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2013 JUL 19
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July 18, 2013

Ms. Jami Bailey, Director
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87504

HAND DELIVERED

**Re: NMOCD Case No. 15017: Application of Energen Resources Corporation
for Determination of Cement Adequacy in Proximity to Proposed Well
Perforations, Sandoval County, New Mexico**

Dear Ms. Bailey:

On behalf of Energen Resources Corporation, enclosed for filing is an original
and one copy of Applicant's Closing Statement in the above-captioned case.

Thank you.

Very truly yours,

Karen Williams
Assistant to J. Scott Hall

Enclosures

cc: Gabrielle A. Gerholt, Esq.
Gabriel Wade, Esq.

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

2013 JUL 18 P 4:30

**IN THE MATTER OF THE APPLICATION OF
ENERGEN RESOURCES CORPORATION FOR
DETERMINATION OF CEMENT ADEQUACY
IN PROXIMITY TO PROPOSED WELL
PERFORATIONS SANDOVAL COUNTY,
NEW MEXICO**

CASE NO. 15017

APPLICANT'S CLOSING STATEMENT

ENERGEN RESOURCES CORPORATION, ("Energen"), submits these comments in support of its Application in this matter:

Energen's Chacon Jicarilla D Well No. 7 (API 30-043-20236) was drilled in 1977 in the NE/4 NW/4 of Section 21, Township 23 North, Range 3 West, on Jicarilla Apache Nation lands in Sandoval County. The well is currently producing from the Dakota formation through perforations located at depths from 7,308' to 7,436'. Energen proposes to recomplete the well through new perforations to be located at depths from 6,294' to 6,403' to recover an estimated 75 MBOE in additional hydrocarbon reserves from the Niobrara formation. The current top of the cement column for the production string is located at 6,164', resulting in approximately 130' of cement isolation from the top of cement to the uppermost set of perforations planned to be added to the well.

Energen presented technical evidence through the testimony of its petroleum engineer establishing that the recompletion of the Chacon Jicarilla D Well No. 7 with the existing cement column of 130' will continue to provide for adequate zonal and well completion isolation in compliance with Division Rules 19.15.16.9 and 19.15.16.10 which generally require operators to

seal and separate strata to prevent their contents from passing into other strata. This testimony was substantiated by, among other evidence, (1) a cement bond log showing "excellent" zonal isolation, (2) the original drilling reports indicating that no abnormally pressured zones were encountered, and (3) Energen's experience in drilling and operating numerous other similarly configured wells in the San Juan Basin. The evidence further established that the Bureau of Land Management's Farmington District Office has determined that the existing height of the cement column is adequate. It has correspondingly approved Energen's sundry notice for the proposed recompletion.

The Division's District III office contends that 130' cement of is inadequate. However, at the hearing on Energen's Application, the Division offered no technical evidence to support its position.

The District III supervisor cites only to Rule 19.15.16.10 subpart E as "guidance" for a purported requirement that cement is to extend, at a minimum, 500' above the uppermost perforations. The District III office asserts that this minimum requirement applies to all operators and to all wells, new or old, statewide.

The testimony of Energen's petroleum engineering witness established that in order to comply with the District III office's interpretation and application of Rule 19.15.16.10 E, Energen would be required to add two sets of squeeze holes to the well at the current top of cement and perform a "suicide squeeze" job to add another 370' of cement to the column. The testimony further established that the addition of squeeze holes to the production casing of the Chacon Jicarilla D Well No. 7 introduces an unnecessary mechanical risk to casing integrity and is not necessary to the protection of other strata. This risk is unacceptable to Energen and will cause it to defer the recompletion of the Jicarilla D Well No. 7, leaving the estimated 75 MBOE

unrecovered, resulting in the waste of hydrocarbon resources. Energen will also likely defer similar recompletions on as many as fourteen other wells in the vicinity if the District III supervisor's insistence on 500 plus feet of cement is maintained.

Reliance by the Division's District III office on subpart E to Rule 19.15.16.10 is misplaced. This subpart is specifically limited in its applicability, providing as follows:

19.15.16.10 CASING AND TUBING REQUIREMENTS:

E. Authorized division field personnel may, when conditions warrant, allow exceptions to Subsection D of 19.15.16.10 NMAC and permit the operator to use oil-base[d] casing packing material in lieu of hard-setting cements on intermediate and production casing strings; provided that when the operator uses such materials on the intermediate casing string, the operator places conventional-type hard-setting cements throughout all oil- and gas-bearing zones and throughout at least the lowermost 300 feet of the intermediate casing string. When the operator uses such materials on the production casing string, the operator shall place conventional-type hard-setting cements throughout all oil- and gas-bearing zones that shall extend upward a minimum of 500 feet above the uppermost perforation or, in the case of an open-hole completion, 500 feet above the production casing shoe. (emphasis added)

It is clear that Rule 19.15.16.10 subpart E operates as a means to obtain an exception to the requirement of subpart D of the rule which requires operators to utilize hard-setting cements. Subpart E only authorizes Division personnel to approve the substitution of oil-based casing packing materials for hard-setting cements when conditions warrant. In this instance, Energen does not seek to use oil-based casing packing materials. Otherwise, this particular subpart does not authorize the Districts to impose a requirement for wells to have 500' of cement in all cases.

Should the Division's District III office seek to establish a new requirement for operators to place 500' of cement above perforations in all cases, the proper means for it to do so is by way of an application for a rulemaking followed by a hearing supported by technical evidence. Absent such a rule, the District III office may not impose an arbitrary requirement on operators.

In this case the evidence is sufficient for the Division to find that the recompletion of the Chacon Jicarilla D No. 7 well as proposed by Energen with cement extending 130' above the planned perforations is adequate to isolate other strata, will not result in waste and is otherwise consistent with the interests of conservation and protection of the environment.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.



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Attorneys for Energen Resources Corporation

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served via electronic mail on the following parties on July 18, 2013, at the email addresses indicated below:

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