

MILLER, STRATVERT & TORGERSON, P.A.
LAW OFFICES

RANNE B. MILLER
ALAN C. TORGERSON
ALICE T. LORENZ
GREGORY W. CHASE
LYMAN G. SANDY
STEPHEN M. WILLIAMS
STEPHAN M. VIDMAR
SETH V. BINGHAM
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AMINA QUARGNALI-LINSLEY
JENNIFER D. HALL
MARY A. WOODWARD
JENNIFER L. OLSON
TODD A. SCHWARZ
JULIE A. COLEMAN

COUNSEL
PAUL W. ROBINSON
ROSS B. PERKAL
JAMES J. WIDLAND
BRADLEY D. TEPPER**
GARY RISLEY

OF COUNSEL
WILLIAM K. STRATVERT
JAMES B. COLLINS
RALPH WM. RICHARDS

ALBUQUERQUE, NM
500 MARQUETTE N.W., SUITE 1100
POST OFFICE BOX 25687
ALBUQUERQUE, NM 87125-0687
TELEPHONE: (505) 842-1950
(800) 424-7585
FACSIMILE: (505) 243-4408

SANTA FE, NM
150 WASHINGTON AVE., SUITE 300
POST OFFICE BOX 1986
SANTA FE, NM 87504-1986
TELEPHONE: (505) 989-9614
FACSIMILE: (505) 989-9857

FARMINGTON, NM
300 WEST ARRINGTON, SUITE 300
POST OFFICE BOX 869
FARMINGTON, NM 87499-0869
TELEPHONE: (505) 326-4521
FACSIMILE: (505) 325-5474

LAS CRUCES, NM
500 S. MAIN ST., SUITE 800
POST OFFICE BOX 1209
LAS CRUCES, NM 88004-1209
TELEPHONE: (505) 523-2481
FACSIMILE: (505) 526-2215

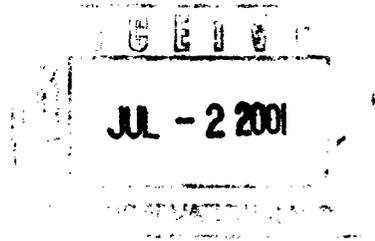
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- * NEW MEXICO BOARD OF SPECIALIZATION RECOGNIZED SPECIALIST IN NATURAL RESOURCES - OIL & GAS LAW
- ** NEW MEXICO BOARD OF SPECIALIZATION RECOGNIZED SPECIALIST IN REAL ESTATE LAW

July 2, 2001

BY HAND-DELIVERY

Michael Stogner
New Mexico Oil Conservation Division
1220 South St. Francis
Santa Fe, New Mexico 87505



Re: NMOCD Case No. 12680; Application of Energen Resources Corporation To Amend Order No.s R-9722-C and R-10448-A To Reinstate The Project Allowable For The West Lovington Strawn Unit Area, Lea County, New Mexico

Dear Mr Stogner:

Enclosed is a draft Order submitted on behalf of the Applicant, Energen Resources Corporation, in the above matter. A copy of this draft order was also sent to you via e-mail today.

Thank you.

Very truly yours,

MILLER, STRATVERT & TORGERSON, P.A.

J. Scott Hall

JSH/ao

Enclosure(s) – as stated

Cc: Barney Kahn Energen Resources Corporation
Wm. F. Carr, Esq. Attorney for Hanley OAD III
James Bruce, Esq. Attorney for Devon Energy Production Company, L.P.

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION
OF ENERGEN RESOURCES CORPORATION TO
AMEND ORDER NOS. R-9722-C AND R-10448-A
TO REINSTATE THE PROJECT ALLOWABLE FOR
THE WEST LOVINGTON STRAWN UNIT AREA,
UNDER THE SPECIAL RULES AND REGULATIONS
FOR THE WEST LOVINGTON STRAWN POOL,
LEA COUNTY, NEW MEXICO.

CASE NO. 12680

ORDER NO.

ORDER OF THE DIVISION

(Energen's Draft)

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 28, 2001, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this ___ day of July, 2001, 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 of this proceeding having been given as required by law, the Division has jurisdiction of this case and its subject matter thereof.

(2) Applicant seeks an order amending consolidated Orders R-9722-C and R-10448-A to reinstate the project allowable established under Order R-10488 equal to the top unit allowable for the West Lovington Strawn Pool, now at 250 barrels of oil per day, times the number of developed (production or injection) proration units within the project area, and also providing for the transfer of allowables among wells within the project area.

(3) Applicant is the operator of the West Lovington Strawn Unit ("WLSU") which includes the designated and undesignated portions of the West Lovington Strawn Pool underlying the following lands:

T-15-S, R-35-E
SE/4 Sec. 28; E/2 SE/4

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Sec. 32, SW/4 Sec. 33;
S/2 Sec. 34; SW/4 Sec. 35
T-16-S, R-35-E
Lots 1, 2, 3, 4, 5, 6, 7, 8 Sec. 1
Lot 1 Sec. 2; Lots 1, 2, 7, and 8 Sec. 6

T-16-S, R-36-E
Lots 3, 4, 5, and 6 Sec. 6.

(4) By Order No. R-9722 dated September 23, 1992, the Oil Conservation Division created the West Lovington Strawn Pool, formerly known as the East Big Dog-Strawn Pool, with vertical limits comprising the Strawn formation and horizontal limits comprising the W/2 SE/4 of Section 33, Township 15 South, Range 35 East, NMPM, Lea County, New Mexico. The pool was discovered by the Hamilton Federal Well No. 1, located 330' from the south line and 2,145' from the east line, (Unit "O"), of Section 33.

(5) The West Lovington Strawn Pool currently comprises the following described acreage in Lea County, New Mexico:

T-15-S, R-35-E
SE/4 Sec. 28
E/2 SE/4 Sec. 32
SW/4 Sec. 33
S/2 Sec. 34
SW/4 Sec. 35

T-16-S, R-35-E
Lots 1, 2, 3, 4, 5, 6, 7, 8 Sec. 1
Lot 1 Sec. 2
Lots 1, 2, 7, and 8 Sec. 6

T-16-S, R-36-E
Lots 3, 4, 5, and 6 Sec. 6.

(6) Order No. R-9722 established temporary special rules and regulations for the East Big Dog Strawn Pool. Rule 6 of these pool rules provided:

RULE 6: A standard proration unit (79 through 81 acres) shall be subject to an 80-acre depth bracket allowable of 445 barrels per day. The allowable assigned to a non-standard proration unit shall bare the same ratio to a standard allowable as the acreage and such non-standard unit bares to 80 acres.

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(7) By Order No. R-10449 dated August 29, 1995, the Division approved the creation of the West Lovington Strawn Unit pursuant to the Statutory Unitization Act, Section 70-7-1 through 70-7-21 NMSA 1978. The Unit became effective on October 1, 1995 and, in its original configuration, was comprised of 1,458.95 acres, more or less, of state, federal and fee lands.

(8) By Order No. R-10448 issued on August 29, 1995, the Division approved gas injection operations pursuant to the West Lovington Strawn Unit pressure maintenance project. Order No. 10448, by adoption of Rule 6 of the Special Pool Rules for the East Big Dog Strawn Pool, established a project allowable for the pressure maintenance project area as follows:

(19) The project allowable shall be equal to the top unit allowable for the West Lovington Strawn Pool (445 barrels of oil per day) times the number of developed (production or injection) proration units within the project area. Unless additional producing or injection wells are drilled within the project area, the allowable shall be established at 4,895 barrels of oil per day.

(20) The transfer of allowables between wells within the project area should be permitted.

(9) By Order No. R-9722-A dated January 26, 1993, the Division changed the nomenclature of the East Big Dog-Strawn Pool the West Lovington Strawn Pool.

(10) By consolidated Orders Nos. R-9722-C and R-10448-A entered on February 26, 1997, the Division both expanded and contracted the horizontal limits of the West Lovington Strawn Pool and created a separate, new pool, the South Big Dog Strawn Pool.

(11) In consolidated Order No. R-9722-C and R-10448-A, the Division noted that the actual reservoir comprising the West Lovington Strawn Unit extended beyond the horizontal limits of the Unit as it was then configured under Order No. R-10449. The Division further noted that the WLSU reservoir was in pressure communication with two wells that were then located outside the Unit boundaries. As a consequence, the Division abolished the special project allowable for the West Lovington Strawn Unit project area and instead made a single depth bracket oil allowable of 250 barrels of oil per day applicable to the entire reservoir, including those areas of the West Lovington Strawn Pool located outside the boundaries of the WLSU.

(12) Consolidated Order No. R-9722-C and R-10488-A superceded the provisions of Rule 6 of the Special Pool Rules for the East Big Dog Strawn pool promulgated in Order No. R-10448 with a new rule which provides as follows:

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RULE 6: A standard proration unit (79 through 81 acres) shall be subject to an 80-acre depth bracket allowable of 250 barrels of oil per day. The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 80 acres.

(13) By Order No. R-10864-B, dated March 20, 2000, the Division approved the expansion of the horizontal boundaries of the West Lovington Strawn Unit. In its present configuration, the West Lovington Strawn Unit encompasses the entirety of the West Lovington Strawn Pool, as well as those portions of the undesignated West Lovington Strawn Pool located in Lots 3, 4 and 5 of Section 5, T-16-S, R-36-E, NMPM, Lea County, New Mexico.

(14) The Applicant presented evidence that the following described wells are currently producing from the West Lovington Strawn Pool, all of which are now WLSU Unit wells:

West Lovington Strawn Unit No. 1	API No. 30-025-31531
West Lovington Strawn Unit No. 2	API No. 30-025-31767
West Lovington Strawn Unit No. 3	API No. 30-025-32184
West Lovington Strawn Unit No. 4	API No. 30-025-32230
West Lovington Strawn Unit No. 5	API No. 30-025-31830
West Lovington Strawn Unit No. 6	API No. 30-025-31831
West Lovington Strawn Unit No. 7 (Injector)	API No. 30-025-31646
West Lovington Strawn Unit No. 8	API No. 30-025-32291
West Lovington Strawn Unit No. 9	API No. 30-025-32812
West Lovington Strawn Unit No. 10	API No. 30-025-32526
West Lovington Strawn Unit No. 11	API No. 30-025-32852
West Lovington Strawn Unit No. 12	API No. 30-025-33068
West Lovington Strawn Unit No. 13	API No. 30-025-33175
West Lovington Strawn Unit No. 14	API No. 30-025-34684
West Lovington Strawn Unit No. 15	API No. 30-025-33219
West Lovington Strawn Unit No. 16	API No. 30-025-34282
West Lovington Strawn Unit No. 17	API No. 30-025-34606
West Lovington Strawn Unit No. 18	API No. 30-025-34645

(15) The engineering evidence presented established that it is reasonable and appropriate to reinstate the project allowable as originally established under Order R-10448, including, specifically, the authorization to transfer allowables among wells within the project area at the established rate of 250 barrels of oil per day.

(16) The engineering evidence presented also established that it is reasonable and appropriate to establish the project allowable equal to the top unit allowable for the pool times the number of developed production or injection proration units within the project area. The engineering evidence further established that it would be reasonable and appropriate to allow for the transfer of allowables among wells within the project area and that the risk that the reservoir might reach gas saturation prematurely can be avoided.

(17) The evidence established that a project allowable of 250 barrels of oil per day will enable the operator to more efficiently and economically produce the hydrocarbons within the reservoir, resulting in the recovery of additional reserves that would not otherwise be produced.

(18) The Applicant's request to amend consolidated Orders Nos. R-9722-C and R-10448-A to reinstate the project allowable established under Order No. R-10448 equal to the top unit allowable for the West Lovington Strawn Pool at 250 barrels of oil per day, times the number of developed (production or injection) proration units within the project area along with the transfer of allowables among wells within the project area is reasonable and should be granted.

(19) The applicant provided notice in this case to all working interest owners and royalty interest owners within the West Lovington Strawn Unit area and to all operators, working interest owners and unleased mineral interest owners within one mile of the boundaries of the West Lovington Strawn Pool.

(20) Hanley OAD III appeared at the hearing through counsel in support of the Application. Devon Energy Production Company, L.P. also appeared at the hearing through its counsel. No offset operator or other interest owner appeared at the hearing in opposition to the application.

(21) Reinstatement of the special project allowable for the West Lovington Strawn Pool will enable the pool operator to more efficiently and economically produce the hydrocarbons within this reservoir, will not result in the excessive waste of reservoir energy, should not reduce the ultimate recovery of oil from this reservoir and will not violate correlative rights.

IT IS THEREFORE ORDERED:

(1) Pursuant to the application of Energen Resources Corporation, "Rule 6" of the Special Rules and Regulations for the West Lovington Strawn Pool, as promulgated by Division No. R-9722, as amended, is hereby amended to read in its entirety as follows:

RULE 6: A standard proration unit (79 through 81 acres) shall be subject to an 80-acre depth bracket allowable of 250 barrels of oil per day. The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard units bear to 80 acres.

The project allowable shall be equal to the top unit allowable for the West Lovington Strawn Pool (250 barrels of oil per day) times the number of developed (production or injection) proration units within the project area. Unless additional producing or injection wells are drilled within the project area, the allowable should be established at 4,629 barrels of oil per day.

The transfer of allowables among wells within the project area is permitted.

(2) Jurisdiction of this cause is retained for entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinafter designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

LORI WROTENBERY, DIRECTOR

SEAL