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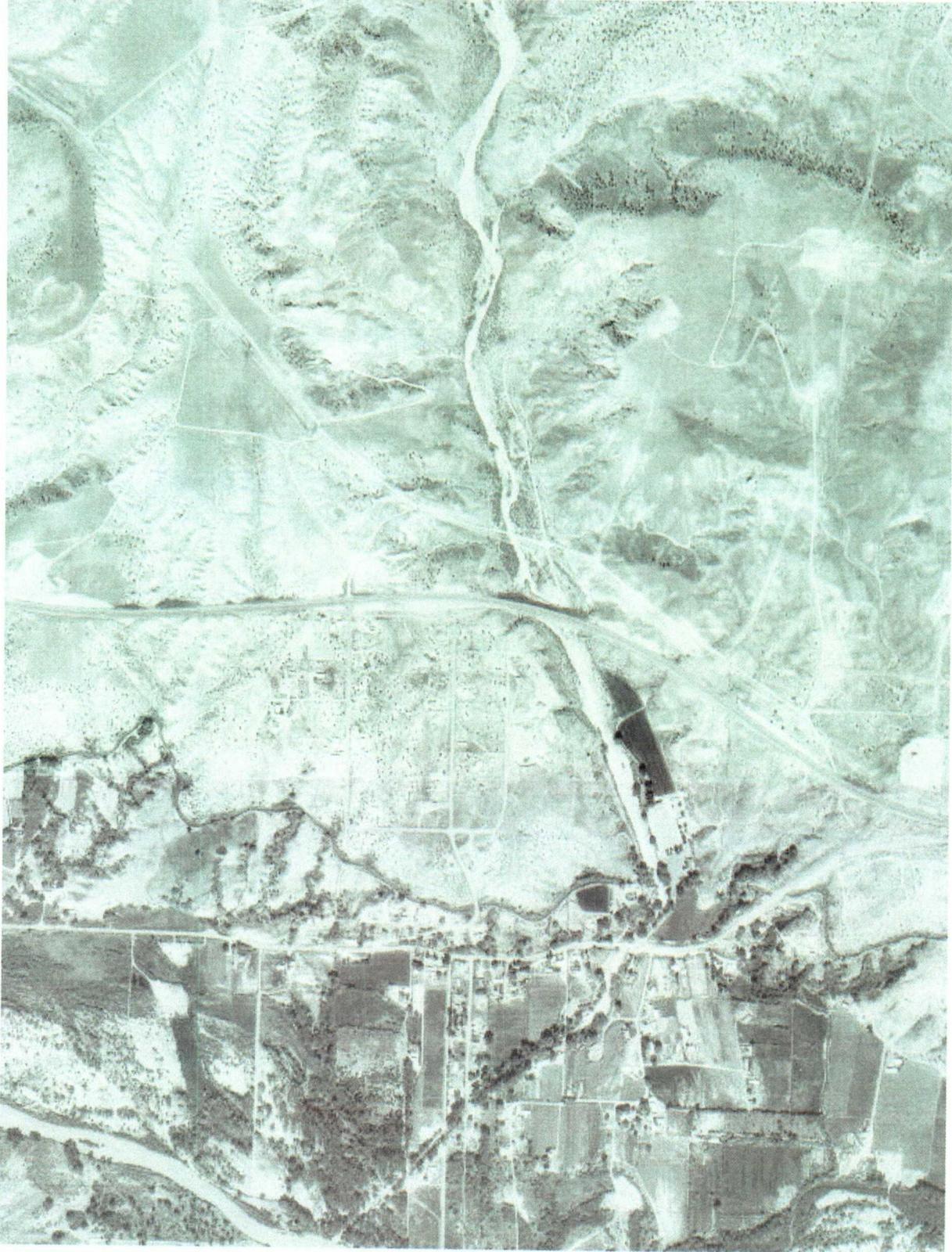
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**USGS 8 km E of Bloomfield, New Mexico, United States 09 Oct 1997**



0 |-----| .5Km

0 |-----| .25Mi

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USGS 8 km E of Bloomfield, New Mexico, United States 01 Jul 1985

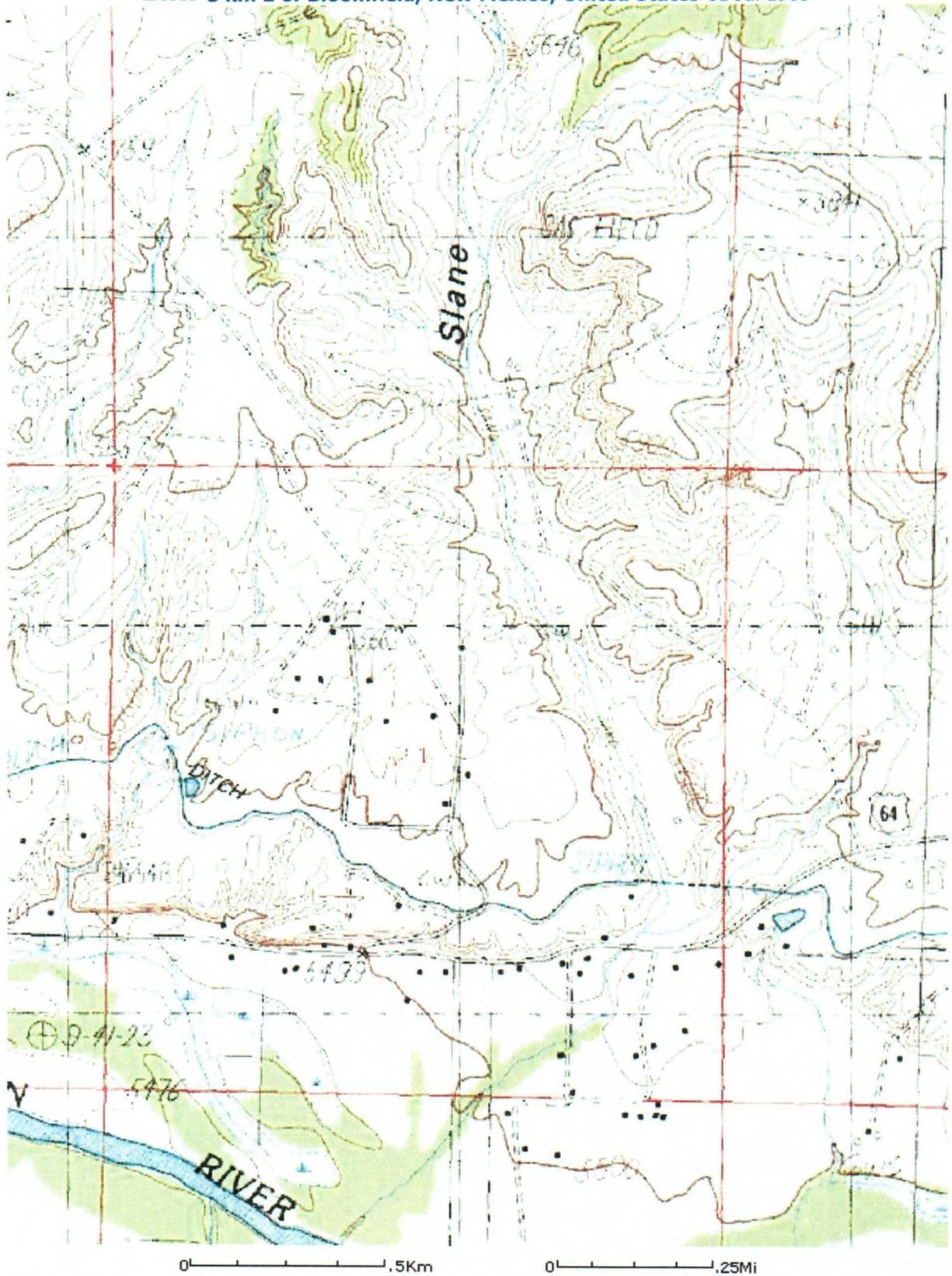


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USGS 9 km E of Bloomfield, New Mexico, United States 09 Oct 1997



0 200M

0 200yd

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**USGS 9 km E of Bloomfield, New Mexico, United States 01 Jul 1985**

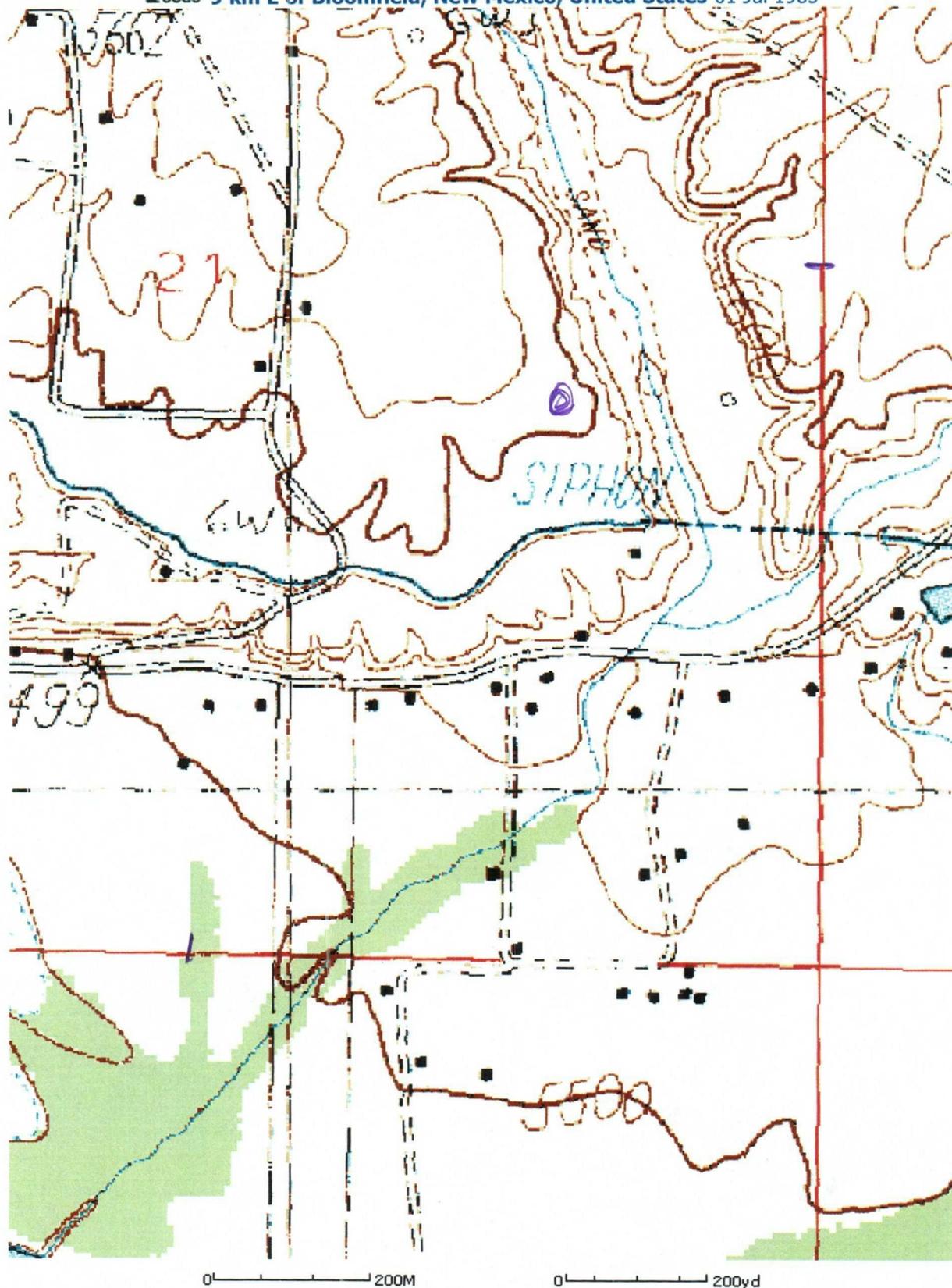


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District I  
1625 N. French Dr., Hobbs, NM 88240

District II  
1301 W. Grand Ave., Artesia, NM 88210

District III  
1000 Rio Brazos Rd., Aztec, NM 87410

District IV  
1220 S. St. Francis Dr., Santa Fe, NM  
87505

State of New Mexico  
Energy, Minerals and Natural Resources

Oil Conservation Division  
1220 S. St Francis Dr.  
Santa Fe, NM 87505

Form C-101  
Permit 9926

**APPLICATION FOR PERMIT TO DRILL**

Operator Name and Address ENERGEN RESOURCES CORPORATION 2198 Bloomfield Highway Farmington, NM 87401		OGRID Number 162928
		API Number 30-045-33016
Property Code 300484	Property Name TRUJILLO 29-10-21	Well No. 002S

**Surface Location**

UL or Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
I	21	29N	10W	I	2370	S	1155	E	San Juan

**Proposed Pools**

BASIN FRUITLAND COAL (GAS) 71629

Work Type New Well	Well Type GAS	Cable/Rotary	Lease Type Private	Ground Level Elevation 5602
Multiple N	Proposed Depth 2114	Formation Fruitland Coal	Contractor	Spud Date 05/15/2005

**Proposed Casing and Cement Program**

Type	Hole Size	Casing Size	Casing Weight/lft	Setting Depth	Sacks of Cement	Estimated TOC
Surf	12.25	8.625	24	300	225	0
Prod	7.875	5.5	15.5	2114	445	0

**Proposed Blowout Prevention Program**

Type	Working Pressure	Test Pressure	Manufacturer
Double Ram	300	1200	

I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Electronically Signed By: Vicki Donaghey

Title: Production Assistant

Date: 04/14/2005

Phone: 505-325-6800

**OIL CONSERVATION DIVISION**

Electronically Approved By: Charlie Perrin

Title: Manager

Approval Date: 04/21/2005 Expiration Date: 04/21/2006

Conditions of Approval:  
There are conditions. See Attached.

District I  
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State of New Mexico  
Energy, Minerals and Natural Resources

Oil Conservation Division  
1220 S. St Francis Dr.  
Santa Fe, NM 87505

Form C-102  
Permit 9926

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

API Number 30-045-33016	Pool Name BASIN FRUITLAND COAL (GAS)	Pool Code 71629
Property Code 300484	Property Name TRUJILLO 29-10-21	Well No. 002S
OGRD No. 162928	Operator Name ENERGEN RESOURCES CORPORATION	Elevation 5602

**Surface And Bottom Hole Location**

UL or Lot I	Section 21	Township 29N	Range 10W	Lot Idn I	Feet From 2370	N/S Line S	Feet From 1155	E/W Line E	County San Juan
Dedicated Acres 320		Joint or Infill		Consolidation Code		Order No.			

			x

**OPERATOR CERTIFICATION**

*I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.*

Electronically Signed By: Vicki Donaghey

Title: Production Assistant

Date: 04/14/2005

**SURVEYOR CERTIFICATION**

*I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.*

Surveyed By: Howard Daggett

Date of Survey: 12/28/2004

Certificate Number: 9679

**Permit Conditions Of Approval**  
C-101, Permit 9926

Operator: ENERGEN RESOURCES CORPORATION , 162928

Well: TRUJILLO 29-10-21 #002S

OCD Reviewer	Condition
SHAYDEN	Notice is to be given to the OCD prior to construction of the pit(s)
SHAYDEN	Pit construction and closure must satisfy all requirements of O.C.D. Rule 19.15.2.50, and the Pit and Below-Grade Tank Guidelines
SHAYDEN	Will require administrative order for non-standard location



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



May 3, 1993

BRUCE KING  
GOVERNOR

ANITA LOCKWOOD  
CABINET SECRETARY

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87504  
(505) 827-5800

SG Interests I, Ltd.  
c/o Walsh Engineering & Production Co.  
204 N. Auburn  
Farmington, NM 87401

Attention: Paul C. Thompson

*Administrative Order NSL-3234*

Dear Mr. Thompson:

Reference is made to your application on behalf of SG Interests I, Ltd. dated March 29, 1993 for a non-standard coal gas well location for the Trujillo 29-10-21 Well No. 2 which was drilled in November 1992 and located 1165 feet from the South line and 645 feet from the West line (Unit M) of Section 21, Township 29 North, Range 10 West, NMPM, Basin Fruitland Coal Gas Pool, San Juan County, New Mexico. The S/2 of said Section 21 shall be dedicated to the well forming a standard 320-acre gas spacing and proration unit for said pool.

By the authority granted me under the provisions of Rule 8 of the Special Rules and Regulations for the Basin-Fruitland Coal (Gas) Pool as promulgated by Division Order No. R-8768, as amended, the above-described unorthodox coal gas well location is hereby approved.

Sincerely,

William J. LeMay  
Director

WJL/MES/amg

cc: Oil Conservation Division - Aztec  
W. Thomas Kellahin - Farmington  
File: Case No. 10610  
NGPA Section 107 Application

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

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 10610  
ORDER NO. R-9891

APPLICATION OF SG INTERESTS I, LTD. FOR COMPULSORY POOLING AND AN  
UNORTHODOX COAL GAS WELL LOCATION, SAN JUAN COUNTY, NEW  
MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on November 19 and December 3, 1992 at Santa Fe, New Mexico, before Examiners Michael E. Stogner and David R. Catanach, respectively.

NOW, on this 6th day of May, 1993, 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 having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) At the time of the hearing, this case was consolidated with Division Case No. 10609 for purposes of testimony.
- (3) The applicant, SG Interests I, Ltd., seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool, underlying the S/2 of Section 21, Township 29 North, Range 10 West, NMPM, San Juan County, New Mexico, forming a standard 320-acre gas spacing and proration unit for said pool.
- (4) Said unit is to be dedicated to its existing Trujillo 29-10-21 Well No. 2 located at an approved unorthodox coal gas well location (Division Administrative Order NSL-3234, dated May 3, 1993) 1165 feet from the South line and 645 feet from the West line (Unit M) of said Section 21.

(5) The "unorthodox gas well location" portion of this application should be dismissed at this time since an administrative approval has been obtained for the subject well.

(6) The applicant has a right to develop the subject unit and produce the coal gas underlying same; at this time, however, not all interest owners in the proposed gas spacing and proration unit have agreed to pool their interests.

(7) To avoid the drilling of unnecessary wells, to protect correlative rights, to prevent waste and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the Basin-Fruitland Coal Gas Pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(8) The applicant should be designated the operator of the subject well and unit.

(9) Any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(10) Any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of reasonable well costs plus an additional charge for the risk involved in the drilling of the well.

(11) Based on precedent established in compulsory pooling cases in the Basin-Fruitland Coal Gas Pool, a 156 percent risk penalty has been established as being proper for wells within said coal gas pool.

(12) Any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(13) Following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(14) \$4000.00 per month while drilling and \$450.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(15) All proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(16) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order should thereafter be of no further effect.

(17) The operator of the well and unit should notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

**IT IS THEREFORE ORDERED THAT:**

(1) All mineral interests, whatever they may be, in the Basin-Fruitland Coal Gas Pool, underlying the S/2 of Section 21, Township 29 North, Range 10 West, NMPM, San Juan County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit for said pool.

(2) Said unit shall be dedicated to its existing Trujillo 29-10-21 Well No. 2 located at an approved unorthodox coal gas well location (Division Order NSL-3234, dated May 3, 1993) 1165 feet from the South line and 645 feet from the West line (Unit M) of said Section 21.

(3) The portion of this application for an "unorthodox gas well location" is hereby dismissed.

(4) SG Interests I, Ltd. is hereby designated the operator of the subject well and unit.

(5) Within thirty days after the effective date of this order, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(6) Within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(7) Any non-consenting working interest owner may, at least forty-five days after receiving the schedule of actual well costs but not more than ninety days after such receipt, file with the Division an objection to such costs; if no objection to the actual well costs is received by the Division and the Division has not objected within the period from at least forty-five days to within ninety days following the receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, if there is an objection to actual well costs within the aforesaid forty-fifth to ninetieth day period, the Division will determine reasonable well costs after public notice and hearing.

(8) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(9) The operator is hereby authorized to withhold the following costs and charges from production:

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him; and
- (B) As a charge for the risk involved in the drilling of the well, 156 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(10) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(11) \$4000.00 per month while drilling and \$450.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(13) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(14) All proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(15) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(16) The operator of the subject well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

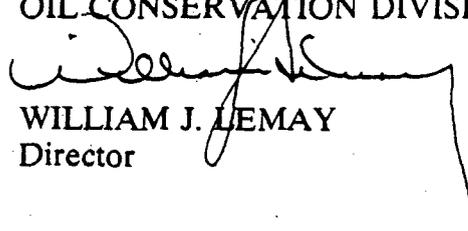
(17) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Case No. 10610  
Order No. R-9891  
Page No. 6

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

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
WILLIAM J. LEMAY  
Director

SEAL