

April 8, 2008

Certified Mail
7005 1820 0002 8596 6234

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

RE: Administrative Approval of Unorthodox Location
San Juan 32-5 #115 Well
660' FNL and 660' FWL – Bottom Hole Location
Section 22, T32N, R6W
San Juan and Rio Arriba Counties, New Mexico

Gentlemen:

Energgen Resources Corporation (Energgen) hereby requests Administrative Approval for an Unorthodox Location of its San Juan 32-5 #115 Fruitland Coal formation well under the provisions of New Mexico Oil Conservation Division.

This well is located in the SW/4 of Section 22-T32N-R6W, San Juan and Rio Arriba Counties, New Mexico and is dedicated to a spacing unit consisting of the W/2 of Section 22, consisting of acreage in both San Juan and Rio Arriba Counties, New Mexico.

This well is located closer than 660' from the eastern proration unit boundary by 610'. This well is within the boundaries of the San Juan 30-4 Unit. This location is being drilled as a horizontal well bore and is situated so that the longest lateral can be accessed. This additional length is required to provide for the potential for the production of the most reserves and the best possible economics for this well. An explanation of this reasoning is attached.

Energgen is the operator and 100% working interest owner of all offsetting spacing units, therefore no affected owner letter is being sent out and no waivers are required.

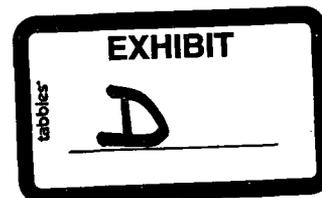
Attached is a well location plat showing dedicated acreage (C102), a plat showing the offsetting spacing units and a topographic map.

Your favorable consideration of this request would be appreciated.

Sincerely,



David M. Poage
District Landman



ENERGEN
RESOURCES

To: NMOCD

From: Greg Jennings
Geologic Manager
Western Region

Re: Reduced Setbacks
Horizontal Fruitland Coal Well
San Juan 32-5 Unit Com #115 (W/2 sect 22)

Date: 4-8-08

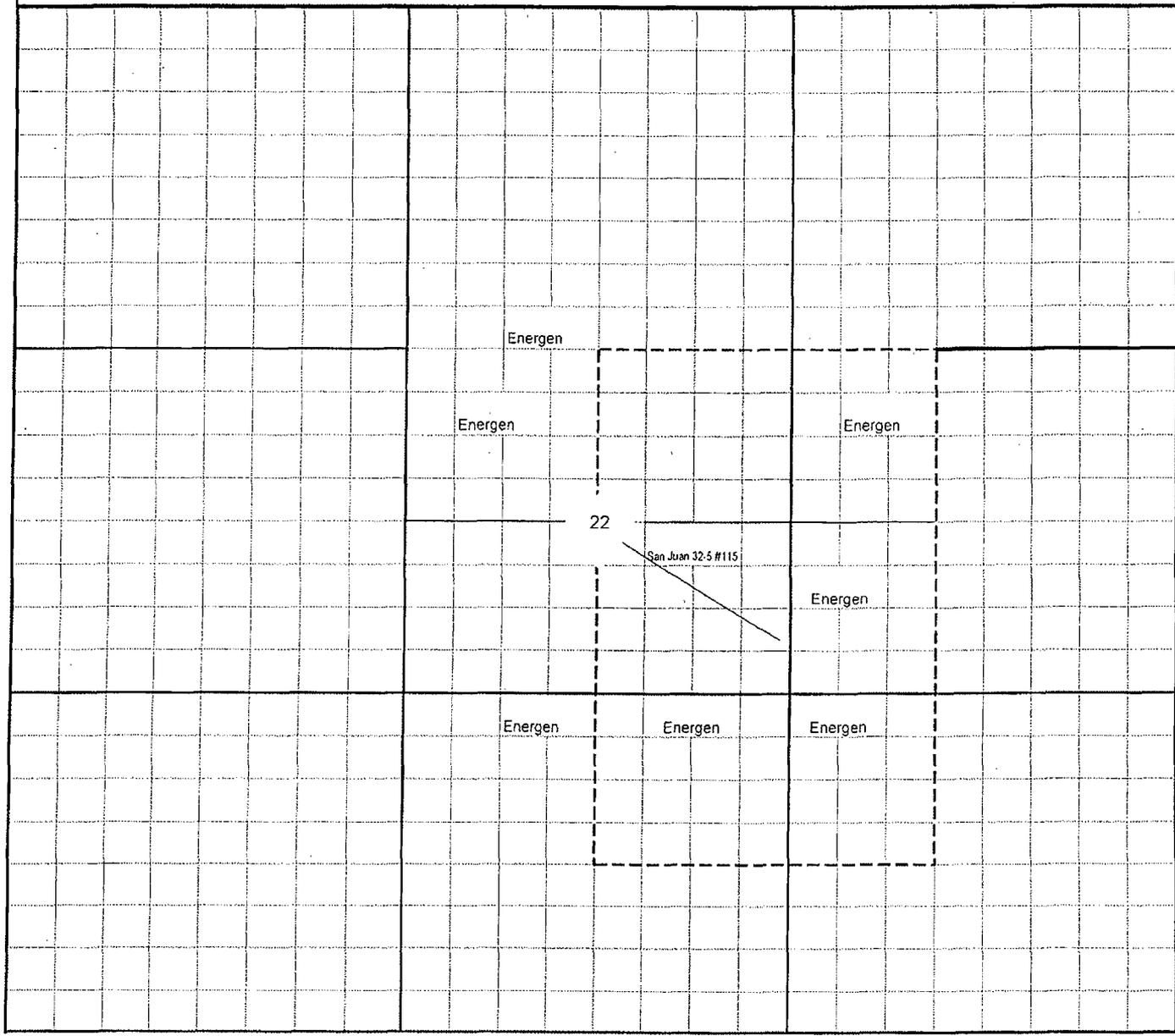
Energen Resources has plans to drill a Fruitland Coal horizontal well in the San Juan 32-5 Unit and requests a non-standard location to drill the above referenced well for the following reasons:

1. Due to surface restrictions created by Navajo Lake, the distance required to reach the coal at the standard location is at the extreme mechanical limits of our drilling rigs and deviated drilling technology. If we were required to drill the additional distance to reach the coal at this standard location, the well would have increased mechanical risk and the reserves may not be successfully developed.
2. The length of the lateral would be reduced without the NSL, resulting in a lower performing, and potentially uneconomic well. We have found that lateral length is a very important component of the horizontal well's performance.
3. Correlative rights will be protected. The NSL is only being requested at the entry point of the lateral, which is on the interior side of the San Juan 32-5 Unit. Once commerciality is established, the Fruitland Coal participating area will be expanded to include this drill block, thus providing common ownership and protecting correlative rights.

The San Juan 32-5 Unit Com #115 well will be drilled from the existing surface pad of the #110 well located in the SESE of section 22. The drilling spacing unit will be the W/2 of section 22. The NSL is only being requested for the coal entry point location of this well in the SESW/4 of section 22, on the east side of the spacing unit. Please refer to the enclosed map showing the wellbore geometry described above. Feel free to contact me with any questions.

Attachment: Map of SJ 32-5 Unit and proposed #115 horizontal well

San Juan 32-5 #115 Well
SW/4 Section 22-T32N-R6W
San Juan and Rio Arriba Counties, New Mexico
Offset Operators Plat



DISTRICT I
1625 N. French Dr., Hobbs, N.M. 88240

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised October 12, 2005

DISTRICT II
1301 W. Grand Avenue, Artesia, N.M. 88210

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT III
1000 Rio Brazos Rd., Aztec, N.M. 87410

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number		2 Pool Code		3 Pool Name BASIN FRUITLAND COAL	
4 Property Code		5 Property Name 32-5 UNIT		6 Well Number 115	
7 OGRID No.		8 Operator Name ENERGEN RESOURCES CORPORATION		9 Elevation 6322'	

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	22	32N	6W		120'	SOUTH	120'	EAST	RIO ARRIBA

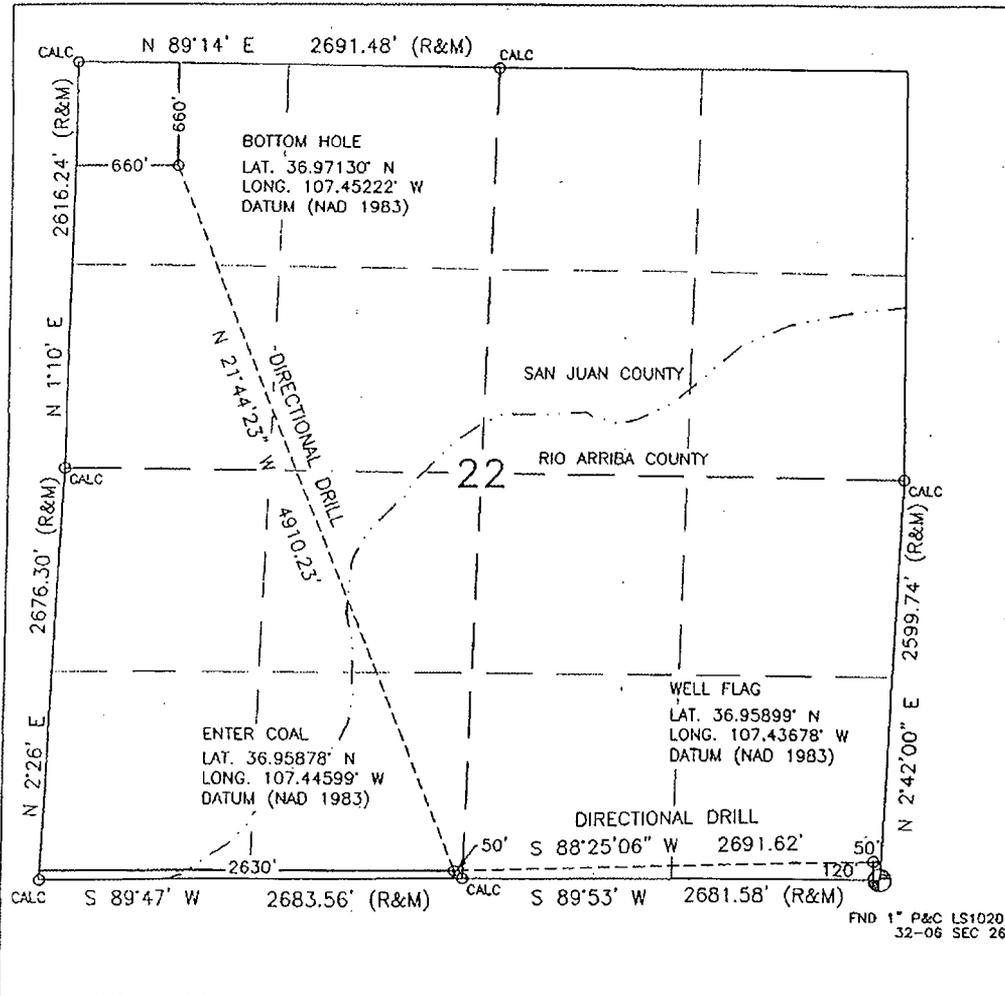
11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	22	32N	6W		660'	NORTH	660'	WEST	SAN JUAN

12 Dedicated Acres	13 Joint or Infill	14 Consolidation Code	15 Order No.

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

16



17 OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner or a compulsory pooling order heretofore entered by the division.

Signature _____ Date _____

Printed Name _____

18 SURVEYOR CERTIFICATION

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.

AUGUST 6, 2007

Date of Survey

Signature and Seal of Professional Surveyor:

David Russell



DAVID RUSSELL

Certificate Number

10201

FND 1" P&C LS10201
32-06 SEC 26

DATE IN	SUSPENSE	ENGINEER	LOGGED	TYPE
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

San Juan 32-5 #115

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

- [NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
- [DD-Directional Drilling] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Directional Drilling
- NSL NSP DD SD

Check One Only for [B] and [C]

- [B] Commingling - Storage - Measurement
- DHC CTB PLC PC OLS OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
- WFX PMX SWD IPI EOR PPR

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] **INFORMATION / DATA SUBMITTED IS COMPLETE** - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with supervisory capacity.

David M. Poage
Print or Type Name

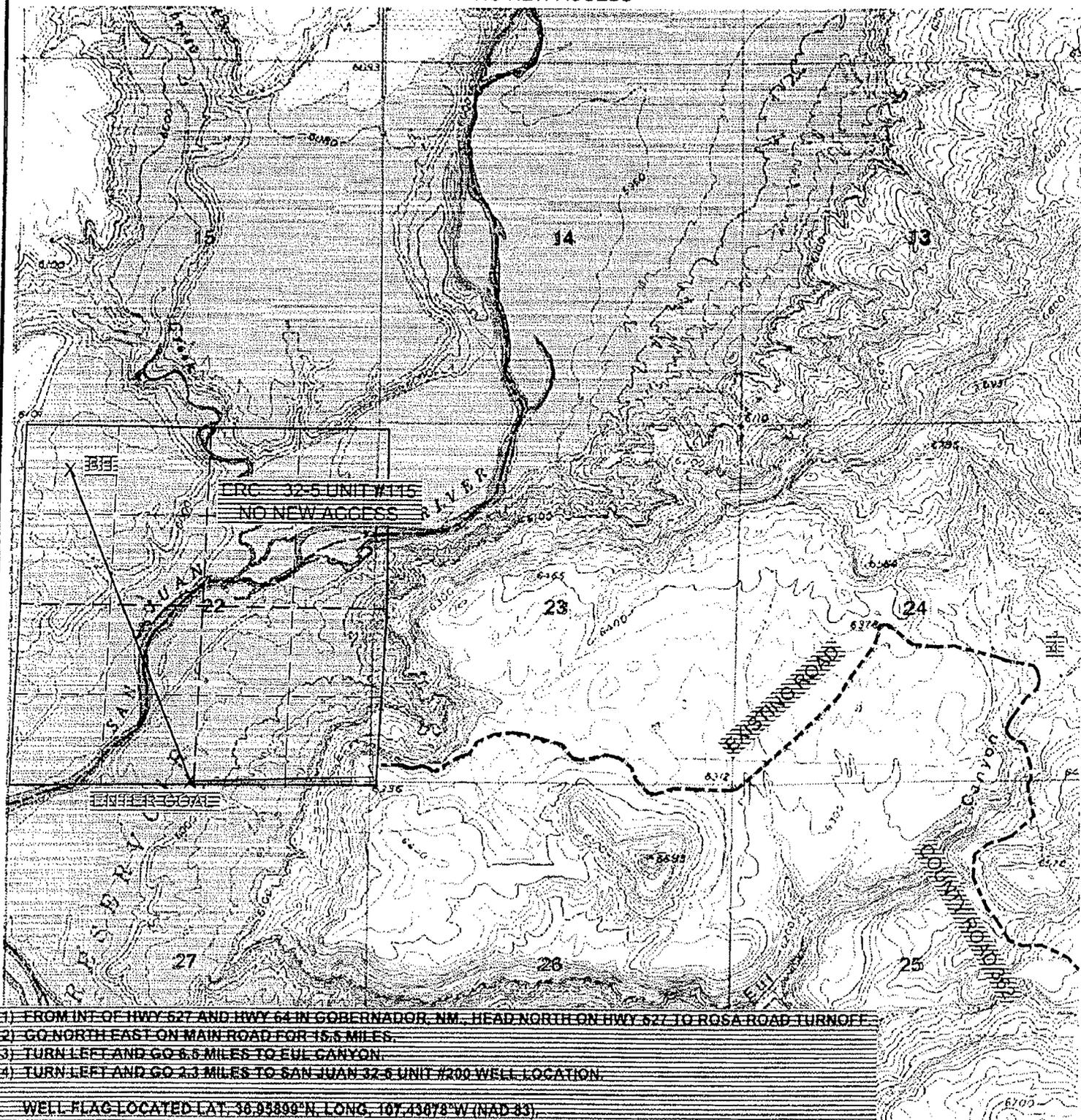
David M. Poage
Signature

District Landman
Title

4/8/08
Date

ENERGEN RESOURCES CORPORATION

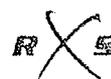
32-5 UNIT #115
120' FSL & 50' FEL
LOCATED IN THE SE/4 SE/4 OF SECTION 22,
T32N, R6W, N.M.P.M.,
RIO ARRIBA COUNTY, NEW MEXICO
GROUND ELEVATION: 6322', NAVD 88
NO NEW ACCESS



- 1) FROM INT. OF HWY 527 AND HWY 64 IN GOBERNADOR, NM., HEAD NORTH ON HWY 527 TO RQSA ROAD TURNOFF
 - 2) GO NORTH EAST ON MAIN ROAD FOR 15.5 MILES.
 - 3) TURN LEFT AND GO 6.5 MILES TO EUL CANYON.
 - 4) TURN LEFT AND GO 2.3 MILES TO SAN JUAN 32-5 UNIT #200 WELL LOCATION.
- WELL FLAG LOCATED LAT. 36.93899° N, LONG. 107.43878° W (NAD 83).

U.S.G.S. QUAD: BANCOS MESA NW
SCALE: 1" = 2000' (1:24,000)
JOB No.: ERG181
DATE: 03/26/08

NEW OR RECONSTRUCTED ROADS MUST MEET
SMA DESIGN STANDARDS
INSTALL CULVERTS AS NEEDED



Russell Surveying
1409 W. Aztec Blvd. #2
Aztec, New Mexico 87410
(505) 334-8637