertical limits coterminous with the unitized formation and providing for 330 foot exterior boundary setbacks for completed intervals of horizontal wells drilled within the unit. The unitized interval extends from the stratigraphic equivalent of the top of the Mancos Formation to the base of the Greenhorn (i.e. Graneros) Formation as encountered in the San Juan Resources Atencio Federal No. 1 Well (API No. 30-043-20671) located in SW/4 NW/4 of Section 32, Township 23 North, Range 1 West, N.M.P.M. in Sandoval County. The subject lands are located approximately 1-1/2 miles southwest of Regina, New Mexico.

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

IN THE MATTER OF THE APPLICATION OF ENERGEN RESOURCES  
CORPORATION FOR APPROVAL OF THE DIVIDE UNIT, CREATION OF A NEW  
POOL FOR HORIZONTAL DEVELOPMENT AND ESTABLISHING 330 FOOT  
EXTERIOR BOUNDARY SETBACKS FOR COMPLETED INTERVALS FOR  
HORIZONTAL WELLS WITHIN THE UNIT, SANDOVAL COUNTY, NEW MEXICO

CASE NO. 15436

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 19.15.20.14 NMAC of the Division's Rules and regulations for an order providing as follows: (A) Approving Energen's Divide Unit; (B) Creating a new pool for horizontal development within the Unit Area; and (C) Providing that the completed intervals of horizontal wells within the Unit Area may be setback no closer than 330 feet from the exterior boundaries of the Unit.

In support, Energen states:

1. Energen's proposed Divide Unit is comprised of 2,364.50 acres  $\pm$  of federal lands.

A plat of the Unit Area is attached as Exhibit A and these lands are described as follows:

Township 23 North, Range 1 West N.M.P.M., Sandoval County

Sec. 29: SW/4

Sec. 30: S/2

Sec. 31: ALL

Sec. 32: ALL

**Township 22 North, Range 1 West N.M.P.M, Sandoval County**

Sec. 5: W/2

Sec. 6: ALL

2. Energen has prepared a Unit Agreement and a Unit Operating Agreement providing for the supervision and management of the Unit, as well as the allocation and payment of the costs of unit operations. Energen is designated Unit Operator in the Unit Agreement for the Divide Unit. The Unit Agreement has been approved by a sufficient percentage of the interest owners within the proposed Unit Area to provide effective control of unit operations.

3. Energen has presented the proposed unit to the Bureau of Land Management and expects to receive preliminary approval of the Unit Agreement from that agency.

4. Energen proposes to drill one or more horizontal wells within the Unit Area with completed intervals located no closer than 330 feet of the outer boundaries of the unit. The entire Unit Area will be developed and operated as a single Participating Area.

5. The vertical limits of the Unitized Formation within the proposed Unit Area include the intervals which extend from the stratigraphic equivalent of the top of the Mancos Formation located at a depth of 5,610' to the base of the Greenhorn (i.e. Graneros) Formation at a depth of 7,402' as encountered in the San Juan Resources Atencio Federal No. 1 Well (API No. 30-043-206710000) located in SW/4 NW/4 of Section 32, Township 23 North, Range 1 West, N.M.P.M. in Sandoval County.

6. The entirety of the Unit Area lands are located outside of any established Gallup or Mancos oil pool and are therefore considered as wildcat. To allow for the most efficient horizontal well development pattern and to effectively drain the reserves in the Unitized Formation in the Unit Area, Energen requests that the Division establish a new pool for horizontal development within the Divide Unit that is coterminous with the Unitized Formation

providing for the drilling of horizontal wells within the Unit Area with completed intervals located no closer than 330 feet of the outer boundaries of the unit in accordance with statewide rules for oil wells. The new pool should be designated as the Divide Unit Hz Oil Pool.

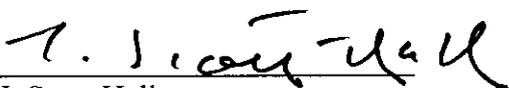
7. Notice of this Application will be provided to the affected parties in the spacing units offsetting the proposed Unit Area, as well as the working interest owners within the unitized area. Energen will also publish notice of this Application in a local newspaper of general circulation in Sandoval County.

8. Approval of this Application and creation of a new pool for horizontal development in the unitized area will afford the Applicant appropriate flexibility in the placement and operation of wells, will increase the ultimate recovery of hydrocarbon reserves and will not impair correlative rights.

WHEREFORE Applicant requests that this Application be set for hearing before a duly appointed hearing examiner of the Oil Conservation Division on January 21, 2016 and that after notice and 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.

By: 

J. Scott Hall  
Seth C. McMillan

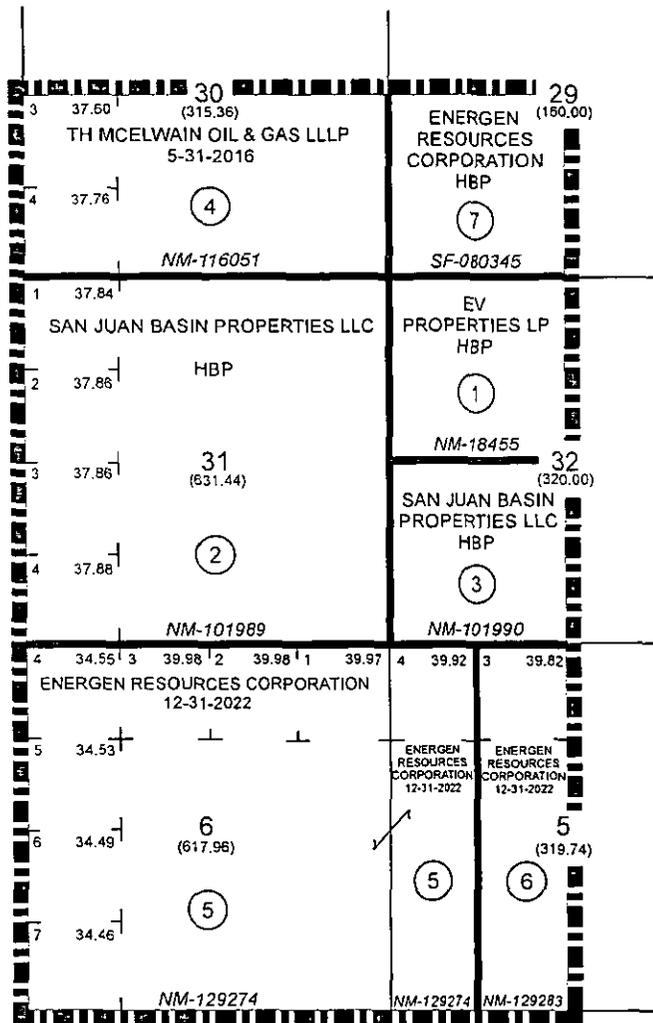
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Attorneys for Energen Resources  
Corporation

T  
23  
N

T  
22  
N



R 1 W



FEDERAL LANDS

ACREAGE

PERCENTAGE

2,364.50

100.00%

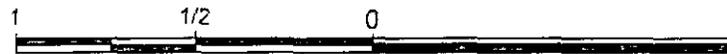
TOTALS

2,364.50

100.00%

UNIT OUTLINE

TRACT NUMBER



Scale in Miles

NOTE: UNLESS OTHERWISE NOTED HEREIN THE SECTIONS ON THIS PLAT CONTAIN 640.00 ACRES

EXHIBIT "A"

DIVIDE UNIT AREA

SANDOVAL COUNTY, NEW MEXICO

ENERGEN RESOURCES CORPORATION  
FARMINGTON, NEW MEXICO