



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

June 14, 2004

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

**Energen Resources Corporation
2198 Bloomfield Highway
Farmington, New Mexico 87501**

**Attention: Paul Rote
General Manager - Land**

Administrative Order NSL-5073

Dear Mr. Rote:

Reference is made to the following: (i) Energen Resources Corporation's ("Energen") initial application (*administrative application reference No. pMES0-413331522*) filed by Mr. Richard Corcoran, District Landman, on April 13, 2004; (ii) my letter of May 12, 2004 withdrawing this application; (iii) your re-submittal of this application on May 24, 2004; and (iv) the records of the New Mexico Oil Conservation Division ("Division") in Aztec and Santa Fe, including the file on Division Administrative Order NSL-2588, as amended: all concerning Energen's request for an exception to the well location requirements [Rule 7 (a) (1)] provided within the "*Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool*," as promulgated by Division Order No. R-8768, as amended, for a non-standard replacement coal gas well location within a standard 320-acre stand-up gas spacing unit comprising the E/2 of Section 36, Township 32 North, Range 5 West, NMPM, Rio Arriba County, New Mexico.

This application has been duly filed under the provisions of: (i) Rule 7 (b) of the "*Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool*"; (ii) Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission ("Commission") in Case No. 12119 on August 12, 1999; and (iii) Rule 1207.A (2), revised by Division Order No. R-11205, issued by the Commission in Case No. 12177 on June 17, 1999.

It is the Division's understanding this well will replace Energen's Carracas "36-A" Well No. 1 (API No. 30-039-26483) that was directionally drilled in 2000 by Vastar Resources, Inc. from a surface location 365 feet from the North line and 787 feet from the East line (Unit A) of Section 36 to a standard bottom-hole location at a depth of 4,024 feet (MD), 1256 feet from the North line and 1284 feet from the East line (Unit A) of Section 36. There is no production reported for the well. It is further understood, due to its "mechanical integrity," the Carracas "36-A" Well No. 1 is to be plugged and abandoned (see USBLM Form 3160-3, Sundry Notice, on this well dated November 24, 2003).

By the authority granted me under the provisions of these special pool rules and Division Rule 104.F (2), the following described well to be drilled as a replacement coal gas well on this 320-acre gas spacing unit at a non-standard coal gas well location is hereby approved:

Carracas "36-A" Well No. 1-R
365' FNL & 740' FEL (Unit A).

IT IS FURTHER ORDERED THAT at the time the proposed Carracas "36-A" Well No. 1-R is successfully drilled to and completed within the Basin-Fruitland Coal (Gas) Pool; Energen shall plug and abandon the above-described Carracas "36-A" Well No. 1.

Sincerely,



Michael E. Stogner
Engineer/Hearing Officer

MS/ms

cc: New Mexico Oil Conservation Division – Aztec
U. S. Bureau of Land Management – Farmington
J. Scott Hall, Legal Counsel for Energen Resources Corporation – Santa Fe