

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



May 28, 2008

Energen Resources Corporation
Attn: Mr. David M. Poage
2010 Afton Place
Farmington, NM 87401

Administrative Order NSL-5828

Re: San Juan 32-5 Well No. 115
API No. 30-039 30546
Unit P, Section 22-32N-6W
Rio Arriba County

RCVD JUN 9 '08

OIL CONS. DIV.

DIST. 3

Dear Mr. Poage:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR08-10252740**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on April 11, 2008, and

(b) the Division's records pertinent to this request.

Energen Resources Corporation (Energen) has requested to drill the above-referenced well as a horizontal well in the Fruitland Coal formation, at a location that will be unorthodox under Division Rule 111. The proposed surface location, point of penetration and terminus of the well are as follows:

Surface Location: 120 feet from the South line and 50 feet from the East line
(Unit P) of Section 22, Township 32 North, Range 6 West, NMPM
Rio Arriba County, New Mexico

Point of Penetration: 50 feet from the South line and 2630 feet from the West line
(Unit N) of said Section 22, Rio Arriba County.

Terminus: 660 feet from the North line and 660 feet from the West line
(Unit D) of said Section 22, San Juan County.



The W/2 of Section 22 will be dedicated to the proposed well to form a standard 320-acre spacing unit and project area in the Basin-Fruitland Gas Pool (71629). This location is governed by Rule 7.A(1) of the Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool, as amended by Order No. R-8768-F, effective July 17, 2003, which provides generally that a well shall be located at least 660 feet from any unit boundary. This location is unorthodox because portions of the producing interval will be less than 660 feet from the eastern and southern boundaries of the project area, and therefore outside the producing area.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

It is our understanding that you are seeking this location for geologic reasons, in order to maximize the amount of the target formation in the project area penetrated by the horizontal portion of the wellbore.

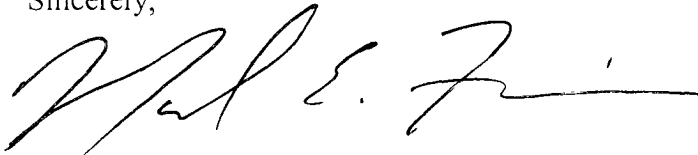
It is also understood no notice of this application to offsetting operators or owners is required because Enregen is 100% owner of the working interest in the offsetting units.

Pursuant to the authority conferred by Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 40.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read 'M. E. Fesmire', with a long horizontal stroke at the end.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Aztec
United States Bureau of Land Management - Farmington