



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Energen Resources Corporation

2198 Bloomfield Highway

Farmington, New Mexico 87401

September 12, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Attention: David Poage
District Landman

RE: Division Administrative Order SD-06-24

Dear Mr. Poage:

Reference is made to the following: (i) your application (*administrative application reference No. pTDS0-621438122*) which was filed with the New Mexico Oil Conservation Division's office in Santa Fe, New Mexico on August 1, 2006; (ii) the Division's initial response by e-mail from Mr. Michael E. Stogner, Staff Engineer in Santa Fe, on September 8, 2006; (iii) Mr. Stogner's telephone conversations with Mr. Doug Thomas Tuesday morning, September 12, 2006; (iv) Mr. Thomas's e-mail from Tuesday morning, September 12, 2006, with the necessary information to complete your filing; and (v) the Division's records in Aztec and Santa Fe: all concerning Energen Resources Corporation's ("Energen") additional development within its existing 269.01-acre lay-down gas spacing unit in the Basin-Fruitland Coal (Gas) Pool (**71629**) comprising Lots 1 and 2, the NE/4, and the E/2 NW/4 (N/2 equivalent) of Irregular Section 7, Township 30 North, Range 4 West, NMPM, Rio Arriba County, New Mexico.

The Basin-Fruitland Coal (Gas) Pool is currently governed under the "*Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool*," as promulgated by Division Order No. R-8768, as amended, which provides for:

- (a) 320 acre spacing (**Rule 4**);
- (b) wells to be located no closer than 660 feet to the outer boundary of the spacing unit nor closer than 10 feet to any interior quarter-quarter section line or subdivision inner boundary [**Rule 7 (a)**];
- (c) an optional infill well (only one) to be located in the opposite quarter section of the 320-acre unit not containing the initial Fruitland coal gas well [**Rule 7 (d)**]; and
- (d) horizontal drilling and development [**Rules 9 (A) and (B)**].

This 269.01-acre coal gas spacing unit is currently dedicated to Energen's Carson Well No. 200 (**API No. 30-039-27486**), a conventionally drilled vertical wellbore, located at a standard coal gas well location 735 feet from the North line and 1275 feet from the East line (Unit A) of Irregular Section 7.

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From your application and the Division's records, Energen recently drilled (spud date: June 6, 2006) its Carson Well No. 200-S (*API No. 30-039-27589*) from a (standard) surface location 745 feet from the North line and 1345 feet from the East line (Unit B) of Irregular Section 7, which is also located within the eastern half of the NE/4 of Irregular Section 7 as the above-described Carson Well No. 200, and completed the well within the Basin-Fruitland Coal (Gas) Pool with a horizontal drainhole ending at a measured depth of 5,425 feet, or 3,987 feet (TVD), at an approximate bottomhole/subsurface location 784 feet from the North line and 3414 feet from the East line, or 1024 feet (more or less) from the West line, (Unit C) of Irregular Section 7.

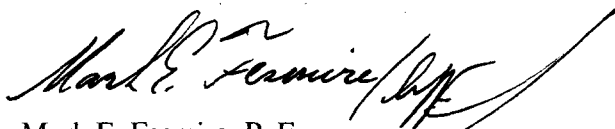
The directional survey on the Carson Well No. 200-S shows its path within the Fruitland coal gas interval to be standard pursuant to Rule 7 (a) of the special Basin Fruitland Coal (Gas) Pool rules and Division Rule 111.A (7).

Under the authority granted me under the Basin-Fruitland Coal (Gas) Pool special rule Nos. 9 (A) and (B) and Division Rule 111.D (2), Energen is hereby permitted to develop the Basin-Fruitland Coal (Gas) Pool within this 269.01-acre gas spacing unit/Project Area with its two above-described Carson Wells No. 200 and 200-S.

The operator shall comply with all applicable requirements and conditions set forth in Rules 9 (A) and (B) of the special Basin-Fruitland coal gas pool rules and Division Rule 111.

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

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Aztec
U. S. Bureau of Land Management – Farmington
Mr. Doug Thomas (*Doug.Thomas@energen.com*) - Energen Resources Corporation, Farmington