

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



July 9, 2008
Administrative Order NSL-5842

Energen Resources Corporation
Attn: David M. Poage
2198 Bloomfield Hwy
Farmington, NM 87401

Dear Mr. Poage:

Energen's NSL Application: San Juan 30-4 Well No. 58

1130' FNL & 855' FWL, Unit D, Section 9, Surface Location
1160' FNL & 2020' FWL, Unit B, Section 9, Penetration Point PC
1000' FNL & 1880' FWL, Unit C, Section 10, Bottom Hole Location
Township 30N-Range 4W, NMPM, Rio Arriba County

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR0811339435**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on April 21, 2008, and

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

Energen Resources Corporation (Energen) has requested to complete its San Juan 30-4 Well No. 58 at an unorthodox Pictured Cliffs gas well location. This is a horizontal well that will be drilled from an existing surface pad location 1130 feet from the North line and 855 feet from the West line (Unit D) of Section 9, Township 30 North, Range 4 West, N.M.P.M., in Rio Arriba County, New Mexico, to a terminus, or bottom-hole location 1000 feet from the North line and 1800 feet from the West line (Unit C) of Section 10. The 320-acre PA that will be dedicated to this well is the NE/4 of Section 9 and the NW/4 of Section 10. The NSL is only being requested for the unorthodox East Blanco Pictured Cliffs Pool (72400) penetration point of this well in the NW/4 of Section 9.



This pool is governed by statewide Rule 104.C(3), which provides for 160-acres units, with wells located at least 660 feet from a unit outer boundary. Portions of the producing interval of this well will be less than 660 feet from the western boundaries of the spacing unit/ project area. Hence the location is considered unorthodox pursuant to Rule 111.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

It is our understanding that Energen (OGRID 162928) is seeking this location for geologic reasons, in order to penetrate the maximum amount of the target formation in this spacing unit with the horizontal shaft of this well.

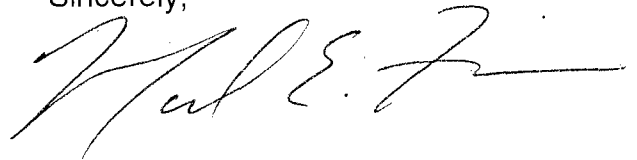
It is also understood that due notice of this application has been given to working interest owners in the offsetting spacing units to the east and to the west.

Pursuant to the authority granted me under the provisions of Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 40.

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 'Mark E. Fesmire', with a long horizontal flourish extending to the right.

Mark E. Fesmire, P.E.
Division Director

MEF/tw

cc: New Mexico State Land Office - Aztec
United States Bureau of Land Management - Farmington