NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

April 2, 2004

Joanna Prukop
Cabinet Secretary
Acting Director
Oil Conservation Division

Energen Resources Corporation
2198 Bloomfield Highway
Farmington, New Mexico 87401

Attention: **Charles Donahue**
              cdonahue@energen.com

Administrative Order NSL-5038

Dear Mr. Donahue:

Reference is made to the following: **(i)** your application submitted to the New Mexico Oil Conservation Division ("Division") on March 12, 2004 (*administrative application reference No. pMES0-408631866*); and **(ii)** the Division's records in Santa Fe, including the files in Division Cases 4703, 8148, 9226, 9227, and 9228: all concerning Energen Resources Corporation's ("Energen") request for an exception to the well location requirements provided within the "*Special Rules for the Blanco-Mesaverde Pool*," as promulgated by Division Order No. R-10987-A, issued in Case No. 12069 and dated February 1, 1999, as amended by Division Order No. R-10987-A (1), dated December 2, 2002, for Energen's existing McCroden "A" Well No. 6 (**API No. 30-039-23246**) located at an unorthodox infill gas well location 352 feet from the South line and 939 feet from the West line (Unit M) of Section 9, Township 25 North, Range 3 West, NMPM, Blanco-Mesaverde Pool (**72319**), San Juan County, New Mexico.

This application has been duly filed under the provisions of Division Rules 104.F and 605.B and the applicable rules governing the Blanco-Mesaverde Pool.
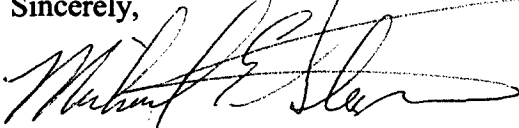
It is the Division's understanding that the subject McCroden "A" Well No. 6 was originally drilled by Union Texas Petroleum Corporation in August/September 1983 to a total depth of 8,200 feet and completed initially in the Ojito Gallup-Dakota Oil Pool (**48020**) at a standard oil well location within a standard 40-acre oil spacing and proration unit comprising the SW/4 SW/4 of Section 9. By Division Order No. R-8544, issued in Case No. 9228 on November 19, 1987, the Ojito Gallup-Dakota Oil Pool was abolished and this well was placed in the West Lindrith Gallup-Dakota Oil Pool (**39189**). This well's dedicated acreage became the entire SW/4 of Section 9, being a standard 160-acre oil spacing and proration unit for the West Lindrith Gallup-Dakota Oil Pool, and in accordance with the special rules and regulations governing this pool, the location was still considered to be standard.

It is further understood that Enron now intends to perforate the Mesaverde interval in the subject McCroden "A" Well No. 6 and recomplete the well such that production from both the West Lindrith Gallup-Dakota Oil Pool and Blanco-Mesaverde Pool will be downhole commingled.

The Blanco-Mesaverde gas production from this well is to be included within an existing standard 320-acre lay-down gas spacing and proration unit ("GPU") comprising the S/2 of Section 9, which is currently dedicated to Energen's: **(i)** McCroden "A" Well No. 7 **(API No. 30-039-23493)**, located at a standard gas well location 890 feet from the South line and 790 feet from the East line (Unit P) of Section 9; **(ii)** McCroden "A" Well No. 8 **(API No. 30-039-24059)**, located at a standard gas well location 1120 feet from the South line and 1737 feet from the West line (Unit N) of Section 9; and **(iii)** McCroden "A" Well No. 8-A **(API No. 30-039-24184)**, located at a standard gas well location 1850 feet from the South line and 1844 feet from the East line (Unit J) of Section 9.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox Blanco-Mesaverde infill gas well location for Energen's McCroden "A" Well No. 6 is hereby approved. Further, all four of the aforementioned McCroden "A" Wells No. 6, 7, 8, and 8-A, and existing 320-acre Blanco-Mesaverde GPU will be subject to all existing rules, regulations, policies, and procedures applicable to prorated gas pools in Northwest, New Mexico and to the Blanco-Mesaverde Pool.

Sincerely,

Michael E. Stogner
Engineer/Hearing Officer

MS/mes

cc: New Mexico Oil Conservation Division - Aztec
         U. S. Bureau of Land Management – Farmington