

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [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 - Simultaneous Dedication
 X NSL X NSP SD
 Check One Only for [B] or [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
 [D] Other: Specify _____
- [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

- NSL 7246
 - Energy Resources
 CORPORATION
 162 928
 well
 - Chaco 23-83
 #FH
 30-045-pending
 Pool
 - Basin Mancos
 97232

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

J. Scott Hall
Montgomery & Andrews, P.A.
 Print of Type Name

J. Scott Hall
 Signature

Attorney
 Title

2/11/15
 Date

shall@montand.com
 e-mail Address



**MONTGOMERY
& ANDREWS**
LAW FIRM

J. Scott Hall

Office: (505) 982-3873
Email: shall@montand.com
Reply To: Santa Fe Office
www.montand.com

RECEIVED
D. OGD

2015 FEB 12 A 10:55

February 12, 2015

Mr. David Catanach, Director
New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Hand Delivered

**Re: Energen Resources Corporation
Request for Administrative Approval
Non-Standard Oil Spacing Unit and Unorthodox Well
Location Basin-Mancos Gas Pool (97565)**

*(I) NO WSP
required*

**Chaco 23-08-3 Well No. 1-H (Horizontal)
API No. 30-045- (pending)**

*(II) need C-102
to match dedicated
Acreage.*

**N/2 N/2 Section 3, T23N, R8W (Project Area)
1984' FNL and 187' FEL (H), Section 3 (Surface)
380' FNL and 380' FWL (D), Section 3 (Bottom Hole)
Completed Interval: 380' FNL and 700' FEL (entry point) to
380' FNL and 380' FWL, Section 3
T23N, R8W, NMPM
San Juan County, New Mexico**

*(III) NOTIFICATION
issues*

Dear Mr. Catanach:

On behalf of Energen Resources Corporation ("Energen") and pursuant to Division Rules 19.15.15.11.B(2) (a) and (b), 19.15.15.13 and the applicable rules governing the acreage and well location requirements for the Basin-Mancos Gas Pool (97232; Order No. R-12984), we request administrative approval for a 160 acre ± non-standard oil spacing and proration unit and horizontal drilling project area comprised of Lots 1-4 (N/2 N/2 equivalent) of Section 3, Township 23 North, Range 8 West, NMPM for the Chaco 23-08-3 No. 1-H well to be drilled at the surface and bottom hole locations indicated above.

325 Paseo de Peralta
Santa Fe, New Mexico 87501

T: 505.982.3873
F: 505.982.4289

P.O. Box 2307
Santa Fe, New Mexico 87504-2307

Energen seeks an exception from the applicable acreage dedication and well location rules for the following reasons: Order No. R-12984 established special pool rules for the Basin-Mancos Pool as a gas pool with 320 acre spacing units and well location setbacks of 660'. The special pool rules also provide that oil wells located within two miles of certain Gallup oil pools or associated pools identified in Order No. R-12984 are to be drilled and spaced in accordance with the rules applicable to those pools. The spacing unit proposed in this case is located in close proximity to the Nageezi - Gallup Oil Pool (47540) and the well is expected to produce oil from a correlative stratum. The current rules for that pool reflect statewide rules and provide that wells shall be located no closer than 330' to the boundary of a unit, with 40-acre units dedicated to the wells. However, this pool is not among the pools specified in Order No. R-12984 and therefore, the rules for the pool may not be extended to the proposed spacing unit and well location. Operator experience has established that oil wells located in accordance with the setbacks for gas wells won't efficiently recover all the reserves in the unit and for all these reasons, this application for exception is made necessary.

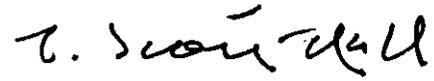
In this case the well's Completed Interval will be no closer than 380' to the outer boundaries of the N/2 N/2 unit and will be located entirely within the Producing Area for the Project Area that would be established with 330' setbacks. The well otherwise complies with statewide locational rules applicable to oil wells. The non-standard spacing unit and well location are also consistent with the established development pattern for horizontal and vertical Mancos oil wells in the area. The C-102 plat showing the N/2 N/2 Project Area and the proposed location for the Chaco 23-08 3 Well No. 1-H is attached as Exhibit A.

In accordance with Division Rules 19.15.4.12 A(2) and (3) notification is being provided to those offset interest owners or operators in adjoining spacing units reflected on Exhibit B. Energen Resources Corporation owns and operates the adjoining unit in the S/2 N/2 of Section 3 under a single federal lease (NMNM-018463). The Bureau of Land Management is being notified of this application, but no further notification is indicated under the Division's rules.

The Division's Administrative Application Checklist is enclosed.

Thank you for your consideration of this request. Should more information be required, please do not hesitate to contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read "J. Scott Hall". The signature is written in a cursive style with a prominent flourish at the end.

J. Scott Hall

JSH:lb

Enclosures

cc: Bryan Lewis, Energen Resources Corporation

Enclosure a/s

642067

Chaco: 23-08-3 Well No. 1-H

R&R Royalty Company
500 N Shoreline #322
Corpus Christi, TX 78401

Encana Oil & Gas (USA) Inc.
6584 E. Main Street
Farmington, NM 87401

Dugan Production Company
709 East Murray Drive
Farmington, NM 87401

WPX Energy Production LLC
4400 One Williams Center
Tulsa, OK 74172-0144

Bureau of Land Management
6251 College Boulevard
Farmington, NM 87402

DISTRICT I
1625 N. French Dr., Hobbs, N.M. 88240
Phone: (575) 393-6161 Fax: (575) 393-9720

DISTRICT II
811 S. First St., Artesia, N.M. 88210
Phone: (575) 748-1889 Fax: (575) 748-9720

DISTRICT III
1000 Rio Brazos Rd., Abo, N.M. 87410
Phone: (505) 334-8176 Fax: (505) 334-8170

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3468

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised August 1, 2011

Submit one copy to appropriate
District Office

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

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|----------------------------------|---|--|
| ¹ API Number | ² Pool Code 97232 | ³ Pool Name BASIN MANCOS GAS |
| ⁴ Property Code | ⁵ Property Name CHACO 23-08-3 | ⁶ Well Number 1H |
| ⁷ OGRID No. 162928 | ⁸ Operator Name ENERGEN RESOURCES CORPORATION | ⁹ Elevation 6910.5' |

¹⁰ Surface Location

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | WEST/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|----------|
| H | 3 | 23N | 8W | | 1994' | NORTH | 187' | EAST | SAN JUAN |

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 | WEST/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|----------|
| D | 3 | 23N | 8W | 4 | 380' | NORTH | 380' | WEST | SAN JUAN |

| | | | |
|---|---|----------------------------------|-------------------------|
| ¹² Dedicated Acres 323.20 ACRES S/2 N/2, LOTS 1-4 | ¹³ Joint or Infill PROJECT AREA | 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

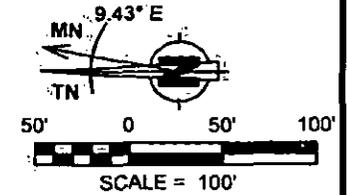
16

| | | | |
|---|---|---|--|
| <p>BOTTOM HOLE LAT. 36.262526° N (NAD83) LONG. 107.676925° W (NAD83) LAT. 36.262513° N (NAD27) LONG. 107.676514° W (NAD27)</p> | <p>ENTRY POINT LAT. 36.265512° N (NAD83) LONG. 107.662600° W (NAD83) LAT. 36.265499° N (NAD27) LONG. 107.661989° W (NAD27)</p> | <p>WELL FLAG LAT. 36.258079° N (NAD83) LONG. 107.660785° W (NAD83) LAT. 36.258066° N (NAD27) LONG. 107.660174° W (NAD27)</p> | <p>17 OPERATOR CERTIFICATION <i>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 of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i> <u>Anna Stotts</u> 2/26/15 Signature Date <u>Anna Stotts</u> Printed Name <u>astotts@energen.com</u> E-mail Address</p> |
| | | | <p>SURVEYOR CERTIFICATION <i>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.</i> JULY 31, 2014 Date of Survey Signature and Seal of Professional Surveyor: DAVID RUSSELL Certificate Number 10201</p> |

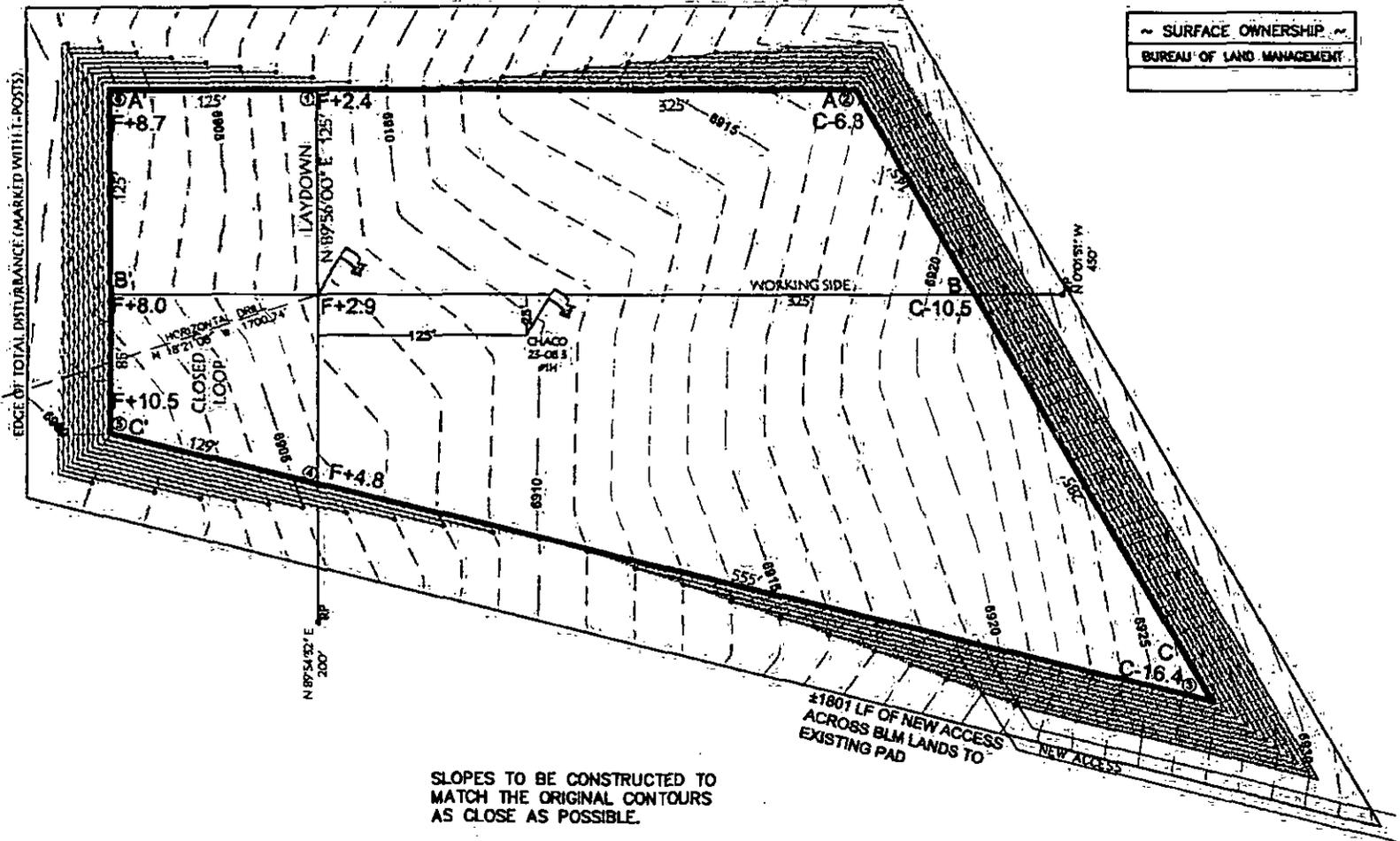
ALL CORNERS
FND 2 1/2" DC
GLO 1947

WELL FLAG
 LATITUDE: 36.258079° N
 LONGITUDE: 107.660785° W
 DATUM: NAD83

ENERGEN RESOURCES CORPORATION
 CHACO 23-8 3 #1H
 1994' FNL & 187' FEL
 LOCATED IN THE SE/4 NE/4 OF SECTION 3,
 T23N, R8W, N.M.P.M.,
 SAN JUAN COUNTY, NEW MEXICO
 GROUND ELEVATION: 6908', NAVD 88
 FINISHED PAD ELEVATION: 6910.5', NAVD 88



- NOTES:**
- 1.) BASIS OF BEARING: BETWEEN FOUND MONUMENTS AT THE NORTHEAST CORNER AND THE EAST QUARTER CORNER OF SECTION 3, TOWNSHIP 23 NORTH, RANGE 8 WEST, N.M.P.M. SAN JUAN COUNTY, NEW MEXICO. LINE BEARS: N 71°46'59" W A DISTANCE OF 2099.92 FEET AS MEASURED BY G.P.S.
 - 2.) LATITUDE, LONGITUDE AND ELLIPSOIDAL HEIGHT BASED ON AZTEC CORS L1 PHASE CENTER. DISTANCES SHOWN ARE GROUND DISTANCES USING A TRANSVERSE MERCATOR PROJECTION FROM A BOSSBA ELLIPSOID, CONVERTED TO NAD83. NUMERICAL ELEVATIONS AS PREDICTED BY GEODOL.
 - 3.) LOCATION OF UNDERGROUND UTILITIES DEPICTED ARE APPROXIMATE. PRIOR TO EXCAVATION UNDERGROUND UTILITIES SHOULD BE FIELD VERIFIED. ALL CONSTRUCTION ACTIVITIES SHOULD BE FIELD VERIFIED WITH NEW MEXICO ONE-CALL AUTHORITIES AT LEAST 48 HOURS PRIOR TO CONSTRUCTION.
 - 4.) T-POSTS HAVE BEEN SET TO DEFINE THE EDGE OF DISTURBANCE LIMITS WHICH ARE 50' OFFSETS FROM THE EDGE OF THE STAKED WELL PAD.



SLOPES TO BE CONSTRUCTED TO MATCH THE ORIGINAL CONTOURS AS CLOSE AS POSSIBLE.

TOTAL PERMITTED AREA
 MULTIPLE DIMENSION = 5.83 ACRES
 SCALE: 1" = 100'
 JOB No.: ERG327
 DATE: 08/26/2014
 DRAWN BY: TWT

NOTE:
 SCORPION SURVEY & CONSULTING, L.L.C. IS NOT LIABLE FOR UNDERGROUND UTILITIES OR PIPELINES. CONTRACTOR SHOULD CALL ONE-CALL FOR LOCATION OF ANY MARKED OR UNMARKED, BURIED PIPELINES OR CABLES ON WELL PAD, IN CONSTRUCTION ZONE AND/OR ACCESS ROAD AT LEAST TWO (2) WORKING DAYS PRIOR TO CONSTRUCTION.



Scorpion Survey & Consulting, L.L.C.
 302 S. Ash
 Aztec, New Mexico 87410
 (505) 334-4007

LATITUDE: 36.258079° N
LONGITUDE: 107.660785° W
DATUM: NAD 83

ENERGEN RESOURCES CORPORATION

CHACO 23-8 3 #1H

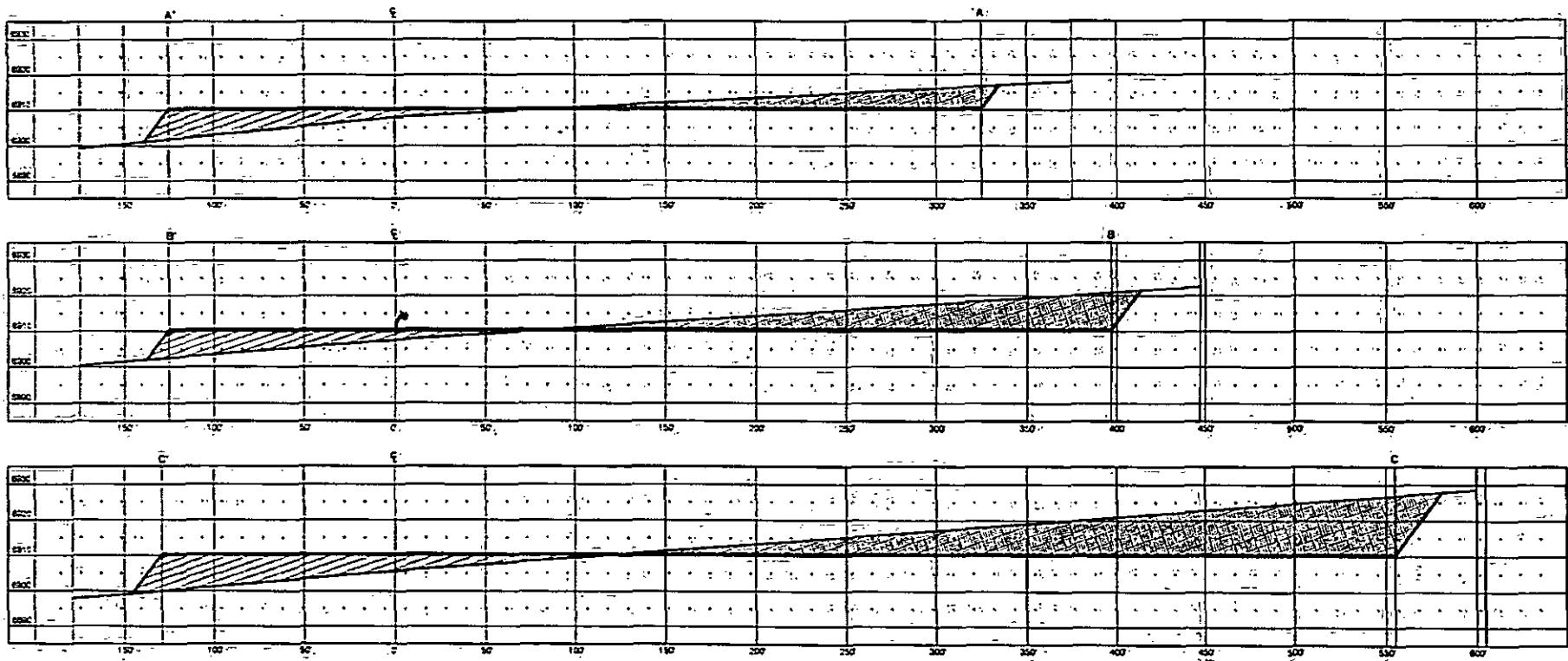
1994' FNL & 187' FEL

LOCATED IN THE SE/4 NE/4 OF SECTION 3, T23N, R8W, N.M.P.M.,

SAN JUAN COUNTY, NEW MEXICO

GROUND ELEVATION: 6908', NAVD 88

FINISHED PAD ELEVATION: 6910.5', NAVD 88



VERT. SCALE: 1" = 45'
HORZ. SCALE: 1" = 90'
JOB No.: ERG327
DATE: 01/20/2014

THIS DIAGRAM IS AN ESTIMATE
OF DIRT BALANCE AND IS NOT
INTENDED TO BE AN EXACT
MEASURE OF VOLUME

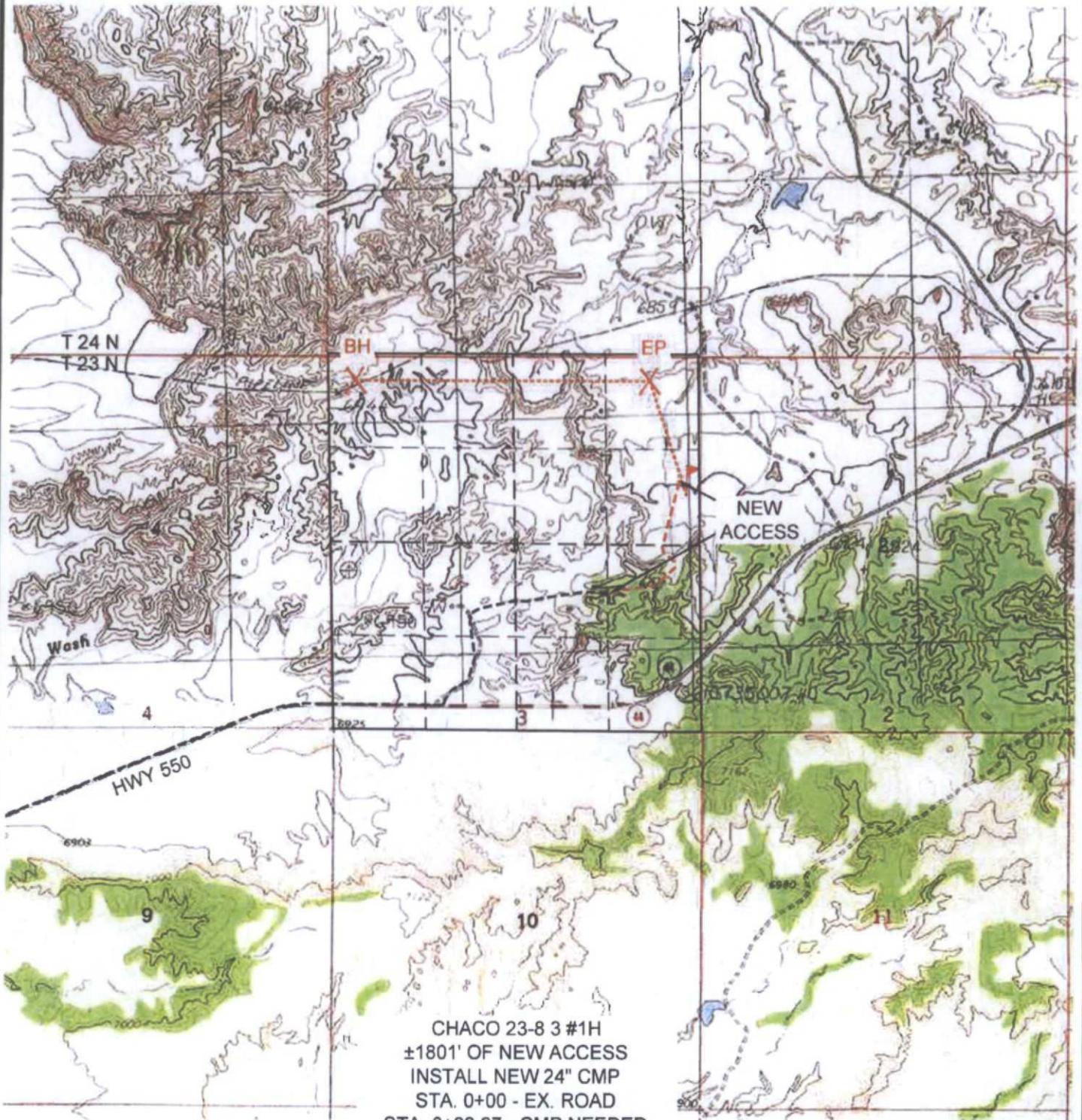


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LATITUDE: 36.258079° N
LONGITUDE: 107.660785° W
DATUM: NAD 83

ENERGEN RESOURCES CORPORATION

CHACO 23-8 3 #1H
1994' FNL & 187' FEL
LOCATED IN THE SE/4 NE/4 OF SECTION 3,
T23N, R8W, N.M.P.M.,
SAN JUAN COUNTY, NEW MEXICO
GROUND ELEVATION: 6908', NAVD 88
±1801' OF NEW ACCESS ACROSS BLM LANDS



CHACO 23-8 3 #1H
±1801' OF NEW ACCESS
INSTALL NEW 24" CMP
STA. 0+00 - EX. ROAD
STA. 0+22.67 - CMP NEEDED
STA. 1+08.79 - CMP NEEDED
STA. 10+38.71 - 36" CMP NEEDED
STA. 13+52.59 - CMP NEEDED
STA. 18+01.31 - @ PAD

U.S.G.S. QUAD: CROWN MESA WEST
SCALE: 1" = 2000' (1:24,000)
JOB No.: ERG327
DATE: 08/26/2014



Scorpion Survey & Consulting, L.L.C.
302 S. Ash
Aztec, New Mexico 87410
(505) 334-4007

ENERGEN RESOURCES CORPORATION

CHACO 23-8 3 #1H
1994' FNL & 187' FEL
LOCATED IN THE SE/4 NE/4 OF SECTION 3,
T23N, R8W, N.M.P.M.,
SAN JUAN COUNTY, NEW MEXICO

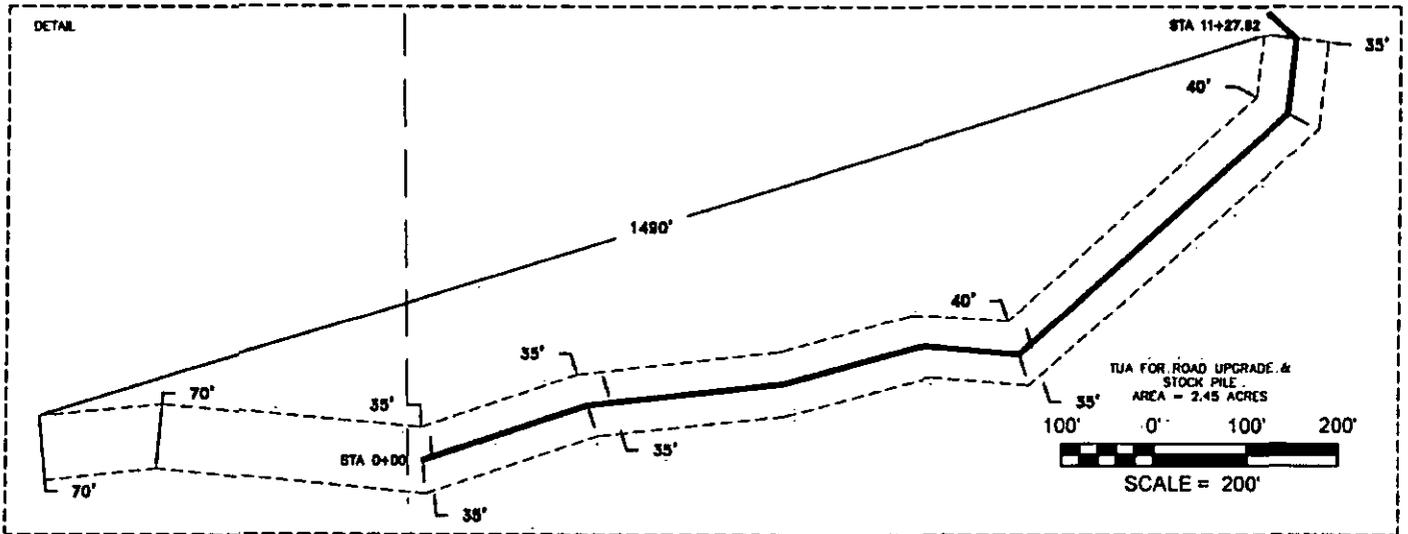
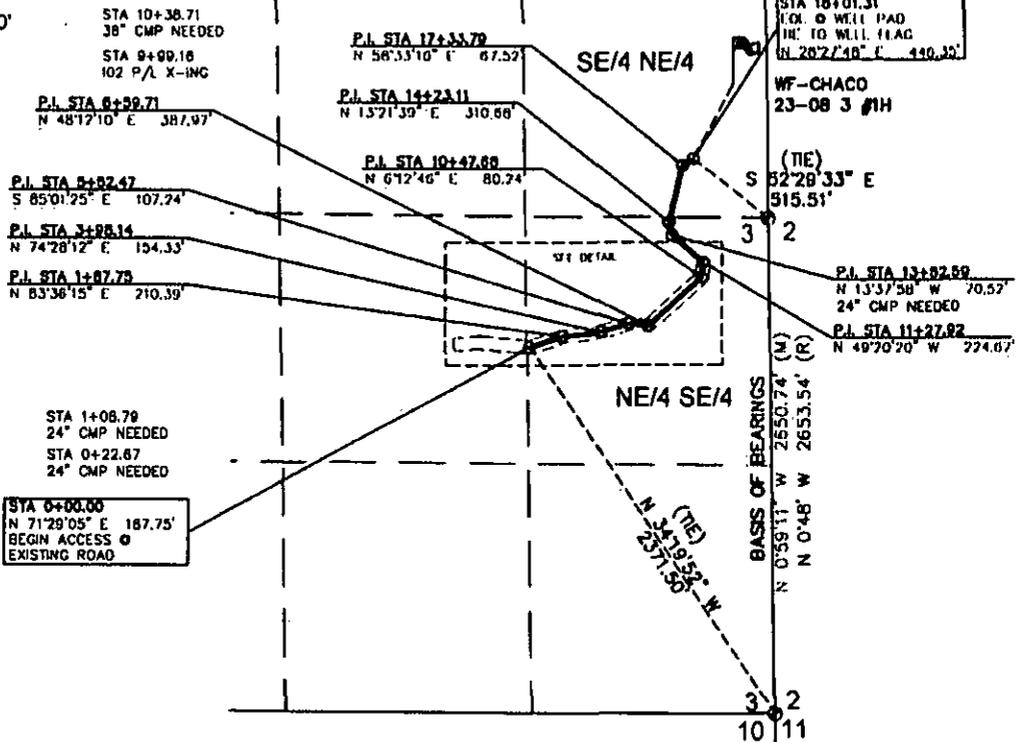
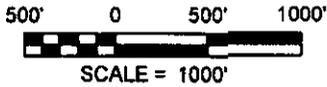
DIRECTIONS

- 1) FROM THE INTERSECTION OF HWY 64 & HWY 550 IN BLOOMFIELD, GO SOUTH ON HWY 550, 41.0 MILES TO M.P. 110.6.
- 2) TURN LEFT AND GO 0.7 MILES TO WHERE ACCESS IS STAKED.

WELL FLAG LOCATED AT LAT. 36.258079° N, LONG. 107.660785° W (NAD 83).



**PROPOSED ACCESS FOR
ENERGEN RESOURCES CORPORATION
CHACO 23-8 3 #1H**
LOCATED IN THE NE/4 SE/4, & SE/4 NE/4 OF SECTION 3,
T23N, R8W, N.M.P.M.,
SAN JUAN COUNTY, NEW MEXICO



NOTES:

1.) BASIS OF BEARING BETWEEN FOUND MONUMENTS AT THE SOUTHEAST CORNER AND THE EAST QUARTER CORNER OF SECTION 3, TOWNSHIP 23 NORTH, RANGE 8 WEST, N.M.P.M., SAN JUAN COUNTY, NEW MEXICO. LINE BEARS: N 0°59'11" W A DISTANCE OF 2653.54 FEET AS MEASURED BY G.P.S.

2.) LOCATION OF UNDERGROUND UTILITIES DEPICTED ARE APPROXIMATE. PRIOR TO EXCAVATION UNDERGROUND UTILITIES SHOULD BE FIELD VERIFIED. ALL CONSTRUCTION ACTIVITIES SHOULD BE FIELD VERIFIED WITH NEW MEXICO ONE-CALL AUTHORITIES AT LEAST 48 HOURS PRIOR TO CONSTRUCTION.

I, DAVID R. RUSSELL, A NEW MEXICO REGISTERED PROFESSIONAL SURVEYOR CERTIFY THAT I CONDUCTED AND AM RESPONSIBLE FOR THIS SURVEY, THAT THIS SURVEY IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF, AND THAT THIS SURVEY AND PLAN MEET THE MINIMUM STANDARDS FOR SURVEYING IN NEW MEXICO.



| | |
|---------------------------|----------|
| ~ SURFACE OWNERSHIP ~ | |
| BUREAU OF LAND MANAGEMENT | |
| SECTION 3 | |
| 0+00 TO 18+01.31 | |
| 1801.31 FT / 109.17 RODS | |
| DATE OF SURVEY | 07/31/14 |
| | JC, SA |

David R. Russell
DAVID R. RUSSELL, PLS
NEW MEXICO L.S. #10201

JOB No.: ERG327

DATE: 08/26/2014

08/28/2014



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302 S. Ash
Aztec, New Mexico 87410
(505) 334-4007