



November 3, 2010

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Bureau of Land Management (3)
Attn: Mr. Wayne Townsend
Farmington Resource Area
1235 LaPlata Highway
Farmington, New Mexico 87401

N.M. Commissioner of Public Lands (2)
Attn: Ms. Jamie Bailey
P.O. Box 1148
Santa Fe, New Mexico 87501-1148

N.M. Oil Conservation Division (2)
Energy & Minerals Department
Attn: Mr. Mark E. Fesmire
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

RE: SAN JUAN 32-5 UNIT, #14-08-001-534
SAN JUAN COUNTY, NEW MEXICO
FRUITLAND COAL PARTICIPATING AREA
TENTH EXPANSION, EFFECTIVE NOVEMBER 1, 2008

Dear Sir or Madam:

Pursuant to Section 11(a) of the Unit Agreement for the referenced Unit, approved March 30, 1953, Energen Resources Corporation, as Unit Operator has determined that the listed well is capable of producing unitized substances in paying quantities from the Fruitland Coal Formation and thereby should be admitted to the Fruitland Coal Participating Area. Pursuant to a BLM letter, attached is a list of this well along with its respective tracts and completion date.

The Expansion Schedule for the Tenth Expansion is enclosed. The schedule describes the Participating Area and shows the percentages of unitized substances allocated to the Tracts according to the ownership within the Tracts.

We would appreciate consideration of this Expansion as soon as possible. Please contact the undersigned at (505) 324-4133 if there are any questions regarding this matter. Copies of this letter are being furnished to the Working Interest owners on the attached list.

Very truly yours,

David M. Poage
District Landman

DP/gb
Enclosures

WORKING INTEREST OWNERS

San Juan 32-5 Unit

BP America Production Inc.
Benson-Montin-Greer Drilling Corporation
La Plata Gathering System Inc.
Henrietta E. Schultz, Trustee
Mr. J. Glenn Turner, Jr.
Mr. William G. Webb
Williams Production Company
Frank O. Elliott and Edna Ione Hall Elliott
Energen Resources Corporation



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Farmington Field Office
1235 La Plata Highway - Suite A
Farmington, New Mexico 87401
www.blm.gov/nm



IN REPLY REFER TO:

San Juan 32-5 Unit FRC PA
3162.7 (F0111)

June 7, 2010

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

RE: San Juan 32-5 Unit
Commerciality Determination
Fruitland Coal Formation
Rio Arriba County, NM

Dear Mr. Poage:

In response to your letter dated May 25, 2010, the Farmington Field Office has reviewed the data you submitted for a commerciality determination for the following well completed in the Fruitland Coal formation.

Well Name & Number	Dedication	Lease	Completion Date	Determination
San Juan 32-5 Unit #115	W/2 Sec. 22, T32N, R6W	FEE	10/18/2008	Commercial

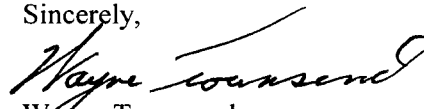
After completing our economic evaluation, we are in concurrence with the above determination.

The well was determined to be commercial in the Fruitland Coal formation and is to be included in the Fruitland Coal participating area. It is required that a revision be submitted to include this well in the San Juan 32-5 Unit Fruitland Coal Participating Area.

Under provisions of 43 CFR 3165.3, you may request an Administrative Review of the order(s) described above. Such request, including all supporting documents, must be filed in writing within 20 business days of receipt of this notice and must be filed with the State Director, Bureau of Land Management (NM-92000), P. O. Box 27115, Santa Fe, New Mexico 87502-0115. Such requests shall not result in a suspension of the order(s) unless the reviewing official so determines. Procedures governing appeals from instructions, orders or decisions are contained in 43 CFR 3165.4 and 43 CFR 4.400 et seq.

If you have any questions concerning this matter, please contact Wayne Townsend at the above address or telephone (505) 599-6359.

Sincerely,


Wayne Townsend
Petroleum Engineer
Branch of Petroleum Management

Tenth Expansion-Effective November 1, 2008

Total P/A acres = 4860.84

Wells No./

Dedication

Tract #

Tract Description

Tract Acres

Completion Date

San Juan 32-5 # 115	12	T32N,R6W, Sec. 22: NW/4SW/4	40.00	October 18, 2008
(W/2)	40A	T32N,R6W, Sec. 22: NE4SW/4, S/2SW/4	120.00	
(NW/4 is non-unit)				

San Juan 32-5 Unit
Rio Arriba County, New Mexico
Tenth Expansion to the Fruitland Coal Participating Area
Effective November 1, 2008

Lease Name or Serial Number	Description	Number of Acres	Ownership	Unit Tract	GWI Percentage	NRI Percentage	Participation Factor
NM-02850	T32N-R5W Section 18: Lots 1, 2, 3, 4	177.17	ORRI: Royalty: Minerals Management Service	Tract 1C		4.940183%	3.644843%
			Working Interest: Energen Resources Corporation TOTAL		100.000000% 100.000000%	82.559817% 100.000000%	
NM-02850-B	T32N-R5W Section 30: Lots 1, 2, 3, 4	174.41	ORRI: Royalty: Minerals Management Service	Tract 1D		5.690756%	3.588063%
			Working Interest: Energen Resources Corporation TOTAL		100.000000% 100.000000%	81.809819% 100.000000%	
NM-03780	T32N-R6W Section 26: SW/4	160.00	ORRI: Royalty: Minerals Management Service	Tract 8		2.500000%	3.291612%
			Working Interest: Energen Resources Corporation TOTAL		100.000000% 100.000000%	85.000000% 100.000000%	
SF-079011	T32N-R6W Section 24: NE/4	160.00	ORRI: ROYALTY: Minerals Management Service	Tract 11		15.000000%	3.291612%
			Working Interest: Energen Resources Corporation TOTAL		100.000000% 100.000000%	72.500000% 100.000000%	

San Juan 32-5 Unit
Rio Arriba County, New Mexico
Tenth Expansion to the Fruitland Coal Participating Area
Effective November 1, 2008

Lease Name or Serial Number	Description	Number of Acres	Ownership	Unit Tract	GWl Percentage	NRI Percentage	Participation Factor
SF-079011	T32N-R6W Section 14: SE/4SE/4 Section 23: NE/4 NE/4, S/2 NE/4, W/2SE/4 Section 24: E/2SE/4	320.00	ORRI: Royalty: Minerals Management Service	Tract 11A		12.500000%	6.583224%
			Working Interest: Energen Resources Corporation		100.000000%	75.000000%	
			TOTAL		100.000000%	100.000000%	
SF-079011	T32N,R6W Section 26: NW/4	160.00	ORRI: Royalty: Minerals Management Service	Tract 11B		2.500000%	3.291612%
			Working Interest: Energen Resources Corporation		100.000000%	85.000000%	
			TOTAL		100.000000%	100.000000%	
SF-079011	32N-6W Section 25: NW/4	160.00	ORRI: Royalty: Minerals Management Service	Tract 11C		7.773438%	3.291612%
			Working Interest: Energen Resources Corporation		100.000000%	79.726562%	
			TOTAL		100.000000%	100.000000%	
SF-079011	T32N,R6W Section 26: NE/4 NE/4	40.00	ORRI: Royalty: Minerals Management Service	Tract 11D		7.968750%	0.822903%
			Working Interest: Energen Resources Corporation		100.000000%	79.531250%	
			TOTAL		100.000000%	100.000000%	

San Juan 32-5 Unit
Rio Arriba County, New Mexico
Tenth Expansion to the Fruitland Coal Participating Area
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Lease Name or Serial Number	Description	Number of Acres	Ownership	Unit Tract	GWI Percentage	NRI Percentage	Participation Factor
SF-079011	T32N-R6W Section 25: N/2 NE/4	80.00	ORRI: Royalty: Minerals Management Service Working Interest: Energien Resources Corporation TOTAL	Tract 11E	100.000000% 100.000000%	8.750000% 12.500000% 78.750000% 100.000000%	1.645806%
SF-079011	T32N-R6W Section 24: NW/4 Section 23: S/2 NW/4, SW/4	400.00	ORRI: Royalty: Minerals Management Service Working Interest: Energien Resources Corporation TOTAL	Tract 11F	100.000000% 100.000000%	15.000000% 12.500000% 72.500000% 100.000000%	8.229030%
SF-079011-A	T32N-R6W, Section 27: E/2 NE/4, SE/4	240.00	ORRI: Royalty: Minerals Management Service Working Interest: Energien Resources Corporation TOTAL	Tract 11G	100.000000% 100.000000%	15.000000% 12.500000% 72.500000% 100.000000%	4.937418%
SF-079090	T32N-R6W Section 22: SW/4 SE/4, E/2 SE/4	160.00	ORRI: Royalty: Minerals Management Service Working Interest: Energien Resources Corporation TOTAL	Tract 12	100.000000% 100.000000%	12.500000% 12.500000% 75.000000% 100.000000%	3.291612%

San Juan 32-5 Unit
Rio Arriba County, New Mexico
Tenth Expansion to the Fruitland Coal Participating Area
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Lease Name or Serial Number	Description	Number of Acres	Ownership	Unit Tract	GWI Percentage	NRI Percentage	Participation Factor
SF-080657	T32N-R5W Section 31: Lots 1, 2, 3, 4	171.18	ORRI: Royalty: Minerals Management Service Working Interest: Energen Resources Corporation TOTAL	Tract 19A		8.336719% 12.500000% 79.163281% 100.000000%	3.521614%
SF-080657	T32N-R5W Section 19: Lots 1, 2, 3, 4	178.08	ORRI: Royalty: Minerals Management Service Working Interest: Energen Resources Corporation TOTAL	Tract 19B		8.336187% 12.500000% 79.163813% 100.000000%	3.663564%
SF-081181	T32N-R6W Section 25: S/2 NE/4, SE/4 Section 26: SE/4, S/2 NE/4, NW/4 NE/4	520.00	ORRI: Royalty: Minerals Management Service Working Interest: Energen Resources Corporation TOTAL	Tract 20A		8.329326% 12.500000% 79.170675% 100.000000%	10.697739%

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Lease Name or Serial Number	Description	Number of Acres	Ownership	Unit Tract	GWl Percentage	NRI Percentage	Participation Factor
SF-081181	T32N,R6W Section 25: SW/4	160.00	ORRI: Royalty: Minerals Management Service	Tract 20B		7.773437% 12.500000%	3.291612%
			Working Interest: Energen Resources Corporation TOTAL		100.000000% 100.000000%	79.726562% 100.000000%	
St. E-346-31	T32N-R5W Section 32: S/2	320.00	ORRI: Royalty: State of New Mexico Working Interest: Energen Resources Corporation TOTAL	Tract 22		21.875000% 12.500000%	6.583224%
					100.000000% 100.000000%	65.625000% 100.000000%	
Celestino Mascarenas et ux	T32N-R6W Section 27: S/2 SW/4	80.00	ORRI: Royalty: Celestino Mascarenas, et ux Working Interest: Energen Resources Corporation	Tract 31		13.867188% 12.500000%	1.645806%
					100.000000% 100.000000%	73.623812% 100.000000%	
V H McRee, et ux	T32N-R6W Section 14: SW/4 SW/4	40.00	ORRI: Royalty: V. H. McRee, et ux Working Interest: Energen Resources Corporation TOTAL	Tract 38		12.500000% 12.500000%	0.822903%
					100.000000% 100.000000%	75.000000% 100.000000%	

San Juan 32-5 Unit
Rio Arriba County, New Mexico
Tenth Expansion to the Fruitland Coal Participating Area
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Lease Name or Serial Number	Description	Number of Acres	Ownership	Unit Tract	GWI Percentage	NRI Percentage	Participation Factor
Juan J. Espinosa	T32N-R6W Section 22: NW/4 SE/4	40.00	ORRI: Royalty: Juan J. Espinosa Working Interest: Energen Resources Corporation TOTAL	Tract 40			
					100.000000%	82.500000%	
					100.000000%	100.000000%	
Juan J. Espinosa	T32N-R6W Section 22: NE/4 SW/4, S/2SW/4	120.00	ORRI: Royalty: Juan J. Espinosa Working Interest: Energen Resources Corporation TOTAL	Tract 40A			
						5.000000%	2.468709%
						12.500000%	
					100.000000%	82.500000%	
					100.000000%	100.000000%	
Celso Mascarenas	T32N-R6W Section 14: W/2SE/4SW/4, Section 23: NW/4NW/4, W/2 NE/4NW/4	80.00	ORRI: Royalty: Celso Mascarenas Working Interest: Energen Resources Corporation TOTAL	Tract 41			
						12.500000%	
					100.000000%	87.500000%	
					100.000000%	100.000000%	
Celso Mascarenas	T32N-R6W Section 22: NE/4	160.00	ORRI: Royalty: Celso Mascarenas Working Interest: Energen Resources Corporation TOTAL	Tract 41A			
						12.500000%	
					100.000000%	87.500000%	
					100.000000%	100.000000%	
							3.291612%

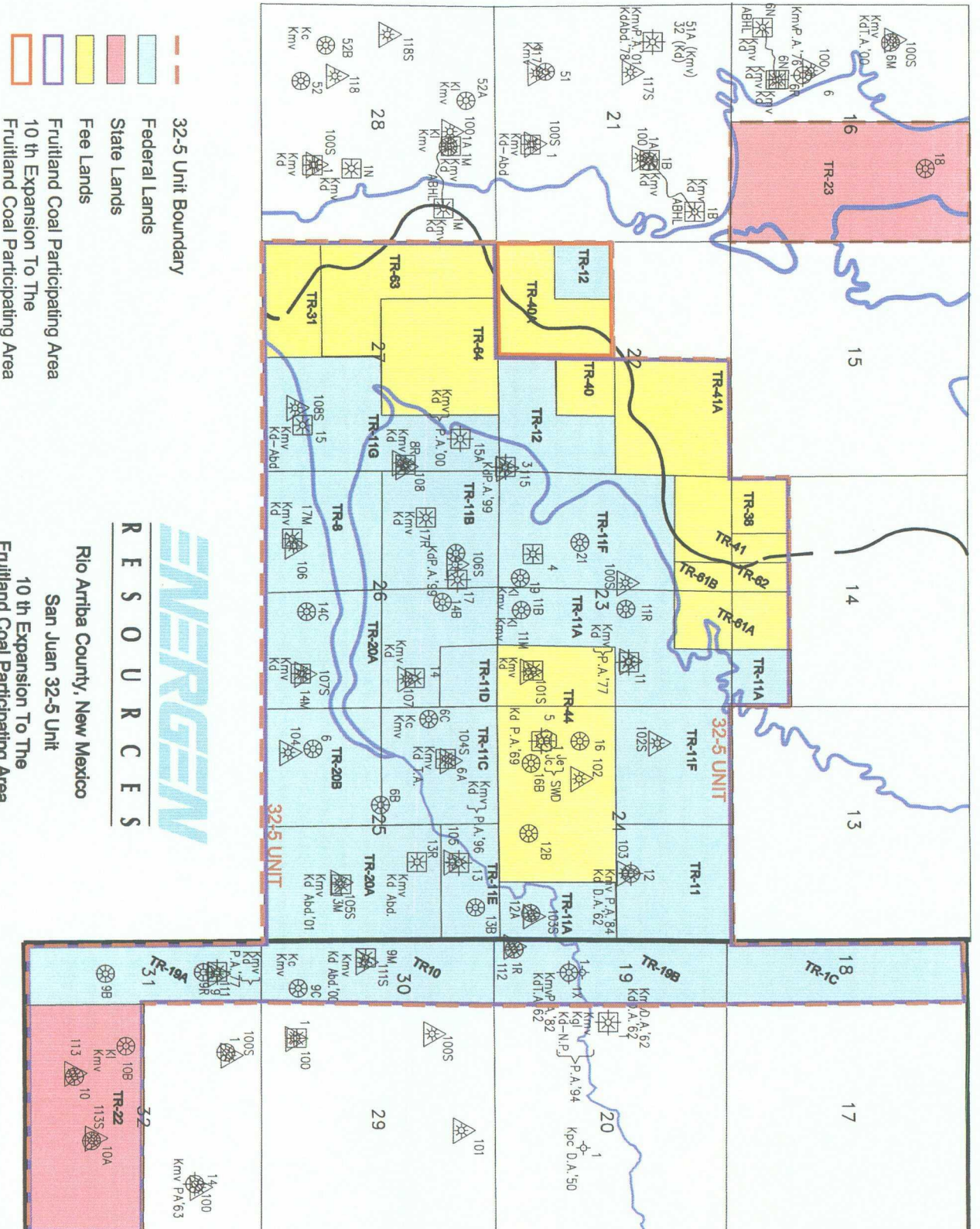
San Juan 32-5 Unit
Rio Arriba County, New Mexico
Tenth Expansion to the Fruitland Coal Participating Area
Effective November 1, 2008

Lease Name or Serial Number	Description	Number of Acres	Ownership	Unit Tract	GWI Percentage	NRI Percentage	Participation Factor
A.D. Quintana, et al	T32N-R6W Section 23: E/2 SE/4 Section 24: W/2SE/4, SW/4	320.00	ORRI: Royalty: A. D. Quintana, et al	Tract 44		12.500000%	6.583224%
			Working Interest: Energen Resources Corporation TOTAL		100.000000% 100.000000%	87.500000% 100.000000%	
Wade H. Young	T32N-R6W Section 14: SW/4 SE/4 Section 23: NW/4 NE/4	80.00	ORRI: Royalty: Wade H. Young	Tract 61A		12.500000% 12.500000%	1.645806%
			Working Interest: Energen Resources Corporation TOTAL		100.000000% 100.000000%	75.000000% 100.000000%	
Wade H. Young	T32N-R6W Section 23: E/2 NE/4 NW/4	20.00	ORRI: Royalty: Wade H Young	Tract 61B		8.336187% 12.500000%	0.411452%
			Working Interest: Energen Resources Corporation TOTAL		100.000000% 100.000000%	79.163813% 100.000000%	
Wade H. Young	T32N-R6W Section 14: E/2 SE/4 SW/4	20.00	ORRI: Royalty: Wade H. Young	Tract 62		12.500000% 12.500000%	0.411452%
			Working Interest: Energen Resources Corporation TOTAL		100.000000% 100.000000%	75.000000% 100.000000%	

San Juan 32-5 Unit
Rio Arriba County, New Mexico
Tenth Expansion to the Fruitland Coal Participating Area
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Lease Name or Serial Number	Description	Number of Acres	Ownership	Unit Tract	GWl Percentage	NRI Percentage	Participation Factor
Ed S. Martinez et ux	T32N-R6W Section 27: W/2 NW/4, N/2 SW/4	160.00	ORRI: Royalty: Ed S. Martinez, et ux	Tract 63		13.847657%	3.291612%
			Working Interest: Energen Resources Corporation TOTAL		100.000000% 100.000000%	72.652343% 100.000000%	
A. Jose Martinez et ux	T32N-R6W, Section 27: W/2 NE/4, E/2 NW/4	160.00	ORRI: Royalty: A. Jose Martinez, et ux Working Interest: Energen Resources Corporation	Tract 64		12.500000% 87.500000% 100.000000%	3.291612%
		4860.84	TOTAL EXPANDED UNIT ACRES				100.000000%

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RESOURCES

Rio Arriba County, New Mexico
San Juan 32-5 Unit
10 th Expansion To The
Fruitland Coal Participating Area
Effective November 1, 2008