



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

September 22, 2004

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

**Energen Resources Corporation
2198 Bloomfield Highway
Farmington, New Mexico 87401**

Attention: David M. Poage

Administrative Order NSL-5113

Dear Mr. Poage:

Reference is made to the following: (i) your initial application (*administrative application reference No. pSEM0-420534536*) filed with the New Mexico Oil Conservation Division ("Division") in Santa Fe on July 22, 2004; (ii) the Division's response by letter from Mr. Michael E. Stogner, Engineer in Santa Fe, dated August 11, 2004 **denying** this application; (iii) your re-submittal of this application on September 1, 2004; and (iv) the Division's records in Aztec and Santa Fe: all concerning Energen Resources Corporation's ("Energen") request for an exception to the well location requirements [Rule 7 (a) (1)] provided within the "*Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool*," as promulgated by Division Order No. R-8768, as amended, for a non-standard infill gas well location within an existing 306.98-acre standard stand-up gas spacing unit for the Basin-Fruitland Coal (Gas) Pool (71629) comprising Lots 7 through 10 and 15 through 18 (W/2 equivalent) of Section 4, Township 27 North, Range 9 West, NMPM, San Juan County, New Mexico.

This application has been duly filed under the provisions of: (i) Rule 7 (b) of the "*Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool*"; (ii) Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission ("Commission") in Case No. 12119 on August 12, 1999; and (iii) Rule 1207.A (2), revised by Division Order No. R-11205, issued by the Commission in Case No. 12177 on June 17, 1999.

This unit is currently dedicated to Energen's Turner Hughes Well No. 8 (API No. 30-045-06818), located at a standard coal gas well location 1500 feet from the South line and 1020 feet from the West line (Lot 16/Unit K) of Section 4.

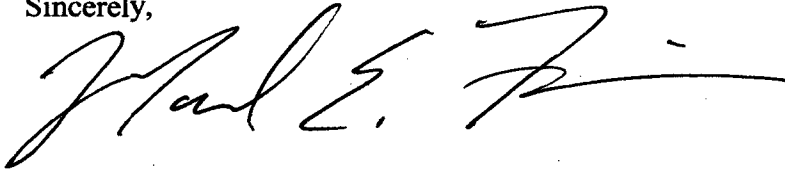
By the authority granted me under the applicable provisions of the special pool rules governing the Basin-Fruitland Coal (Gas) Pool and Division Rule 104.F (2), the following described unorthodox infill coal gas well location to be drilled within this 306.98-acre gas spacing unit is hereby approved:

Turner Hughes Well No. 8-S
910' FNL & 2225' FWL (Lot 7/Unit C)
(API No. 30-045-32311).

Further, Williams is hereby authorized to simultaneously dedicate production attributed to the Basin-Fruitland Coal (Gas) Pool from its existing Turner Hughes Well No. 8 with the proposed Turner Hughes Well No. 8-S.

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

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/mes

cc: New Mexico Oil Conservation Division – Aztec
U. S. Bureau of Land Management – Farmington
J. Scott Hall, Legal Counsel for Energen Resources Corporation – Santa Fe