



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary-Designate

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division



August 19, 2011

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

Administrative Order SD-201111

Re: Arboles 20A Well No. 10
API No. 30-039-30291
990 feet FSL & 820 feet FWL
Unit M, Section 21, Twsp 32N, Range 4W
Rio Arriba County, New Mexico

Dear Ms. Riley:

Reference is made to the following:

(a) your application (**administrative SD application reference No. pTGW11-20341679**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on July 22, 2011; and

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

Energen Resources Corporation [OGRID 162928] (Energen) has requested to simultaneously dedicate an existing standard gas spacing unit consisting of the S/2 Section 20, Township 32 North, Range 4 West in Rio Arriba County, New Mexico, in the Basin Fruitland Coal Gas Pool (71629), to:

(a) its proposed Arboles 20A Well No. 10 (API No. 30-039-30291) (the proposed well), a horizontal gas well to be drilled from a surface location 990 feet from the South line and 820 feet from the West line (Unit M) of Section 21, Township 32N, Range 4W, to point of penetration of the Basin Fruitland Coal Gas Pool, 706 feet from the South line and 869 feet from the East line

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(Unit P) of Section 20, and thence to a terminus, or bottom-hole location, 692 feet from the South line and 531 feet from the West line (Unit M) of Section 20; and

(b) its existing Arboles 20A Well No. 1R (API No. 30-039-27453) (the existing well), a directional gas well drilled to the Basin Fruitland Coal Gas Pool from a surface location 1490 feet from the South line and 790 feet from the West line (Unit L) of Section 20, to a bottom hole location 1980 feet from the South line and 2624 feet from the West line (Unit K) of Section 20.

The S/2 of Section 20 is a standard 320-acre, more or less, gas spacing unit in the Basin Fruitland Coal Gas Pool. Applicable well density rules for this pool allow two wells to be completed in the unit, but require that the wells be in different quarter sections. Because the proposed well will be completed within both quarter sections of this 320-acre unit, including the quarter section in which the existing well is also completed, division approval for simultaneous dedication is required.

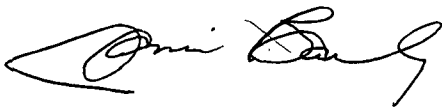
Your application has been duly filed under the provisions of Division Rules 15.11.C [19.15.15.11.C NMAC] and 4.12.A [19.15.4.12.A NMAC].

It is our understanding you have proposed the simultaneous dedication of this unit to the wells described for geological reasons, in order to prevent waste and maximize production from this unit. We further understand that notice to affected persons in offsetting units is unnecessary due to common ownership.

Pursuant to the authority granted by Rule 15.11.C, the above-described simultaneous dedication is hereby approved.

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 "Jami Bailey", is written over a horizontal line.

Jami Bailey
Director

JB/db

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