

owners in the NW/4 of Section 22, Township 32 North, Range 6 West, Rio Arriba and San Juan Counties, New Mexico. Energen owns or otherwise controls one-hundred percent of the leasehold working interest in the SW/4 of Section 22. As explained below, Energen expects no opposition to its compulsory pooling application.

5. Beginning in September, 2007, Energen began sending offers to lease to all of the unleased mineral interest owners in the NW/4 of the spacing unit area. (There are no unleased mineral interests in the SW/4). According to our examination of instruments of record from the San Juan County Clerk's office, record title to 6.25% of the mineral interest in the NW/4 of Section 22 is owned by Palmetto Partners, L.P. with a last known address of 535 Fifth Avenue, 25 Floor, New York, New York 10017.
6. We first sent a lease proposal to Palmetto Partners, L. P. do Steven Mayer Mizel on September 10 and 25, 2007. This initial lease proposal was followed by subsequent written inquiries dated March 17, 2008, and April 11, 2008. Copies of our initial lease offer, along with all other correspondence documenting our attempts to obtain the participation of Palmetto Partners are attached hereto as Exhibit A. We also attempted to contact responsible individuals at Palmetto Partners by telephone on the following dates: March 5,6, 13, 14, 17, 21 and 24 and April 3, 2008. Those conversations did not elicit an affirmative response to our well proposal.
7. We have conducted a diligent search of all public records in the county. Additionally, we performed several internet searches for current contact information for Palmetto Partners on Google, Yahoo and Anywho.com along with the Secretary of State of New Mexico and found no further listing. As of this date, the mineral interests of Palmetto Partners L.P. are not committed to the well. In my opinion, Energen has made a diligent and good faith effort to obtain the voluntary participation of Palmetto Partners L.P. in the drilling of the well.
8. Exhibit B is a plat outlining the spacing unit to be pooled, showing the ownership of each separate tract in the proposed unit and the proposed well's location.
9. The depth of the proposed well is shown in Exhibit C.
10. A copy of Energen's application for administrative approval of the unorthodox well location is attached as Exhibit D. Due to the location of the spacing unit within the Navajo Reservoir, there is no suitable surface location in the W/2 of Section 22. The Bureau of Land Management has approved the surface location for the well at an existing well pad in the SE/4 of Section 22. Energen is the operator of and owns all of the working interests in each of the adjoining 320-acre spacing units in the Fruitland Coal formation.

11. Energen's AFE for the well is attached as Exhibit E. Our estimates of overhead and administrative costs while drilling the well and while producing the well are \$ 5,000.00 per month (drilling) and \$570.00 per month (producing). These costs are in line for similar wells in the area.
12. I have reviewed the Application and the materials submitted in connection therewith. The information set forth therein is correct and complete to the best of my knowledge and belief.

FURTHER AFFIANT SAYETH NOT.



DAVID POAGE

Subscribed, sworn to and acknowledged before me on this 23rd day of May, 2008, by David Poage.


Notary Public

My commission expires:

October 2, 2011

