

MONTGOMERY  
& ANDREWS  
LAW FIRM

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RECEIVED 008

2015 OCT 30 P 4: 18  
October 30, 2015

**HAND-DELIVERY**

Florene Davidson  
New Mexico Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, NM 87505

Re: ***Case No. 15410 Application of Energen Resources Corporation for Approval of the Amarillo Canyon Unit, Creation of a New Pool for Horizontal Development, and Establishing 330 Foot Exterior Boundary Setbacks for Completed Intervals for Horizontal Wells Within the Unit, San Juan County, New Mexico***

Dear Ms. Davidson:

Enclosed please find for filing the original and one copy of an Application for the above-referenced matter. A proposed advertisement is also enclosed.

Please set this matter for hearing on the December 3, 2015 Examiner hearing docket.

Thank you.

Very truly yours,

J. Scott Hall

Enclosure

cc: Dean Price, Energen Resources Corporation (w/enc.)

**REPLY TO:**

325 Paseo de Peralta  
Santa Fe, New Mexico 87501  
Telephone (505) 982-3873 • Fax (505) 982-4289

Post Office Box 2307  
Santa Fe, New Mexico 87504-2307

STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY, MINERAL AND NATURAL RESOURCES  
OIL CONSERVATION DIVISION

RECEIVED OGD

2015 OCT 30 P 4: 18

IN THE MATTER OF THE APPLICATION OF ENERGEN RESOURCES CORPORATION FOR APPROVAL OF THE AMARILLO CANYON UNIT, CREATION OF A NEW POOL FOR HORIZONTAL DEVELOPMENT, AND ESTABLISHING 330 FOOT EXTERIOR BOUNDARY SETBACKS FOR COMPLETED INTERVALS FOR HORIZONTAL WELLS WITHIN THE UNIT, SAN JUAN COUNTY, NEW MEXICO

CASE NO. 15410

APPLICATION

ENERGEN RESOURCES CORPORATION, (“Energen”), by its undersigned attorneys, Montgomery and Andrews, P.A. (J. Scott Hall), hereby makes application pursuant to *inter alia* Rule 19.15.20.14 NMAC of the Division’s Rules and regulations for an order providing as follows: (A) Approving Energen’s Amarillo Canyon Unit; (B) Creating a new pool for horizontal development within the Unit Area; and (C) Providing that the completed intervals of horizontal wells within the Unit Area may be setback no closer than 330 feet from the exterior boundaries of the Unit.

In support, Energen states:

1. Energen’s proposed Amarillo Canyon Unit is comprised of 3,838.08 acres of federal, state and Indian allotted lands. A plat of the Unit Area is attached as Exhibit A and these lands are described by tract as follows:

**Township 27 North, Range 13 West N.M.P.M., San Juan County**

- Sec. 11: NE/4 NE/4
- Sec. 2: Lots 1, 2, 3, 4, S/2 NE/4 & SW/4
- Sec. 3: Lots 1, 2, 3, 4, S/2 N/2 & S/2
- Sec. 10: ALL
- Sec. 11: W/2, W2 E/2, E/2 SE/4, NE/4
- Sec. 2: W/2 SE/4
- Sec. 2: E/2 SE/4

Sec. 1: Lots 1, 2, S/2 NE/4, N/2 SE/4, SW/4 SE/4  
Sec. 1: SE/4 SE/4  
Sec. 2: S/2 NW/4  
Sec. 1: Lots 3, 4, S/2 NW/4, SW/4 (W/2)  
Sec. 12: E/2  
Sec. 12: SW/4  
Sec. 12: NW/4

2. Energen has prepared a Unit Agreement and a Unit Operating Agreement providing for the supervision and management of the Unit, as well as the allocation and payment of the costs of unit operations. Energen is designated Unit Operator in the Unit Agreement for the Amarillo Canyon Unit. The Unit Agreement has been approved by a sufficient percentage of the interest owners within the proposed Unit Area to provide effective control of unit operations.

3. Energen has presented the proposed unit to the Bureau of Land Management, the Federal Indian Minerals Office and the New Mexico State Land Office. Energen expects to receive preliminary approval of the Unit Agreement from these agencies.

4. Energen proposes to drill one or more horizontal wells within the Unit Area with completed intervals located no closer than 330 feet of the outer boundaries of the unit. The entire Unit Area will be developed and operated as a single Participating Area.

5. The vertical limits of the Unitized Formation within the proposed Unit Area include the intervals which extend from the stratigraphic equivalent of the top of the Mancos Formation located at a depth of 4,270' to the base of the Greenhorn (i.e. Graneros) Formation at a depth of 5,797 feet as encountered in the Energen Resources Navajo-D No. 1-E Well (API No. 30-045-254040000) located in NW/4 SW/4 of Section 1, Township 27 North, Range 13 West, N.M.P.M. in San Juan County.

6. The entirety of the Unit Area lands are located within the Basin-Mancos Gas Pool (97232; Order No. R-12984). The special pool rules for the Basin-Mancos Gas pool do not

specify acreage dedication and well location requirements for oil wells, but make applicable those rules for certain pools located within two miles of an oil or associated pool identified in Paragraphs 3 or 4 of Order R-12984. Portions of the Unit Area lands are located adjacent to the boundary areas of the Amarillo-Gallup Associated Pool (22619; Order No. R-5353), but that pool is not among those pools identified in Paragraphs 3 or 4 of Order No. R-12984 and consequently, the rules for that pool may not be extended to the Unit Area lands. Most of the oil wells that were drilled in these pools after their establishment were vertical wells. The inconsistent well location and acreage dedication requirements for these pools are incompatible with the establishment of a rational and efficient development pattern for horizontal wells.

7. To allow for the most efficient horizontal well development pattern and to effectively drain the reserves in the Unitized Formation in the Unit Area, Energen requests that the Division establish a new pool for horizontal development within the Amarillo Canyon Unit that is coterminous with the Unitized Formation and provides for the drilling of horizontal wells within the Unit Area with completed intervals located no closer than 330 feet of the outer boundaries of the unit in accordance with statewide rules for oil wells. The new pool should be designated as the Amarillo Canyon Unit Hz Oil Pool.

8. Notice of this Application will be provided to the affected parties in the spacing units offsetting the proposed Unit Area, as well as the working interest owners and Indian Allottees within the unitized area. Energen will also publish notice of this Application in a local newspaper of general circulation in both San Juan County and the Navajo Nation.

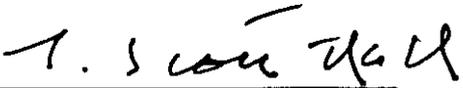
9. Approval of this Application and creation of a new pool for horizontal development in the unitized area will afford the Applicant appropriate flexibility in the

placement and operation of wells, will increase the ultimate recovery of hydrocarbon reserves and will not impair correlative rights.

WHEREFORE Applicant requests that this Application be set for hearing before a duly appointed hearing examiner of the Oil Conservation Division on December 3, 2015 and that after notice and hearing as required by law, the Division enter its Order granting this Application and providing such further relief as the Division deems appropriate.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

By: 

J. Scott Hall

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Attorneys for

Energen Resources Corporation

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N

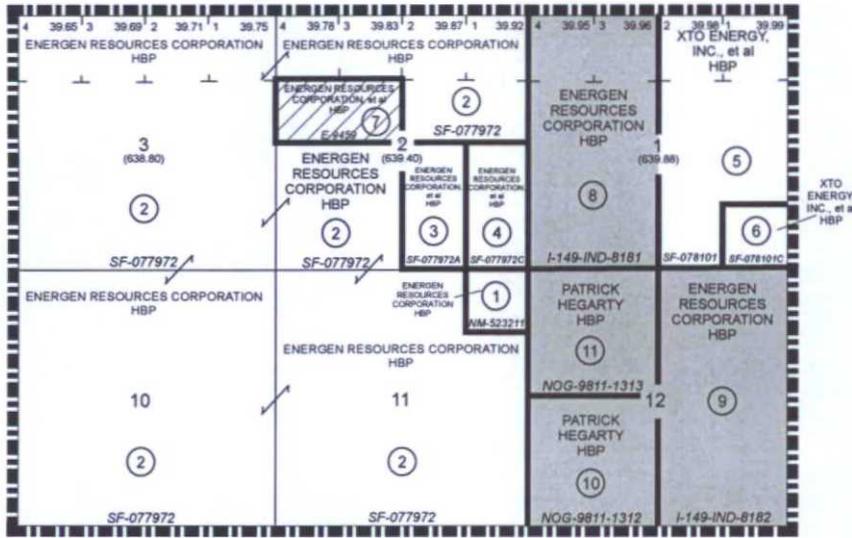
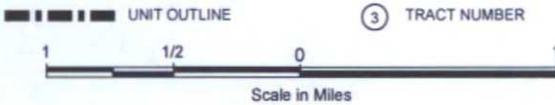


EXHIBIT "A"

AMARILLO CANYON UNIT AREA

SAN JUAN COUNTY, NEW MEXICO

	ACREAGE	PERCENTAGE	
	FEDERAL LANDS	2,798.17	72.91%
	STATE LANDS	80.00	2.08%
	ALLOTTED LANDS	959.91	25.01%
	TOTALS	3,838.08	100.00%



NOTE: UNLESS OTHERWISE NOTED HEREIN THE SECTIONS ON THIS PLAT CONTAIN 640.00 ACRES

ENERGEN RESOURCES CORPORATION  
FARMINGTON, NEW MEXICO

Case No. 15410 : *Application of Energen Resources Corporation for Approval of the Amarillo Canyon Unit, Creation of a New Pool for Horizontal Development, and Establishing 330 Foot Exterior Boundary Setbacks for Completed Intervals for Horizontal Wells Within the Unit, San Juan County, New Mexico* . Applicant seeks approval of its Amarillo Canyon Unit comprised of 3,838.08 acres of federal, state and Indian allotted lands described by tract as follows:

**Township 27 North, Range 13 West N.M.P.M., San Juan County**

- Sec. 11: NE/4 NE/4
- Sec. 2: Lots 1, 2, 3, 4, S/2 NE/4 & SW/4
- Sec. 3: Lots 1, 2, 3, 4, S/2 N/2 & S/2
- Sec. 10: ALL
- Sec. 11: W/2, W2 E/2, E/2 SE/4, NE/4
- Sec. 2: W/2 SE/4
- Sec. 2: E/2 SE/4
- Sec. 1: Lots 1, 2, S/2 NE/4, N/2 SE/4, SW/4 SE/4
- Sec. 1: SE/4 SE/4
- Sec. 2: S/2 NW/4
- Sec. 1: Lots 3, 4, S/2 NW/4, SW/4 (W/2)
- Sec. 12: E/2
- Sec. 12: SW/4
- Sec. 12: NW/4

Applicant also seeks the creation of a new pool for horizontal development within the unit area with vertical limits coterminous with the unitized formation and providing for 330 foot exterior boundary setbacks for completed intervals of horizontal wells drilled within the unit. The unitized interval extends from the stratigraphic equivalent of the top of the Mancos Formation located at a depth of 4,270' to the base of the Greenhorn (i.e. Graneros) Formation at a depth of 5,797 feet as encountered in the Energen Resources Navajo-D No. 1-E Well (API No. 30-045-254040000) located in NW/4 SW/4 of Section 1, Township 27 North, Range 13 West, N.M.P.M. in San Juan County. The subject lands are located approximately 4 miles southeast of NAPI Headquarters, New Mexico.