



**MONTGOMERY
& ANDREWS**
LAW FIRM

J. SCOTT HALL

Cell: (505) 670-7362

Email: shall@montand.com

Reply To: Santa Fe Office

www.montand.com

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April 21, 2011

Ms. Florene Davidson
New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

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Case 1465~~8~~

Re: NMOCD Case No. _____: Application of Energen Resources Corporation for Compulsory Pooling and an Unorthodox Surface Location, Rio Arriba County, New Mexico

Dear Ms. Davidson:

On behalf of Energen Resources Corporation, enclosed is an original and one copy of an Application in the above-referenced case. Please set this matter for hearing on the May 26, 2011 examiner docket.

Also enclosed is a proposed advertisement for the case.

Very truly yours,

J. Scott Hall

JSH:kw
Enclosure

cc:

00274261

REPLY TO:

325 Paseo de Peralta
Santa Fe, New Mexico 87501
Telephone (505) 982-3873 • Fax (505) 982-4289

Post Office Box 2307
Santa Fe, New Mexico 87504-2307

6301 Indian School Road NE, Suite 400
Albuquerque, New Mexico 87110
Telephone (505) 884-4200 • Fax (505) 888-8929

Post Office Box 36210
Albuquerque, New Mexico 87176-6210

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION

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IN THE MATTER OF THE APPLICATION OF ENERGEN
RESOURCES CORPORATION FOR COMPULSORY
POOLING AND AN UNORTHODOX SURFACE
LOCATION, RIO ARRIBA COUNTY, NEW MEXICO

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CASE NO. 14653

APPLICATION

ENERGEN RESOURCES CORPORATION by its undersigned attorneys, Montgomery and Andrews, P.A., (J. Scott Hall) hereby makes application pursuant to NMSA 1978 Section 70-2-17 (1995) for an order pooling all interests in the Fruitland Coal formation, Basin-Fruitland Coal Gas Pool, underlying lots 5, 6, 7, 8 and the S/2 S/2 of irregular Section 8, Township 32 North, Range 4 West, NMPM, Rio Arriba County, New Mexico, to form a 274.08 \pm acre spacing and proration unit. Applicant would show the Division:

1. Applicant owns certain working interests in and under the above-described lands in Section 8 and has the right to drill thereon.

2. Applicant proposes to dedicate the above-referenced pooled unit to its Carracas 8B Well No. 16H to be drilled to a depth sufficient to test the Fruitland Coal Formation, Basin-Fruitland Coal Gas Pool (71629), underlying lots 5, 6, 7 and 8 and the S/2 S/2 of Section 8. The well will be directionally drilled from an unorthodox surface location 2095 feet from the South line and 119 feet from the West line in adjoining Section 9, penetrating the Fruitland Coal formation at a point 1400 feet from the South line and 400 feet from the East line of Section 8, with a bottom hole location 1400 feet from the South line and 760 feet from the West line of Section 8.

3. The well and unit are located within the Carracas Canyon Production Area and such locations are pre-approved pursuant to the provisions of Order No. R-13119.


4. Applicant has been unable to obtain leases or voluntary agreement for pooling or farmout from certain other interest owners in the above-referenced formations underlying Lots 5, 6, 7, 8 and the S/2 S/2 of Section 8.

5. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interests should be pooled and Applicant should be designated operator of the well.

6. The pooling of interests and approval of the unorthodox surface location will afford the Applicant the opportunity to produce its just and equitable share of hydrocarbons underlying the spacing unit, will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

WHEREFORE Applicant requests that this Application be set for hearing before a duly appointed examiner of the Oil Conservation Division on May 26, 2011 and that after notice and hearing as required by law, the Division enter its Order approving the unorthodox surface location and pooling the lands, including provisions for Applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling and after completion, including overhead charges and providing for adjustments to such rates in accordance with accepted COPAS accounting procedures, and imposing a 200% risk factor for the risk assumed by the Applicant in drilling, completing and equipping the well, and making such other and further provisions as maybe proper in the premises.

MONTGOMERY & ANDREWS, P.A.

By: 
J. Scott Hall
Attorneys for Energen Resources Corporation
Post Office Box 2307
Santa Fe, New Mexico 87504-2307
(505) 982-3873

Case No. ~~14653~~ Application of Energen Resources Corporation for Compulsory Pooling and an Unorthodox Surface Location, Rio Arriba County, New Mexico. Applicant seeks an order pooling all mineral interests in the Fruitland Coal formation, (Basin-Fruitland Coal Gas Pool) underlying lots 5, 6, 7, 8 and the S/2 S/2 of irregular Section 8, Township 32 North, Range 4 West, NMPM, Rio Arriba County, New Mexico, forming a 274.08 acre \pm spacing and proration unit to be dedicated to the Carracas 8 B Well No. 16-H. Pursuant to the provisions of Order No. R-13119, the well will be directionally drilled from an unorthodox surface location 2095 feet from the South line and 119 feet from the West line in adjoining Section 9, penetrating the Fruitland Coal formation at a point 1,400 feet from the South line and 400 feet from the East line of Section 8, with a standard bottom hole location 1,400 feet from the South line and 760 feet from the West line of Section 8, Township 32 North, Range 4 West, NMPM, Rio Arriba County, New Mexico. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Energen Resources Corporation as operator of the well and a charge for risk involved in drilling said well. The proposed well location is approximately 6 miles south of Arboles, Colorado.

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