ENERGEN
RESOURCES

JUN 18

June 17, 2002

New Mexico Oil Conservation Division
Attn: Michael Stogner
1220 South Saint Francis Drive
Santa Fe, NM 87505

RE: ADMINISTRATIVE ORDER NSL-4714
UNORTHODOX LOCATION
SAN JUAN 32-5 UNIT #110
155' FSL AND 65' FEL
SECTION 22-T32N-R6W
RIO ARRIBA COUNTY, NEW MEXICO

Dear Mr. Stogner:

Reference is made to our request for the Administrative approval of an unorthodox location for the captioned well and the New Mexico Oil Conservation Divisions approval under Order NSL-4714.

Part of our request involved changing the configuration of the spacing unit from stand up, as required by the unit Agreement, to lay down, as we believed would be more beneficial to the total development of the section.

The Bureau of Land Management (BLM) would not support changing the unit Agreement to allow a lay down rather than stand up spacing unit for our proposed well, as the closest surface location would be equal distance regardless of the spacing configuration and therefore they did not agree that the recovery of additional reserves would be effected. We were surprised at the BLM's position on this matter given Energen Resources Corporation owns 100% of the working interest in the target formation and any waiver to the spacing pattern in the unit agreement would be between Energen and the BLM. Further other issues beyond proximity to surface location would have to be considered in the development of a W/2 spacing unit. However, after further study, and with the belief that if the Basin Fruitland Coal pool rules are amended to allow increased density, the argument could be made that the configuration may not matter to the ultimate recovery of the reserves in Section 22. Consequently we must ask that administrative order NSL-4714 approving an off pattern non-standard location for the subject coal gas well be amended (if necessary) for an E/2 spacing and proration. We apologize for any inconvenience or duplicated effort this may cause.

Sincerely,

Gillian Hamerton for

Richard Corcoran
District Landman

RC/ga