



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

May 24, 2007

Energen Resources Corporation
Attn: David M. Poage
2198 Bloomfield Hwy
Farmington, NM 87401

Administrative Order NSL-5630

**Re: San Juan 30-4 Well No. 21-1
J-21-30N-4W
Rio Arriba County**

Dear Mr. Poage:

Reference is made to the following:

(a) your application (**administrative application reference No. pCLP07-11328619**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on April 19, 2007, and

(b) the Division's records pertinent to this request.

Energen Resources Corporation (Energen) has requested to complete its San Juan 30-4 Well No. 21-1 at an unorthodox Pictured Cliffs gas well location. This is a horizontal well drilled from an unorthodox surface location 2400 feet from the South line and 2300 feet from the East line (Unit J) of Section 21, Township 30 North, Range 4 West, N.M.P.M., in Rio Arriba County, New Mexico, to an unorthodox terminus, or bottom-hole location 760 feet from the South line and 110 feet from the East line (Unit P) of said Section 31. The E/2 of Section 21 will be dedicated to this well in order to form a 320-acre project area (Rule 111) in the East Blanco Pictured Cliffs Pool (72400).

This pool is governed by statewide Rule 104.C(3), which provides for 160-acres units, with wells located at least 660 feet from a unit outer boundary. Portions of the producing interval of this well will be less than 660 feet from the eastern and western boundaries of the project area. Hence the location is considered unorthodox pursuant to Rule 111.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

It is our understanding that Energen is seeking this location for geologic reasons, in order to penetrate the maximum amount of the target formation in this spacing unit with the horizontal shaft of this well.

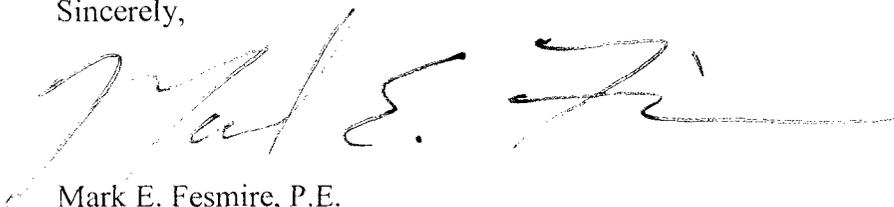
It is also understood that due notice of this application has been given to working interest owners in the offsetting spacing units to the east and to the west.

We further understand that this project area is part of a federal exploratory unit for which the unit agreement provides for 320-acre drill blocks, and that, in accordance with the BLM-approved unit agreement, the Pictured Cliffs formation within this federal exploratory unit has been developed on 320-acre spacing, although the OCD-prescribed spacing is 160 acres. This is a moot point as to this application, inasmuch as a project area may consist of contiguous spacing units, and well locations are approved within a project area based on setbacks from the outer boundaries of the project area.

Pursuant to the authority granted me under the provisions of Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark E. Fesmire', written over a horizontal line.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Aztec
United States Bureau of Land Management - Farmington