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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

February 14, 2002

HAND-DELIVERED

Lori Wrotenbery, Director
New Mexico Oil Conservation Director
1220 South St. Francis
Santa Fe, New Mexico 87505

Re: NMOCD Case No. 12838; Application of Energen Resources Corporation
for Special Pool Rules and Amendment of the Depth Bracket Allowable for
the Saunders-San Andres Pool, Lea County, New Mexico

Dear Ms. Wrotenbery:

Enclosed are an original and two copies of the Application of Energen Resources in the
above referenced matter. On behalf of the Applicant, we request this matter be set for hearing on the
March 21, 2002 Division Examiner hearing docket. Also enclosed on disk and in hard copy is a
proposed advertisement for the case.

Thank you for your assistance.

Very truly yours,

MILLER, STRATVERT & TORGERSON, P.A.

J. Scott Hall

J. Scott Hall

JSH/glb
Enclosures

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BEFORE THE
OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

APPLICATION OF ENERGEN RESOURCES CORPORATION
FOR SPECIAL POOL RULES AND AMENDMENT OF THE
DEPTH BRACKET ALLOWABLE FOR THE SAUNDERS-
SAN ANDRES POOL, LEA COUNTY, NEW MEXICO

CASE NO. 12838

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APPLICATION

Energen Resources Corporation, ("Energen"), through its counsel, hereby makes application to the Oil Conservation Division for an order establishing special pool rules and increasing the depth bracket allowable and the gas-oil ratio limitation for the Saunders-San Andres pool as promulgated by Order No. R-10091. In support of its Application, Energen states:

1. By Order No. R-10091 dated March 28, 1994, the Division created the Saunders-San Andres pool with horizontal limits comprising the SW/4 of Section 4, Township 15 South, Range 33 East, NMPM, Lea County, New Mexico. The discovery well for said pool was the Charles B. Gillespie, Jr. State Q Well No. 2 completed in the San Andres formation in 1994. The State Q Well No. 2 is located 1760' FSL and FWL (Unit K) of said Section 4. The top perforations in the well are located at 4,956 feet.

2. Energen is the owner and operator of the State Q Well No. 1 completed on June 4, 1991 and located 1980' FSL and 660' FWL (Unit L) of said Section 4 and the State Q Well No. 2 referenced above. Energen acquired the State Q No. 1 and No. 2 wells on December 1, 2000. On January 8, 2002, Energen drilled and completed the State S No. 1 Well located 1980' FSL and 660' FEL (Unit I) in Section 4. All three wells currently produce from the San Andres formation,

Saunders-San Andres Pool.

3. The Saunders-San Andres Pool is currently governed by Division Rule 104.B with development on standard 40-acre spacing and proration units each having a top unit depth bracket allowable of 80 barrels of oil per day and a limiting gas-oil ratio of 2,000 cubic feet of gas per barrel of oil.

4. Energen seeks the establishment of special pool rules for the Saunders-San Andres pool increasing the depth bracket allowable for oil production to 160 barrels of oil per day with a limiting gas-oil ration at the current level of 2,000 cubic feet of gas per barrel of oil. Both the State Q No. 1 Well and the State S No. 1 Well are capable of producing at such rates without unnecessarily dissipating reservoir energy, violating correlative rights or reducing the ultimate recovery of reserves. In addition, the State Q No. 2 Well may be capable of producing at such rates.

5. The establishment of special pool rules for the Saunders-San Andres Pool is necessary to effectively and efficiently produce 40-acre proration units in the pool. Authorization of the development of the pool at the increased depth-bracket allowable and at the current gas-oil ratio limitation will increase production from the pool and will result in the recovery of additional reserves that will otherwise go unproduced.

6. Energen further requests the Division establish special pool rules for the Saunders-San Andres Pool effective retroactively to December 1, 2000, being the date it became Operator of the State Q No. 1 and No. 2 Wells.

7. Granting this application will be in the best interests of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Energen Resources Corporation requests this matter be set for hearing before a duly appointed Examiner of the Oil Conservation Division on March 21, 2002, and that after notice and hearing as required by law, the Division enter its order granting this Application and providing such other relief as deemed appropriate.

MILLER, STRATVERT & TORGERSON, P.A.

By: J. Scott Hall

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Attorneys for Energen Resources Corporation

Application of Energen Resources Corporation for special pool rules and amendment of the depth bracket allowable for the Saunders-San Andres Pool, Lea County, New Mexico. Applicant seeks an order increasing the depth bracket allowable from its current level of 80 barrels of oil per day and 2,000 cubic feet of gas per barrel of oil to 160 barrels of oil per day and 2,000 cubic feet of gas per barrel of oil for production from the Saunders-San Andres Pool. Applicant further seeks to have the amended depth bracket allowable made effective retroactively to December 1, 2000. The horizontal limits of said pool currently consists of the SW/4 of Section 4, Township 15 South, Range 33 East, N.M.P.M. The pool is located approximately eighteen miles northwest of Lovington, New Mexico, near State Highway 457.

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