

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



November 6, 2008

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

Administrative Order NSL-5958

Re: Phillips Well No. 3F
API No. 30-045-34666
Unit O, Section 32-28N-8W
San Juan County

Dear Mr. Poage:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR08-28346451**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on October 9, 2008, and

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

Energen Resources Corporation (Energen) has requested to drill the above-referenced well as a directional gas well in the Dakota formation, at a location that will be unorthodox under Division Rule 111. The proposed surface location, point of penetration and terminus of the well are as follows:

Surface Location: 425 feet from the South line and 1640 feet from the East line
(Unit O) of Section 32, Township 28N, Range 8W, NMPM
San Juan County, New Mexico

Point of Penetration: 1780 feet from the South line and 2182 feet from the West line
(Unit K) of said Section 32.

Terminus 1616 feet from the North line and 689 feet from the West line
(Unit E) of said Section 32.



The W/2 of Section 32 will be dedicated to the proposed well to form a standard 320-acre spacing unit and project area in the Basin-Dakota Gas Pool (71599). Spacing in this pool is governed by Rules II.A and II.C of the Special Rules and Regulations for the Basin-Dakota Gas Pool, as most recently amended by Order No. R-10987-B(2), which generally provide for 320-acre units, with wells located at least 660 feet from a unit outer boundary. This location is unorthodox because a portion of the producing interval will be less than 660 feet from the eastern boundary of the project area, and therefore outside the producing area.

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

It is our understanding that you are seeking this location for engineering reasons.

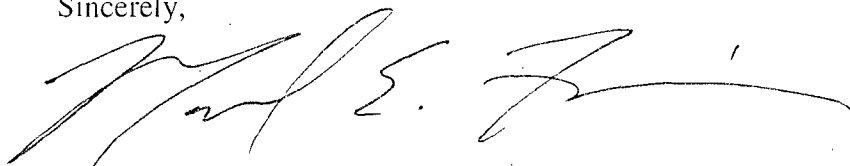
It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 1210.A(2), in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by 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.
Director

MEF/db

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