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October 31, 2006

HAND-DELIVERED

Ms. Florene Davidson
New Mexico Oil Conservation Division
1220 South St. Francis
Santa Fe, New Mexico 87504

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Re: In the Matter of the Application of Energen Resources Corporation for an Amendment to Administrative Order NSL-3572 (NSP) and for an Exception to Rule 4 of the Special Pool Rules for the Basin Fruitland Coal Gas Pool for the Designation of a Non-Standard Gas Spacing Unit, San Juan County, New Mexico
NMOCD Case No. 13828

Dear Florene:

Enclosed for filing is an Application in the referenced matter. Also enclosed in hard copy and on disk is a proposed advertisement for the Division's use.

Please schedule the hearing for the November 30, 2006 Examiner hearing docket. Thank you for your assistance.

Very truly yours,

MILLER STRATVERT P.A.



J. Scott Hall

JSH/glb
Enclosures

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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 AN AMENDMENT TO ADMINISTRATIVE
ORDER NSL-3572 (NSP) AND FOR AN
EXCEPTION TO RULE 4 OF THE SPECIAL
POOL RULES FOR THE BASIN FRUITLAND
COAL GAS POOL FOR THE DESIGNATION
OF A NON-STANDARD GAS SPACING UNIT,
SAN JUAN COUNTY, NEW MEXICO

CASE NO. 13828

APPLICATION

ENERGEN RESOURCES CORPORATION, by its undersigned attorneys, Miller, Stratvert P.A., (J. Scott Hall) hereby makes application pursuant to *inter alia* Rule 104 (D)(2) and Rule 6 of the Special Rules and Regulations for the Basin Fruitland Coal Gas Pool (Order No. R-8768, as amended) for an order providing as follows:

A. For an amendment to Administrative Order NSL-3572 (NSP) for the designation of a 308.56 acre gas spacing and proration unit comprised of the following lands: Township 30 North, Range 9 West, NMPM; Lots 3, 4, E/2 SW/4 of Section 30 and Lots 1, 2, 3, 4, E/2 W/2 of Section 31.

B. For the rededication of that nonstandard gas spacing and proration unit currently dedicated to the Florence Gas Com "H" Well No. 1 (API No. 30-045-28624) comprised of the following acreage: Township 30 North, Range 9 West, NMPM; Lots 1, 2, 3, 4, and E/2 W/2 of Section 30 and consisting of 207.84 acres.

In support thereof, Applicant would show the Division:

1. In November 1992, the Florence Gas Com "H" Well No. 1 was drilled and completed in the Fruitland Coal formation, Basin Fruitland Coal Gas Pool at an unorthodox location 2160' FSL and 410' FWL of irregular Section 30, T30N, R9W in San Juan County, New Mexico. The well was drilled by S. G. Interests I, Ltd. ("SG"). On March 10, 1993 SG sought administrative approval of the unorthodox location. At SG's request and the C-102 acreage dedication plat that accompanied the request, indicated that a 308.56 acre spacing and proration unit consisting of the W/2 equivalent of Section 30 was dedicated to the Florence Gas Com "H" No. 1 well.

2. On March 29, 1993, SG resubmitted its request for the non-standard location for the Florence Gas Com "H" No. 1 well and included a revised C-102 acreage dedication plat reflecting a 207.84 acre unit.

3. On August 28, 1995, the Division Director issued Administrative Order NSL-3572 (NSP) approving of the March 10, 1993 application for the non-standard location and providing further that Lots 1-4 and the E/2 W/2 of Section 30 were to be dedicated to the well forming a non-standard 207.84 acre gas spacing and proration unit.

4. Previously on approximately April 16, 1993, SG Interest submitted to the Bureau of Land Management for its approval of that Communitization Agreement No. NMNM 89367 dated April 1, 1993 for the communitization of interests dedicated to the Florence Gas Com "H" No. 1 well. The communitized area under the Communitization Agreement consisted of the following:

T30N, R9W, NMPM, Section 30: Lots 3, 4, E/2 SW/4 (SW/4)
Section 31: Lots 1 2 3 4, E/2 W/2
San Juan County, New Mexico
And being within the Blanco-Fruitland Field

Containing 308.56 acres, more or less, and this Agreement shall include only the Fruitland (Coal Gas) formation

5. The communitized area consisted of two federal oil and gas leases. One hundred percent of the working interest owners under the two leases executed the Communitization Agreement. On April 26, 1993, the BLM issued its determination approving of the Communitization Agreement for the 308.56 acre unit effective as of February 12, 1993.

6. Previously, in 1954, Stanolind Oil and Gas Company (now BP) drilled the Heath Gas Com "C" Well No. 1 (API No. 30-04509154) to the Mesaverde formation, Blanco-Mesaverde Gas Pool at a location 600' FWL and 1850' FSL of Section 30, T30N, R9W. The Division's well files contain a gas well plat for the Heath Gas Com "C" Well No. 1 dated January 3, 1995 and showing the dedication of a 308.56 acre unit consisting of the "W/2 of Section 30". Division records also show a second gas well plat dated January 31, 1955 also showing a 308.56 acre unit but consisting of the "W/2 Section 31 and SW/4 Section 30".

7. On approximately December 31, 1953, the Bureau of Land Management approved the Communitization Agreement for the Heath Gas Com "C" Well No. 1. The communitized area under the Communitization Agreement consisted of the following lands:

Township 30 North, Range 9 West, NMPM;
Lots 3, 4, E/2 SW/4 of Section 30
and Lots 1, 2, 3, 4, E/2 W/2 of Section 31

8. The approved communitized areas for both the Heath Gas Com "C" Well No. 1 and the Florence Gas Com "H" Well No. 1 are co-terminus. The royalty interest and leasehold working interest are also identical for both communitizations.

9. Rule 4 of the Special Rules and Regulations for the Basin Fruitland Coal Gas Pool (Order No. R-8768, as amended) requires that each standard gas spacing unit in the pool consist of 320 acres comprised of any two contiguous quarter sections of a single governmental section.

Rule 6 of those Special Pool Rules authorizes the Division Director to grant exceptions to the requirements of Rule 4 in a number of circumstances, including where: “(c) the non-standard unit conforms to a previously approved Blanco-Mesaverde or Basin-Dakota Gas Pool non-standard unit as evidenced by Applicant’s reference to the Division’s Order No. creating said unit.”

10. Rededication of the 207.84 acre non-standard unit approved by Administrative Order NSL-3572 (NSP) will result in the conformation of the Blanco-Mesaverde Unit and the Basin Fruitland Coal Gas Unit. Further, rededication of the unit from a 207.84 acre unit to a 308.56 unit will not result in the reduced participation or dilution of interest of any royalty or working interest owner for the reason that the ownership in the 308.56 and the 103.68 acres in the equivalent of the NW/4 of Section 30 to be excluded are identical.

11. Rededication of a 308.56 acre unit will also result in the establishment of a location for an infill well in the Basin Fruitland Coal Gas Pool in the W/2 equivalent of Section 31 that would not otherwise be permissible under the 207.84 acre unit dedication. As a result of the availability of the infill location, the Applicant will be able to drill and produce additional incremental coal bed methane gas reserves that would not otherwise be produced. Consequently, approval of the Application will prevent waste.

Wherefore, Applicant requests that the Division enter its order providing as follows:

1. Amending Administrative Order NSL-3572 (NSP) allowing for the rededication of a 308.56 acre non-standard gas spacing and proration unit consisting of those lands described in paragraph A above dedicated to the Florence Gas Com “H” Well No. 1; and
2. Making such other and further provisions as the Division deems appropriate.

MILLER STRATVERT P.A.

By:

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Case No. 13828 : Application of Energen Resources Corporation for an Amendment To Administrative Order NSL-3572(NSP) and for an Exception to Rule 4 of the Special Pool Rules for the Basin-Fruitland Coal Gas Pool for the Designation of a Non-standard Gas Spacing Unit, San Juan County, New Mexico. Applicant seeks an order under Division Rule 104 (D)(2) and Rule 6 of the Special Rules and Regulations for the Basin Fruitland Coal Gas Pool (Order No. R-8768, as amended) amending Administrative Order NSL-3572 (NSP) redesignating the nonstandard gas spacing and proration unit currently dedicated to the Florence Gas Com "H" Well No. 1 (API No. 30-045-28624) comprised of the following acreage: Township 30 North, Range 9 West, NMPM; Lots 1, 2, 3, 4, and E/2 W/2 of Section 30 and consisting of 207.84 acres. Applicant proposes that the gas spacing and proration unit be redesignated to conform with the pre-existing Mesaverde formation spacing and proration comprised of the following lands: Township 30 North, Range 9 West, NMPM; Lots 3, 4, E/2 SW/4 of Section 30 and Lots 1, 2, 3, 4, E/2 W/2 of Section 31 and consisting of 308.56 acres, \pm . The subject lands are located approximately four miles north of Blanco, New Mexico.

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