



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

January 27, 2004

Lori Wrotenbery

Director

Oil Conservation Division

**Energen Resources Corporation
2198 Bloomfield Highway
Farmington, New Mexico 87401**

Attention: Richard Corcoran

Administrative Order NSL-4986

Dear Mr. Corcoran:

Reference is made to the following: (i) your application (***administrative application reference No. pMES0-328838737***) submitted to the New Mexico Oil Conservation Division ("Division") on September 30, 2003; (ii) a voice mail message for Mr. Michael E. Stogner, Engineer with the Division in Santa Fe on Tuesday, January 20, 2004 from Gillian in Farmington; and (iii) the Division's records in Santa Fe and Aztec: all concerning Energen Resources Corporation's ("Energen") request for: (i) an exception to the well location requirements provided within the "*Special Rules for the Blanco-Mesaverde Pool*," as promulgated by Division Order No. R-10987-A, issued in Case No. 12069 and dated February 1, 1999, as amended by Division Order No. R-10987-A (1), dated December 2, 2002, for a non-standard replacement gas well location within an existing standard 320-acre gas spacing and proration unit ("GPU") for the Blanco-Mesaverde Pool (72319); and (ii) an unorthodox gas well location in the Gallup formation, for its proposed Jicarilla "96" Well No. 3-R (API No. 30-039-27528) to be drilled 660 feet from the North line and 2500 feet from the East line (Unit B) of Section 12, Township 26 North, Range 3 West, NMPM, Rio Arriba County, New Mexico.

This application has been duly filed under the provisions of: (i) Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999; (ii) Division Rule 605.B; and (iii) the applicable provisions of the special rules governing the Blanco-Mesaverde Pool.

The E/2 of Section 12, being a standard 320-acre stand-up Mesaverde GPU, is currently simultaneously dedicated to Energen's: (i) Jicarilla "96" Well No. 3-A (API No. 30-039-25291), located at a standard infill gas well location 1650 feet from the South line and 1850 feet from the East line (Unit J) of Section 12; and (ii) Jicarilla "96" Well No. 3-B (API No. 30-039-26354), located at a standard infill gas well location 660 feet from the South line and 1980 feet from the East line (Unit O) of Section 12. Initial development of the Blanco-Mesaverde Pool within this GPU commenced in 1957 when Magnolia Petroleum Company drilled and completed its Jicarilla "H" Well No. 3 (API No. 30-039-06624) at a standard gas well location 990 feet from the North and East lines (Unit A) of Section 12. In 1963 Socony Mobil Oil Company plugged and abandoned this well. Energen's proposed Jicarilla "96" Well No. 3-R is to be this wells replacement for Mesaverde gas production within the northern-half (NE/4) of this GPU.

Further, in accordance with Division Rule 104.C (3), the NE/4 of Section 12, being a standard 160-acre gas spacing unit in the Undesignated Wild Horse-Gallup Pool (87360), is to be dedicated to this well.

By the authority granted me under the provisions of Division Rule 104.F (2), as revised, and the applicable provisions governing the Blanco-Mesaverde Pool the above-described unorthodox: (i) replacement Blanco-Mesaverde gas well location; and (ii) Gallup gas well location, for Energen's proposed Jicarilla "96" Well No. 3-R to be drilled in Unit "B" of Section 12 is hereby approved.

Furthermore, the aforementioned Jicarilla "96" Wells No. 3-A, 3-B, and 3-R and existing 320-acre stand-up Mesaverde GPU will be subject to all existing rules, regulations, policies, and procedures applicable to prorated gas pools in Northwest, New Mexico.

Jurisdiction of this cause is retained for the entry of such further orders as the Division deems necessary.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lori Wrotenbery", followed by a large, sweeping flourish that extends to the right.

Lori Wrotenbery
Director

LW/mes

cc: New Mexico Oil Conservation Division - Aztec
U. S. Bureau of Land Management - Albuquerque