



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

September 14, 2005

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

Energen Resources Corporation
2198 Bloomfield Highway
Farmington, New Mexico 87401

Attention: James C. Sullins
District Landman

Re: *Administrative application (Division administrative application reference No. pSEM0-523452115) for an exception to the well location provisions of the Basin-Fruitland Coal (Gas) Pool (71629) for Energen Resources Corporation's ("Energen") proposed Keyes "29-10-29" Well No. 2-S (API No. 30-045-33315) to be drilled as a infill coal gas well at an unorthodox location 160 feet from the South line and 525 feet from the East line (Unit O) of Section 29, Township 29 North, Range 10 West, NMPM, San Juan County, New Mexico, within the existing standard 320-acre lay-down gas spacing unit comprising the S/2 of Section 29, which is currently dedicated to Energen's Keyes "29-10-29" Well No. 2 (API No. 30-045-28713), located at a standard coal gas well 1210 feet from the South line and 1670 feet from the West line (Unit N) of Section 29.*

Dear Mr. Sullins:

This letter acknowledges receipt of the subject administrative application on August 22, 2005.

I have reviewed your request and the Division's records and have determined additional information is needed to complete this application. You stated, "*that a standard location [for Energen's proposed Keyes 29-10-29 Well No. 2-S] would be too close to an XTO Energy well.*" Why would this be a problem? Why couldn't this well be included on the existing pad(s) for XTO Energy, Inc.'s three wells in Unit "T" or the existing well pad(s) enlarged to accommodate your proposed infill coal gas well? Since none of XTO's wells are coal gas wells, vertical interference should not be an issue; if it were, then a whole new set of problems would have to be addressed. Please provide a detailed explanation.

This well will encroach upon two Energen operated Basin-Fruitland Coal (Gas) properties:

- (1) The W/2 of Section 28, Township 29 North, Range 10 West, NMPM, San Juan County, New Mexico, being a standard 320-acre stand-up gas spacing unit, that is currently dedicated to the Davis "29-10-28" Well No. 2 (API No. 30-045-28732), located at a standard coal gas well location 920 feet from the South line and 970 feet from the West line (Unit M) Section 28; and

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- (2) The N/2 of Section 32, Township 29 North, Range 10 West, NMPM, San Juan County, New Mexico, being a standard 320-acre lay-down gas spacing unit, that is currently simultaneously dedicated to the: (i) State "29-10-32" Well No. 1 (API No. 30-045-28707), located at a standard coal gas well location 1585 feet from the North line and 2220 feet from the East line (Unit G) of Section 32; and (ii) State "29-10-32" Well No. 1-S (API No. 30-045-32891), located at a standard infill coal gas well location 1810 feet from the North line and 1330 feet from the West line (Unit F) of Section 32.

From your application, I am not sure whether Energen owns 100 percent of the working interest underlying both units. If not then notice is inadequate pursuant to Division Rule 1207.A (2), which reads in its entirety:

"(2) Unorthodox Well Locations: [1-1-87...2-1-96; Rn, 19 NMAC 15.N.1207.A. (5), 7-15-99; A, 7-15-99]

(a) Definition: "Affected persons" are the following persons owning interests in the adjoining spacing units:

- (i) the Division-designated operator;
- (ii) in the absence of an operator, any lessee whose interest is evidenced by a written document of conveyance either of record or known to the applicant as of the date the application is filed; and
- (iii) in the absence of an operator or lessee, any mineral interest owner whose interest is evidenced by a written document of conveyance either of record or known to the applicant as of the date the application was filed.

In the event the operator of the proposed unorthodox well is also the operator of an existing adjoining spacing unit and ownership is not common between the adjoining spacing unit and the spacing unit containing the proposed unorthodox well, then "affected persons" include all working interest owners in that spacing unit. [1-1-87...2-1-96; N, 7-15-99]"

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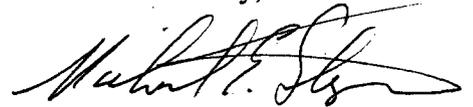
Finally, since your proposed well is extremely close to the N/2 of Section 32 where drainage is surely to occur, and in order to assure that correlative rights of all affected none cost bearing interest owners are adequately protected under Section 70-2-11 NMSA 1978, please identify on a plat and show percentages of **all royalty and/or overriding interests** underlying the N/2 of Section 32, and provide notice to all parties listed.

Since the submitted application is insufficient, the application remains incomplete as of September 14, 2005. Please submit the above stated information and proof of notice by Monday, September 26, 2005.

The Division cannot proceed with your application until the required information is submitted. Upon receipt, the Division will continue to process your application. The additional information can be faxed to (505) 476-3462, or mailed to the Division in Santa Fe. If the necessary information is not submitted, your application will be returned to you.

Should you have any questions concerning this matter, please contact your legal counsel, Mr. Scott Hall in Santa Fe at (505) 989-9614. Thank you.

Sincerely,



Michael E. Stogner
Engineer

cc: New Mexico Oil Conservation Division - Aztec
New Mexico State Land Office - Santa Fe
U. S. Bureau of Land Management - Farmington
J. Scott Hall, Legal Counsel for Energen Resources Corporation



Rec: 8-22-2005
Susp: 9-12-2005
PSEMO-523452115

2005 AUG 22 AM 10 29

August 11, 2005

New Mexico Oil Conservation Division
Attn: Michael E. Stogner
1220 South St. Francis Dr.
Santa Fe new Mexico 87505

RE: Administrative approval of Unorthodox Location
Keyes 29-10-29 # 2S
160' FSL & 525' FEL
Section 29, T29S, R10E
San Juan County, New Mexico

Dear Mr. Stogner:

Energen Resources Corporation (Energen) hereby requests Administrative Approval for an Unorthodox Location of its Keyes 29-10-29 # 2S Fruitland Coal well under the Provisions of New Mexico Oil Conservation Division (NMOCD) order R-8768.

This well is located 160' FSL & 525' FEL of Section 29-T29N-R10W, San Juan County, New Mexico and dedicated to a spacing unit consisting of the S/2 of Section 29, in the Basin Fruitland Coal gas pool.

This well is closer then 160' to the Southern Boundary and 525' to the Eastern boundary of the prorating unit due to the fact that a standard location would be too close to an XTO Energy well. Additionally after many discussions with the landowners involved with this proposed location, this was the only location that would minimize the impact on the future develop plans of the landowners.

A copy of this application is being sent to all affected owners by certified mail- return receipt request with a request that they furnish your office in Santa Fe a Waiver of Objection within twenty (20) days of receipt of this application.

Attached is a will location plat showing dedicated acreage (C102), a plat showing the offsetting spacing units and Fruitland Coal wells, and a topographic map.

Your favorable consideration of this request would be appreciated.

Sincerely,
James C. Sullins
James C. Sullins
District Landman

List of Affected Owners
Section 29-29N-10W
Fruitland Coal formation

Burlington Resources Oil & Gas Co.
XTO Energy Inc.

Keys 29-10-29 # 2S
 Basin Fruitland Coal
 160' FSL 52' FEL, Section 29, T29N, R10W
 San Juan County, New Mexico
 Affected Owners and Other Spacing Unit Plat

Chapson 29-10-20 #2	Trujillo 29-10-21 #2
Energen	Energen
S/2 20	S/2 21
Adair # 1, 2	Pollack Com E # 1R
XTO Energen	XTO Energen
N/2 29	Fee
Keys 29-10-2- # 2S	W/2 28
Energen	Zachry # 8
State 29-10-32 # 1	Burlington Resources
Energen	Zachry # 8 30-045-07736 990' EN 1 EL N/2 Coal Gas Dedication
E	Federal
S/2 29	E/2 28
State 29-10-32 # 1	N/2 33
Energen	
E	

N/2 NW/4 - Federal
 NW/4 NW/4 - State E-03149
 NW/4 NW/4 - Fee
 S/2 NW/4 State - E-06516
 SW/4 NE/4 State - E-09668
 SE/4 NE/4 State - B-10644

District I
PO Box 1980, Hobbs, NM 88241-1980

District II
PO Drawer DD, Artesia, NM 88211-0719

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-102
Revised February 21, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number		² Pool Code 71629	³ Pool Name BASIN FRUITLAND COAL
⁴ Property Code	⁵ Property Name KEYES 29-10-29		⁶ Well Number 2S
⁷ GRID No. 162928	⁸ Operator Name ENERGEN RESOURCES CORPORATION		⁹ Elevation 5574'

¹⁰ Surface Location

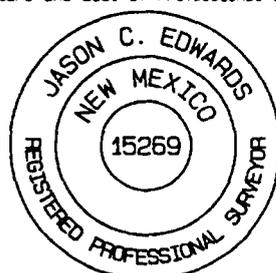
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	29	29N	10W		160	SOUTH	525	EAST	SAN JUAN

¹¹ Bottom Hole Location If Different From Surface

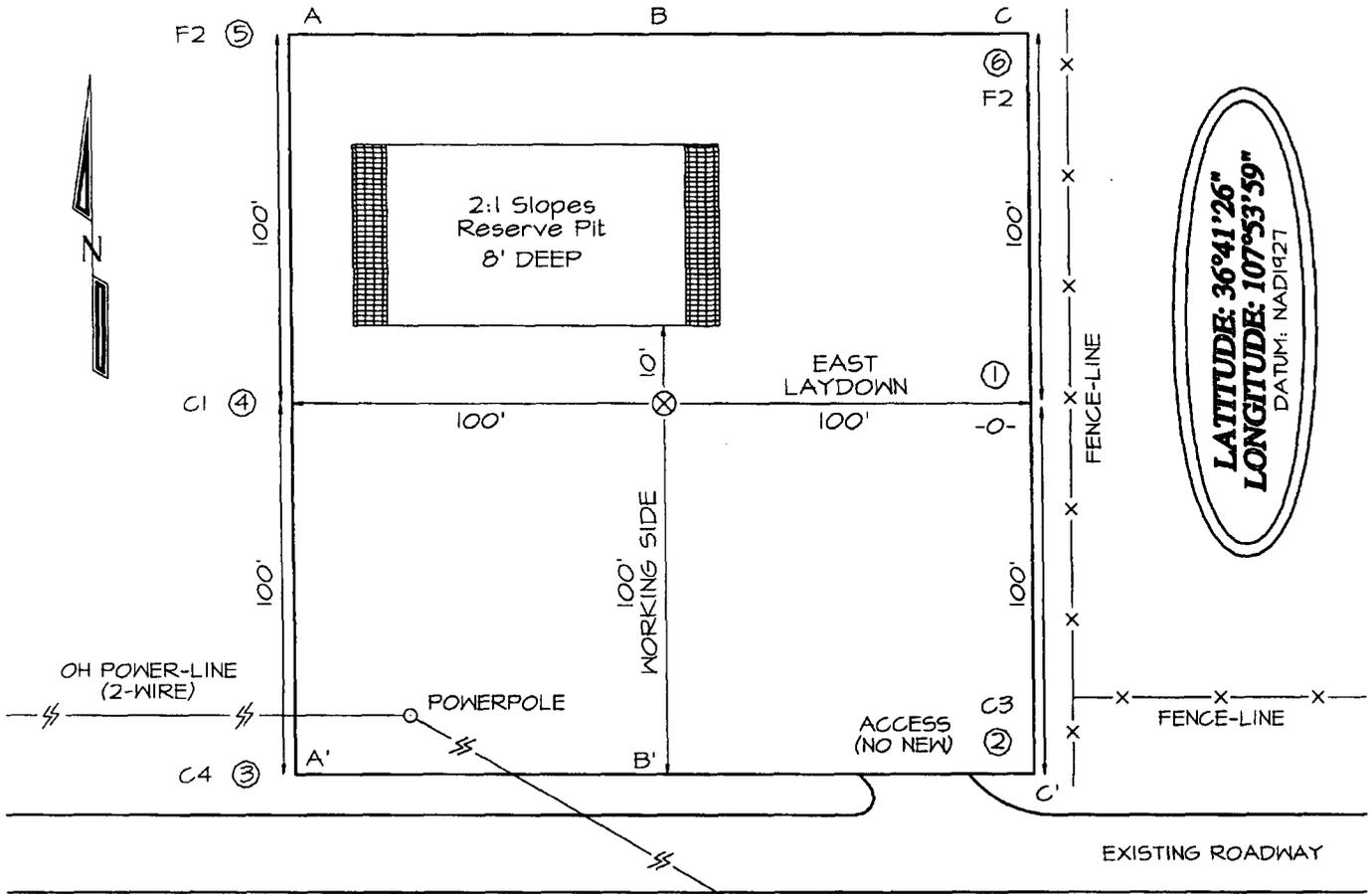
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres 320.0 Acres - (S/2)	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>16</p> <p>5270.76'</p> <p>5280.00'</p> <p>29</p> <p>5280.00'</p> <p>5227.20'</p> <p>160'</p> <p>525'</p> <p><i>Energen's Keyes 29-10-29 #2 30-045-28713 1210' PSL - 1670' PUL</i></p>	<p>¹⁷ OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p> <p>Signature _____</p> <p>Printed Name _____</p> <p>Title _____</p> <p>Date _____</p>
	<p>¹⁸ SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>Survey Date: JULY 19, 2005</p> <p>Signature and Seal of Professional Surveyor</p> <div style="text-align: center;">  </div> <p>JASON C. EDWARDS Certificate Number 15269</p>

**ENERGEN RESOURCES CORPORATION KEYES 29-10-29 #2S
 160' FSL & 525' FEL, SECTION 29, T29N, R10W, NMPM
 SAN JUAN COUNTY, NEW MEXICO GROUND ELEVATION: 5574'**



A-A'					
5584'					
5574'	[Profile line with a dip]				
5564'					

B-B'					
5584'					
5574'	[Profile line with a dip]				
5564'					

C-C'					
5584'					
5574'	[Profile line with a dip]				
5564'					

Note: Contractor should call One-Call for location of any marked or unmarked buried pipelines or cables on well pad and/or access road at least two (2) working days prior to construction

