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NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

May 12, 2004

Joanna Prukop
Cabinet Secretary
Acting Director
Oil Conservation Division

30-039-27455

Energen Resources Corporation
2198 Bloomfield Highway
Farmington, New Mexico 87401

Attention: Richard Corcoran
District Landman



Re: Administrative application for an exception to the well location provisions of the Basin-Fruitland Coal (Gas) Pool (71629) for Energen Resources Corporation's proposed Carracas "36A" Well No. 1-R to be drilled as a replacement well for Energen Resources Corporation's Carracas "36A" Well No. 1 (API No. 30-039-26483) located in Unit "A" of Section 36, Township 32 North, Range 5 West, NMPM, Rio Arriba County, New Mexico, at an unorthodox coal gas well location within the E/2 of Section 36, Township 32 North, Range 5 West, NMPM, Rio Arriba County, New Mexico, being a standard 320-acre stand-up gas spacing unit for the Basin-Fruitland Coal (Gas) Pool, 365 feet from the North line and 740 feet from the East line (Unit P) of Section 36 (administrative application reference No. pMES0-413331522).

Dear Mr. Corcoran:

My review of your application filed with the Division in Santa Fe on April 13, 2004 indicates that the information provided in your application is not sufficient to process an administrative order at this time. It appears that your application may either be incomplete with respect to notice or possibly not even necessary. Please refer to the Rules 7 (a) and (b) of the "Special Rules and Regulations for the Basin-Fruitland Coal (Gas) Pool," as promulgated by Division Order No. R-8768, as amended (see copy attached) and Division Rule 1207.A (2). Division Rule 1207.A (2) (a) states:

"(2) Unorthodox Well Locations:

- (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".

The two offsetting Basin-Fruitland coal spacing units that will be affected by the proposed unorthodox coal gas well location are Energen Resources Corporation's:

(i) E/2 of Section 25, Township 32 North, Range 5 West, NMPM, Rio Arriba County, New Mexico, which is currently dedicated to the Carracas Unit "25-A" Well No. 16 (API No. 30-039-26476), located at an unorthodox coal gas well location (approved by Division Administrative Order NSL-4484, dated July 10, 2000) 585 feet from the South line and 710 feet from the East line (Unit P) of Section 25; and

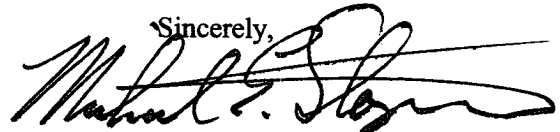
(ii) W/2 equivalent of Section 31, Township 32 North, Range 4 West, NMPM, Rio Arriba County, New Mexico, which is currently dedicated to the Carracas Unit "31-B" Well No. 5 (API No. 30-039-24417), located at a standard coal gas well location, but unorthodox at the time it was drilled (spud date August 31, 1990) and approved by Division Order No. R-8844, issued in Case No. 9559 on January 17, 1989, 1770 feet from the North line and 830 feet from the West line (Lot 2/Unit E) of Section 31.

From the information provided no conclusion could be made that either the provisions of Rule 7 (a) (2) apply in this instance or that Energen Resources Corporation controls 100 percent of the working interest in both of these offsetting coal gas spacing units.

Your application for administrative approval for the above-described unorthodox replacement coal gas well location is deemed incomplete; is hereby **withdrawn** and is being returned to you at this time.

If you find that it is necessary to re-file this application with me, please explain why the Carracas Unit "36A" Well No. 1 needs replacing. Thank you.

Sincerely,



Michael E. Stogner
Chief Hearing Officer/Engineer

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

P/MESD-413331522

DATE IN 4/13/2004	SUSPENSE 5/3/2004	ENGINEER MS	LOGGED MS	RECEIVED
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

APR 13 2004

Carracas 36A #1R

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
- [X] 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

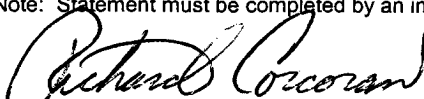
[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☐ Does Not Apply

- [A] [] Working, Royalty or Overriding Royalty Interest Owners
- [B] [X] 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.

Richard Corcoran		District Landman	4/08/04
Print or Type Name	Signature	Title	Date



April 8, 2004

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
Carracas 36A #1R
365' FNL & 740' FEL
Section 36, T32N, R5W
Rio Arriba County, New Mexico

Dear Mr. Stogner:

Energen Resources Corporation (Energen) hereby requests Administrative Approval for an Unorthodox Location of its proposed Carracas 36A #1R Fruitland Coal well under the provisions of New Mexico Oil Conservation Division (NMOCD) Order R-8768.

The well is located 365' FNL & 740' FEL of Section 36-T32N-R5W, Rio Arriba County, New Mexico and dedicated to a 320 acre gas spacing unit consisting of the E/2 of said section 36, in the Basin Fruitland Coal gas pool.

This well is closer than 660 feet to the northern boundary of the proration unit, causing a non-standard location. This well is being proposed on the same well pad as the Carracas 36A #1, due to rough topography and the Forest Service request to minimize additional roads in the Carson National Forest.

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

Attached is a well location plat showing dedicated acreage (C-102), a map showing all offsetting operators and a topographic map.

Your favorable consideration of this request would be appreciated.

Sincerely,

A handwritten signature in cursive script that reads "Richard P. Corcoran".

Richard P. Corcoran
District Landman

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

District II
PO Drawer 00, Artesia, NM 88211-0719

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

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

Energy, Minerals & Natural Resources Department

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

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

*API Number		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code	*Property Name CARRACAS CANYON UNIT		*Well Number 36A-1R
*GRID No. 162928	*Operator Name ENERGEN RESOURCES CORPORATION		*Elevation 6975'

¹⁰ Surface Location

UL or lot no. A	Section 36	Township 32N	Range 5W	Lot Idn	Feet from the 365	North/South line NORTH	Feet from the 740	East/West line EAST	County RIO ARriba
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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
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¹² Dedicated Acres 320.0 Acres - (E/2)	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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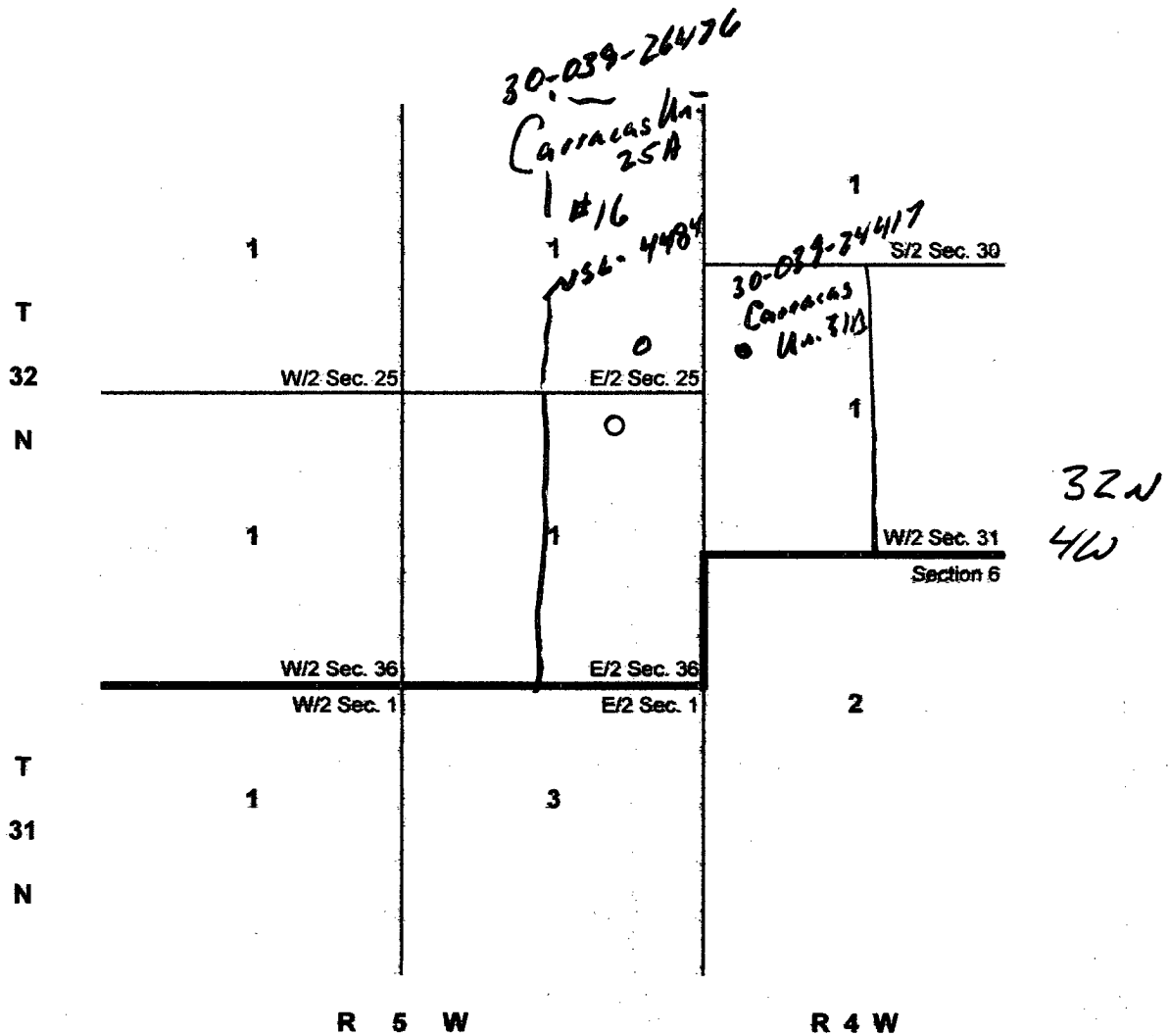
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

¹⁶ 	¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief Signature Don Graham Printed Name Production Superintendent Title 6-12-03 Date
	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. Survey Date: APRIL 17, 2003 Signature and Seal of Professional Surveyor JASON C. EDWARDS Certificate Number 15269

Standard 640-ac Section

Carracas 36A #1R
Basin Fruitland Coal
365' FNL, 740' FEL, Section 36, T-32-N, R-5-W
Rio Arriba County, New Mexico

Offset Operator Plat



- 1 Energen Resources
- 2 Williams Production Company
- 3 Open - USA

ENERGEN RESOURCES CORPORATION CARRACAS UNIT 36A #1R

365' FNL & 740' FEL, SECTION 36, T32N, R5W, N.M.P.M.
RIO ARriba COUNTY, NEW MEXICO

