



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

May 19, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

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

**Attention: David M. Poage
District Landman**

Administrative Order NSL-5377

Dear Mr. Poage:

Reference is made to the following: (i) your application that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on April 20, 2006 (*administrative application reference No. pTDS0-611030815*); (ii) your telephone voice mail message for Mr. Michael E. Stogner, Staff Engineer with the Division in Santa Fe, on Tuesday morning, May 16, 2006 checking on the status of your application; and (iii) 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 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 recently drilled and completed Jicarilla "98" Well No. 2-C (**API No. 30-039-29297**), located at an unorthodox infill gas well location 1800 feet from the North line and 2120 feet from the East line (Unit G) of Section 19, Township 26 North, Range 3 West, NMPM, Blanco-Mesaverde Pool (**72319**), Rio Arriba County, New Mexico.

The Blanco-Mesaverde gas production from this well is to be included within an existing standard 320-acre stand-up gas spacing and proration unit ("GPU") comprising the E/2 of Section 19, which is currently dedicated to Energen's: (i) Jicarilla "98" Well No. 2 (**API No. 30-039-06389**), located at a standard gas well location 990 feet from the North line and 1190 feet from the East line (Unit A) of Section 19; (ii) Jicarilla "98" Well No. 2-A (**API No. 30-039-21284**), located at a standard infill gas well location 1149 feet from the South line and 1391 feet from the East line (Unit O) of Section 19; and (iii) Jicarilla "98" Well No. 2-B (**API No. 30-039-27308**), located at a standard infill gas well location 2200 feet from the South line and 660 feet from the East line (Unit I) of Section 19.

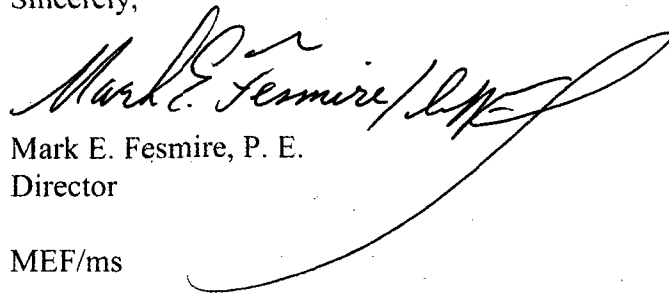
Your application for Energen has been duly filed under the provisions of Division Rules 104.F and 605.B and the applicable rules governing the Blanco-Mesaverde Pool.

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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 recently drilled Jicarilla "98" Well No. 2-C is hereby approved. Further, all four of the aforementioned wells and existing 320-acre 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,



Mark E. Fesmire, P. E.
Director

MEF/ms

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