

DATE 04/17/09	SUSPENSE	ENGINEER D. Brooks	LOGGED 04/17/09	TYPE NSL	SD / PKAA0912486 09121#1864 PKAA091095700A 10759889
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RECEIVED

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

San Juan 32-5 #1125 AM 11 05

30-039
San Juan 32-5 #1125
Energen 162920

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

NSL-6031
SD-200903

Application Acronyms:

- [NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
- [DD-Directional Drilling] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Directional Drilling
- NSL NSP DD SD

Check One Only for [B] and [C]

- [B] Commingling - Storage - Measurement
- DHC CTB PLC PC OLS OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
- WFX PMX SWD IPI EOR PPR

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] **INFORMATION / DATA SUBMITTED IS COMPLETE** - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with supervisory capacity.

David M. Poage		District Landman	4/16/09
Print or Type Name	Signature	Title	Date



April 15, 2009

Certified Mail

7007 2680 0002 5579 6952

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

RE: Administrative Approval of Unorthodox Location
Basin Fruitland Coal Gas Pool
San Juan 32-5 #112S Well
760' FSL and 760' FEL – Bottom hole location
Section 18, T32N, R5W
Rio Arriba County, New Mexico

Gentlemen:

Energen Resources Corporation (Energen) hereby requests Administrative Approval for an Unorthodox Location of its San Juan 32-5 # 112S Fruitland Coal formation well under the provisions of New Mexico Oil Conservation Division, Basin Fruitland Coal Pool Rules.

This well is located in a previously approved non-standard gas spacing unit (R-2319-A) consisting of Sections 18 and 19, T32N-R5W, Rio Arriba County, New Mexico. This spacing unit is very narrow and ranges in width from 1468' to 1473'. This would only allow for 145' to drill the lateral and remain within 660' setbacks. For this reason Energen is requesting that the setbacks be reduced from 660' to 500' from both the east and west boundaries of the spacing unit.

The available space (width) and the terrain in this area requires this well to be surface located in Section 24-T32N, R6W. This well is completely located within the Fruitland Coal Participating Area of the San Juan 32-5 Unit. The surface location requires a lengthy horizontal lateral to access the reserves in the northern portion of Section 19-T32N-R5W. This will require the bottom of the intermediate shoe to be at 1100' FEL and 1600' FNL of Section 19-T32N-R5W. A portion of the well bore will be open to production in Section 19 and the remaining lateral will be in Section 18. There exists at present the San Juan 32-5 Unit # 112 well in the extreme southwest of Section 19. In order to justify the expense of drilling the 32-5 #112S, production from this well bore in Sections 19 and 18 will be required, in addition to the continued production from the San Juan 32-5 #112. This location is being drilled as a horizontal well bore and is situated so that the longest lateral can be obtained. This additional length is required to provide for the production of the most reserves and the best possible economics for this well. An explanation of this reasoning is attached.

Energen is the owner and operator of the offsetting spacing units in Sections 13 and 24-T32N-R6W. The Bureau of Land Management is the owner of unleased lands offsetting in Section 17 and 20-T32N-R5W, therefore an affected owner letter is being sent out and waivers are required. These lands are unleased because of the current BLM Resource Management Plan.

Attached is a well location plat showing dedicated acreage (C102), a plat showing the offsetting spacing units and a topographic map.

Your favorable consideration of this request would be appreciated.

Sincerely,

A handwritten signature in cursive script that reads "David M. Poage". The signature is written in black ink and includes a long horizontal flourish extending to the right.

David M. Poage
District Landman



April 15, 2009

To: NMOCD

From: Andrew Benson
Area Geologist
Western Region

RE: Energen Resources San Juan 32-5 #112S – Horizontal Basin Fruitland Coal Well
Sec 18 T32N-R5W (Bottom hole location)
Rio Arriba County, NM
Reduced set-backs and Non-standard location exception

Energen Resources (ERC) currently has plans to drill the subject horizontal Basin Fruitland Coal well within the Fruitland Coal Participating Area of the San Juan 32-5 Unit. As planned, intermediate casing will be set in Section 19, T32N-R5W, and the Fruitland Coal will be produced from a horizontal wellbore in Sections 18 and 19, T32N-R5W. At this time, the 32-5 #112ST is currently producing in the extreme southwest portion of Section 19. ERC requests both reduced setbacks and an Administrative Approval for an Unorthodox Location (AAUL) in order to drill the subject well as planned for the following reasons:

1. Current 660' setbacks allow for a legal window of only 145' wide. ERC requests that setbacks be reduced from 660' to 500' from the east and west boundaries of the spacing unit to allow more room to drill the lateral portion of the subject well and still remain within the legal setbacks.
2. The BLM has indicated that the subject well must be drilled from an existing well pad in Section 24, T32N-R6W due to space and terrain limitations.
3. Drilling the subject well from this existing surface location to the legal window in Section 18 would require a build length of approximately 3600'.
 - a. At this time, such extreme build lengths are not feasible for ERC, primarily due to the associated mechanical drilling risk, i.e. the risk of losing the well.
 - b. Therefore, given the aforementioned mechanical drilling limitations, surface location restrictions and prohibitively long build length required to reach the window in Section 18, ERC would not be able to access and/or adequately drain the reserves in Section 18.
4. If granted, an AAUL would allow ERC to minimize build length, set casing, stabilize the build portion of the well, and enter the Fruitland Coal reservoir in Section 19.
5. The expense of drilling the subject well cannot be justified if continued production of the existing San Juan 32-5 #112ST, located in Section 19, is not allowed.
6. The current well plan will allow the subject well to more efficiently drain the Basin Fruitland Coal reservoir in both Sections 18 and 19, minimizing waste and reducing the need to drill future wells in order to adequately drain existing reserves.
7. Correlative Rights will be protected.

This non-standard location exception is being requested where there is common ownership at the beginning and ending points of the horizontal leg. The entire length of the wellbore will be within the Fruitland Coal Participating Area of the San Juan 32-5 Unit.

Please do not hesitate to contact me with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew Benson", with a long horizontal flourish extending to the right.

Andrew Benson
Area Geologist
Western Region

cc: David Poage

DISTRICT I
1625 N. French Dr., Hobbs, N.M. 88240

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised October 12, 2005

DISTRICT II
1301 W. Grand Avenue, Artesia, N.M. 88210

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT III
1000 Rio Brazos Rd., Artec, N.M. 87410

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

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

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-039-30616		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code 21996	*Property Name SAN JUAN 32-5 UNIT		*Well Number 112 S
*OGRD No. 162928	*Operator Name ENERGEN RESOURCES CORPORATION		*Elevation 6315'

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
G	24	32N	6W		2378'	NORTH	1573'	EAST	RIO ARRIBA

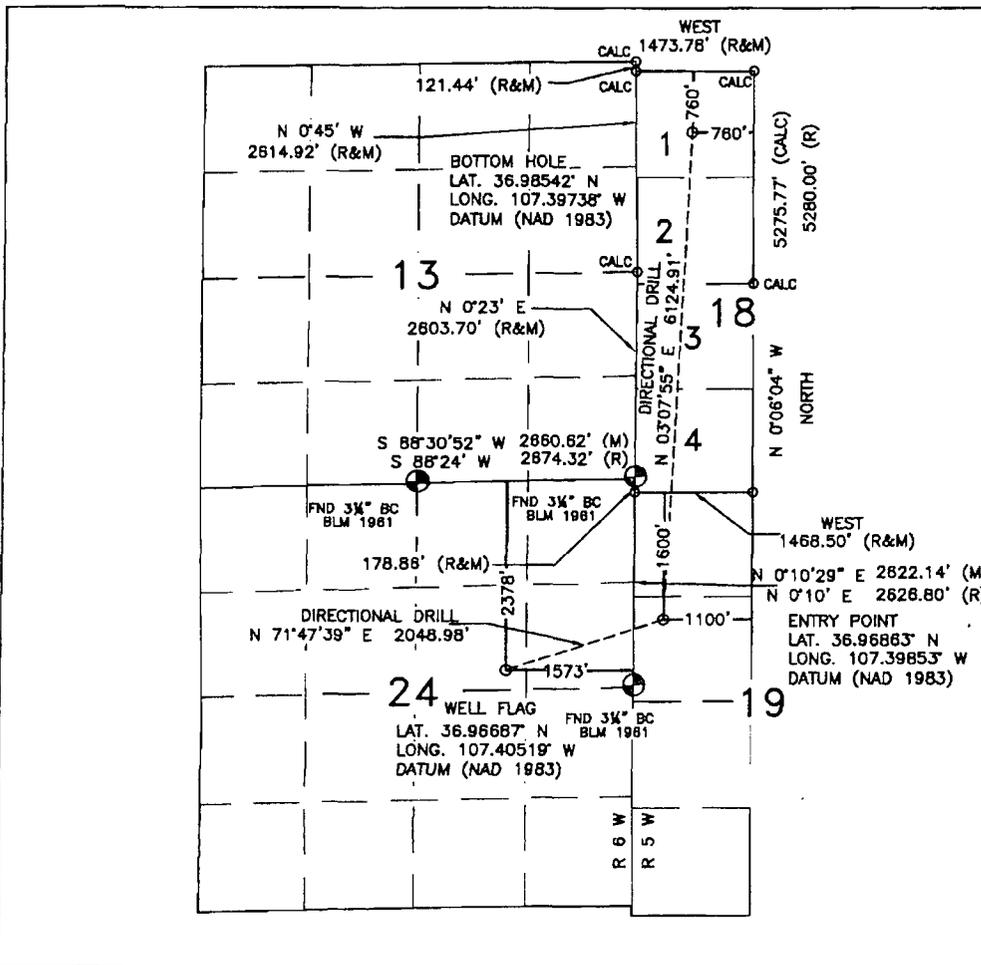
¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	18	32N	5W	1	760'	NORTH	760'	EAST	RIO ARRIBA

¹² Dedicated Acres 355.25	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No. NSL-4482-115A
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

18



¹⁷ OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner or a compulsory pooling order heretofore entered by the division.

Jason Kincaid 11-14-08
Signature Date
Jason Kincaid
Printed Name

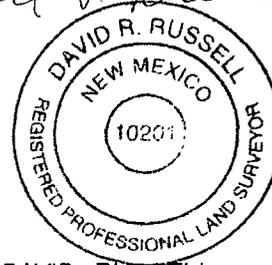
¹⁸ SURVEYOR CERTIFICATION

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.

MAY 14, 2008
Date of Survey

Signature and Seal of Professional Surveyor:

David R. Russell



DAVID RUSSELL
Certificate Number 10201

ENERGEN RESOURCES CORPORATION

SAN JUAN 32-5 UNIT#112 S

2378' FNL & 1573' FEL

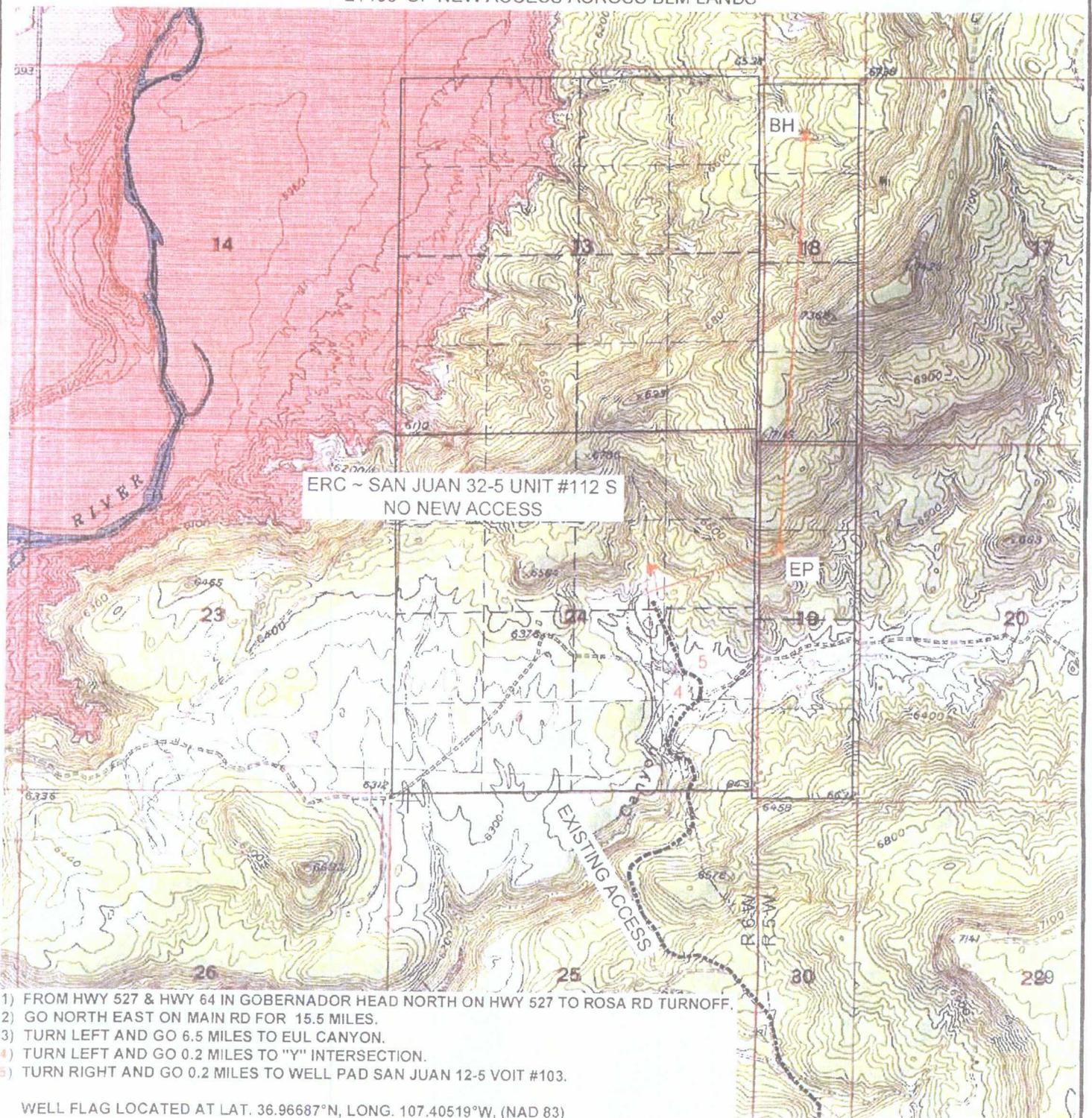
LOCATED IN THE SW/4 NE/4 OF SECTION 24,

T32N, R6W, N.M.P.M.,

RIO ARRIBA COUNTY, NEW MEXICO

GROUND ELEVATION: 6315', NAVD 88

±1493' OF NEW ACCESS ACROSS BLM LANDS



- 1) FROM HWY 527 & HWY 64 IN GOBERNADOR HEAD NORTH ON HWY 527 TO ROSA RD TURNOFF.
- 2) GO NORTH EAST ON MAIN RD FOR 15.5 MILES.
- 3) TURN LEFT AND GO 6.5 MILES TO EUL CANYON.
- 4) TURN LEFT AND GO 0.2 MILES TO "Y" INTERSECTION.
- 5) TURN RIGHT AND GO 0.2 MILES TO WELL PAD SAN JUAN 12-5 VOIT #103.

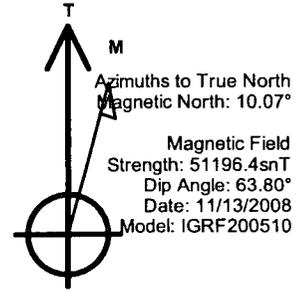
WELL FLAG LOCATED AT LAT. 36.96687°N, LONG. 107.40519°W, (NAD 83)

U.S.G.S. QUAD: BANCOS MESA NW
SCALE: 1" = 2000' (1:24,000)
JOB No.: ERG180_REV1
DATE: 10/23/08

NEW OR RECONSTRUCTED ROADS MUST MEET
SMA DESIGN STANDARDS
INSTALL CULVERTS AS NEEDED

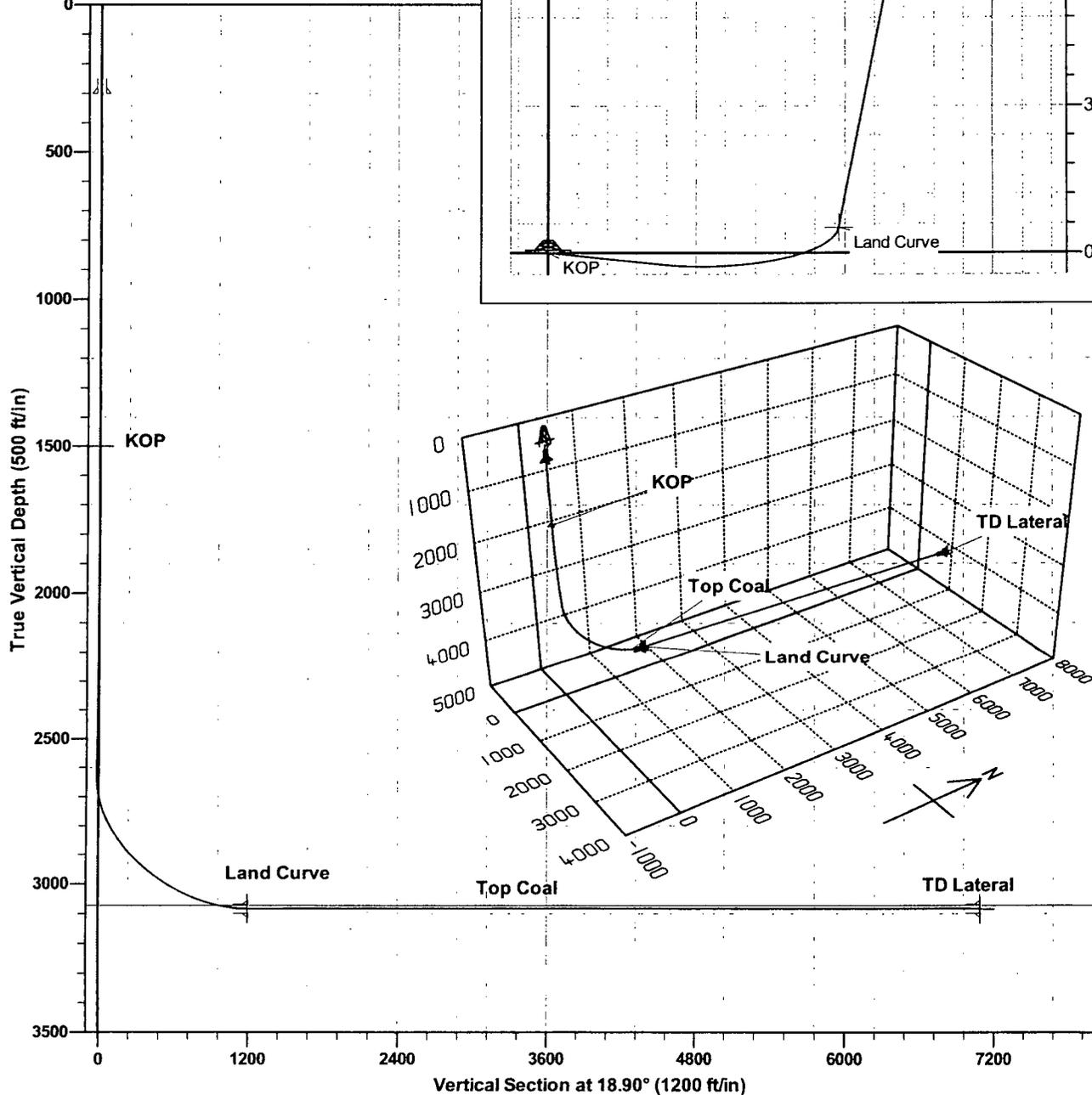
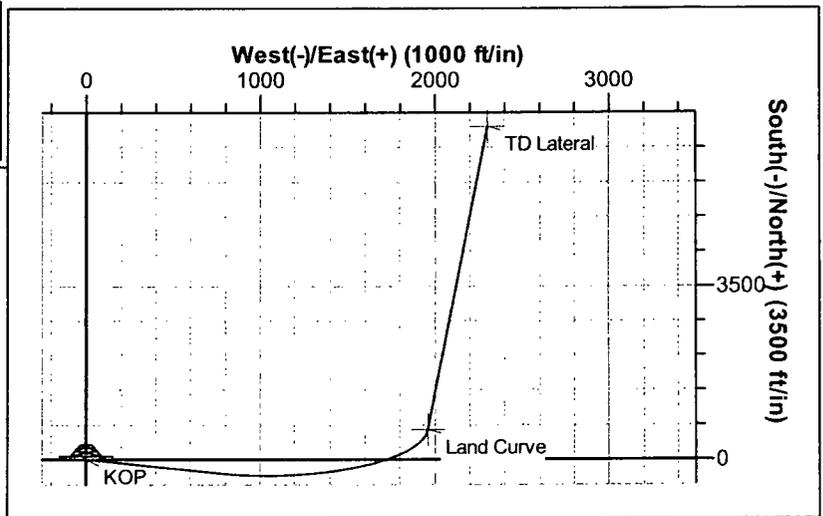


Russell Surveying
1409 W. Aztec Blvd. #2
Aztec, New Mexico 87410
(505) 334-8637



SECTION DETAILS										
Sec	MD	Inc	Azi	TVD	+N/S	+E/W	DLeg	IFace	VSec	Target
1	0.0	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.0	
2	1500.0	0.00	0.00	1500.0	0.0	0.0	0.00	0.00	0.0	KOP
3	2935.1	69.18	110.13	2610.9	-263.7	719.3	4.82	110.13	-16.4	
4	2973.3	69.18	110.13	2624.5	-276.0	752.9	0.00	0.00	-17.1	
5	4778.9	90.00	3.18	3084.0	599.1	1959.4	5.86	-96.18	1201.6	Land Curve
6	10903.8	90.00	3.18	3084.0	6714.6	2299.4	0.00	0.00	7097.4	TD Lateral

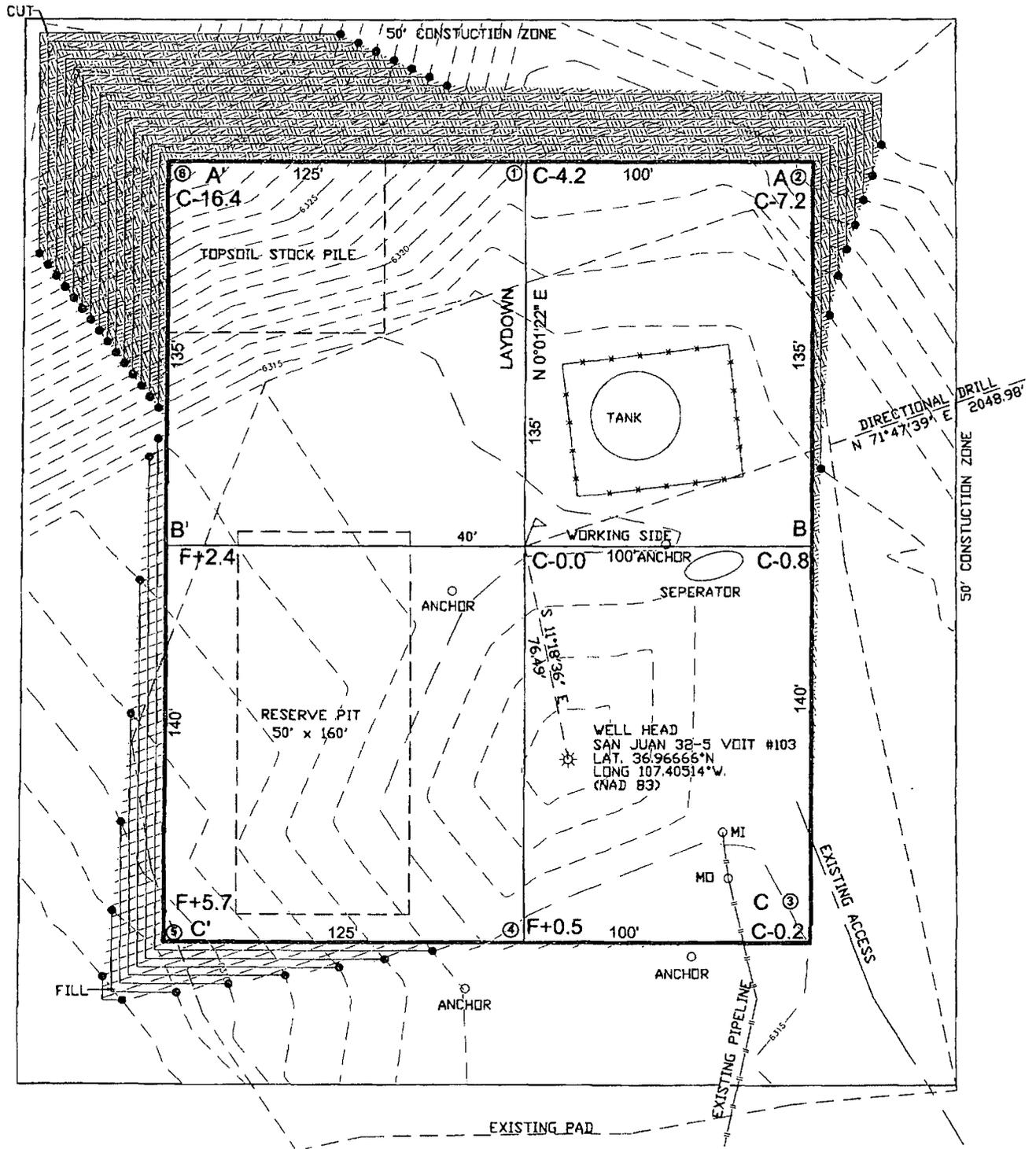
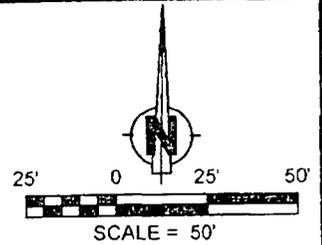
PROJECT DETAILS:
 Geodetic System: US State Plane 1983
 Datum: North American Datum 1983
 Ellipsoid: GRS 1980
 Zone: New Mexico Central Zone



LATITUDE: 36.96687°N
LONGITUDE: 107.40519°W
DATUM: NAD 83

ENERGEN RESOURCES CORPORATION

SAN JUAN 32-5 UNIT#112 S
2378' FNL & 1573' FEL
LOCATED IN THE SW/4 NE/4 OF SECTION 24,
T32N, R6W, N.M.P.M.,
RIO ARRIBA COUNTY, NEW MEXICO
GROUND ELEVATION: 6315', NAVD 88
FINISHED PAD ELEVATION: 6314.8', NAVD 88

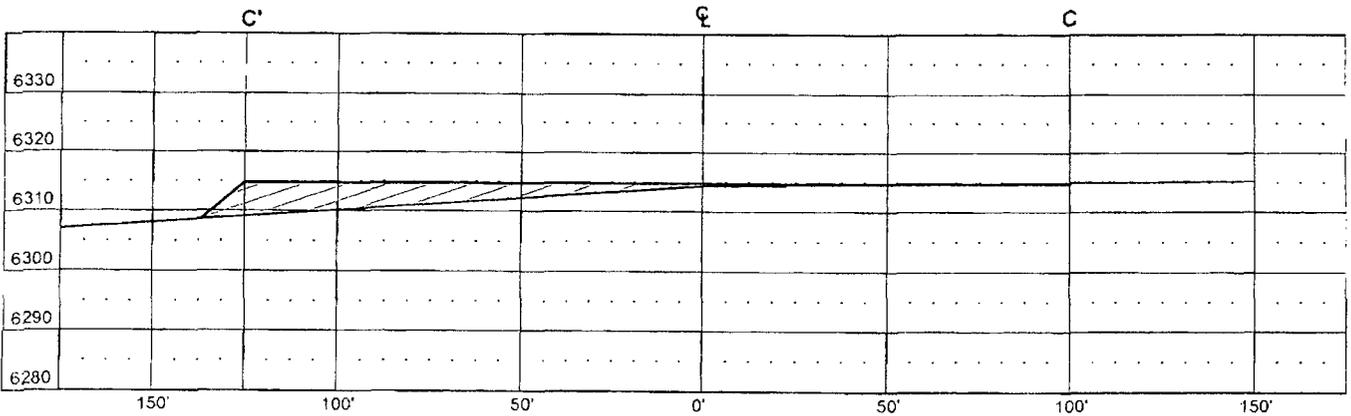
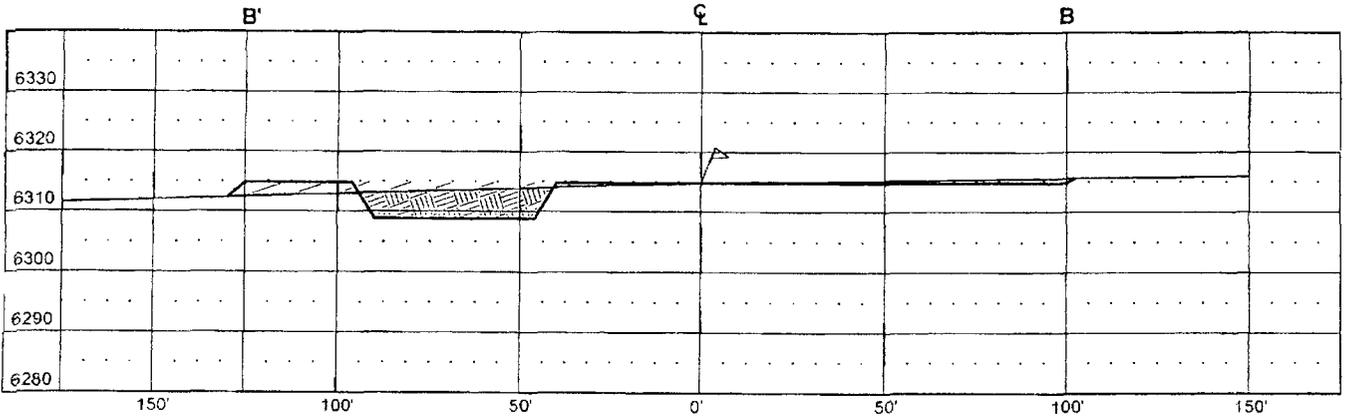
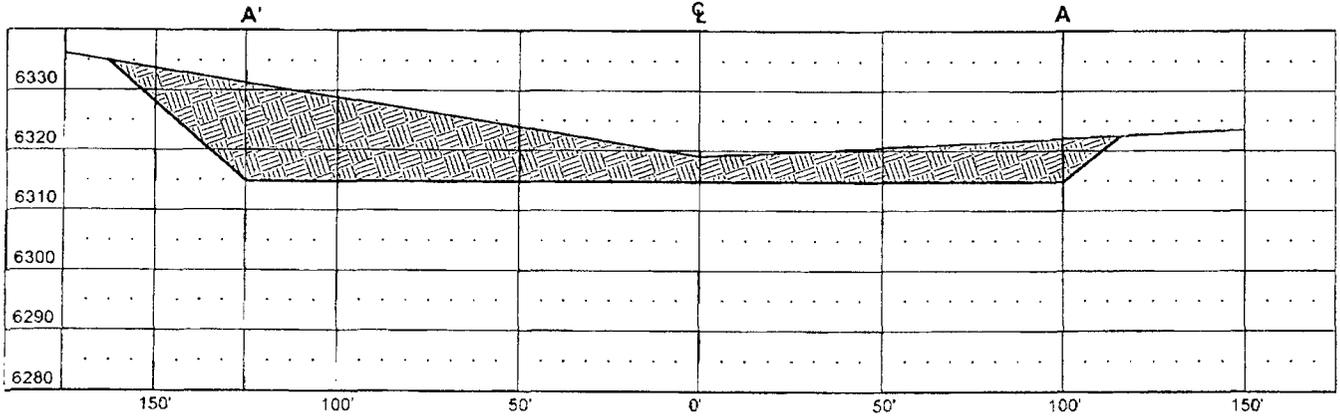


1 FOOT CONTOUR INTERVAL SHOWN
SCALE: 1" = 50'
JOB No.: ERG180_REV1
DATE: 10/23/08

Russell Surveying
1409 W. Aztec Blvd. #2
Aztec, New Mexico 87410
(505) 334-8637

ENERGEN RESOURCES CORPORATION

SAN JUAN 32-5 UNIT#112 S
 2378' FNL & 1573' FEL
 LOCATED IN THE SW/4 NE/4 OF SECTION 24,
 T32N, R6W, N.M.P.M.,
 RIO ARRIBA COUNTY, NEW MEXICO
 GROUND ELEVATION: 6315', NAVD 88
 FINISHED PAD ELEVATION: 6314.8', NAVD 88



VERT. SCALE: 1" = 30'
 HORZ. SCALE: 1" = 50'
 JOB No.: ERG180_REV1
 DATE: 10/23/08

 CUT
 FILL

 **Russell Surveying**
 1409 W. Aztec Blvd. #2
 Aztec, New Mexico 87410
 (505) 334-8637

San Juan 32-5 #112S
Sections 18 & 19-T32N-R5W
Rio Arriba County, New Mexico
Offset Operators Plat

