

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

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:**

**CASE NO. 13828
ORDER NO. R-12737**

**APPLICATION OF ENERGEN RESOURCES CORPORATION FOR AN
AMENDMENT TO ADMINISTRATIVE ORDER NSL-3572 (NSP) AND FOR AN
EXCEPTION TO RULE 4 OF THE SPECIAL RULES FOR THE BASIN-
FRUITLAND COAL GAS POOL FOR THE DESIGNATION OF A NON-
STANDARD GAS SPACING UNIT, SAN JUAN COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 30, 2006, at Santa Fe, New Mexico, before Examiner Richard I. Ezeanyim.

NOW, on this 22nd day of March, 2007, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) Division Order No. R-8768 issued in Case No. 9420 on October 17, 1988, as amended by Division Order Nos. R-8768-A through R-8768-G, promulgated "Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool". Rule 4 of this order provides that each well completed or re-completed in the Basin-Fruitland Coal Gas Pool shall be located on a standard unit containing 320 acres, more or less, comprising any two contiguous quarter sections of a single governmental section, being a legal subdivision of the United States Public Lands Survey. Rule 6 provides a way for the Division Director to grant an exception to the requirements of Rule 4.

(3) Upon the application of SG Interests 1, Ltd, the Division by Administrative Order NSL-3572 (NSP) issued on August 28, 1995, approved a 208.84-acre non-standard gas spacing and proration unit comprising Lots 1 through 4, and the E/2 W/2 (W/2 equivalent) of Irregular Section 30, Township 30 North, Range 9 West, NMPM, San Juan County, New Mexico. This unit was dedicated to SG Interests 1, Ltd Florance Gas Com "H"

Well No. 1 (API No. 30-045-28624) for production of gas from the Basin-Fruitland Coal Gas Pool.

(4) The applicant, Energen Resources Corporation ("Energen"), now seeks an order to amend Administrative Order NSL-3572 (NSP) re-designating the current 207.84-acre non-standard spacing unit to a 308.56-acre non-standard gas spacing unit comprising Lots 3, 4, and the E/2 W/2 (SW/4 equivalent) of Irregular Section 30, and Lots 1 through 4, and the E/2 W/2 (W/2 equivalent) of Irregular Section 31, Township 30 North, Range 9 West, NMPM, San Juan County, New Mexico. Energen also seeks the rededication of this 308.56-acre non-standard gas spacing and proration unit to its Florance Gas Com "H" Well No. 1, and an opportunity for an optional infill well in the SW/4 of Irregular Section 31.

(5) The applicant presented the following testimony that demonstrates that:

- (a) SG Interests 1, Ltd drilled the Florance Gas Com "H" Well No. 1 in November 1992, and the 207.84-acre non-standard gas spacing and proration unit (approved by Division Administrative Order NSL-3572 (NSP) was dedicated to the well for production of gas from the Basin-Fruitland Coal Gas Pool;
- (b) Energen Resources Corporation acquired SG Interests 1, Ltd on August 1, 2004, and subsequently became the operator of the well;
- (c) On April 1, 1993, SG Interests 1, Ltd entered into a Communitization Agreement with the Bureau of Land Management (BLM), for production of gas from the Fruitland Coal Gas formation, with the Communitized Area containing 308.56 acres, more or less, described as follows:

TOWNSHIP 30 NORTH, RANGE 9 WEST, NMPM

Section 30: Lots 3, 4, and E/2 SW/4 (SW/4 equivalent)

Section 31: Lots 1, 2, 3, 4, and E/2 W/2 (W/2 equivalent);

- (d) On October 29, 1953, Stanolind Oil and Gas Company and the Bureau of Land Management executed a similar Communitization Agreement containing the same 308.56 acres, more or less, as described above, and this unit was dedicated to the Heath Gas Com C Well No. 1 for production of gas from the Mesaverde formation;
- (e) The 308.56-acre spacing and proration unit consists of two Federal Leases (SF 077833 containing 104.16 acres or the SW/4 of Section 30, and SF 076337 containing 204.40 acres or the W/2 of Section 31) that are one hundred (100%) percent federal minerals in the Fruitland Coal Gas formation;

- (f) Energen Resources Corporation owns one hundred (100%) percent of Federal Lease SF 076337, the W/2 of Section 31, ninety (90%) percent of Federal Lease SF 077833, the SW/4 of Section 30, while the remaining ten (10%) percent belongs to ConocoPhillips, all in the Fruitland Coal formation;
 - (g) Production from the Fruitland Coal Gas Pool is being allocated pursuant to the Communitization Agreement for the 308.56-acre gas spacing and proration unit;
 - (h) Amoco Production Company ("Amoco") owns the NW/4 of Section 30, currently has a well producing from the Pictured Cliffs formation, and has never participated in production from the Florance Gas Com "H" Well No. 1 producing from the Fruitland Coal Gas Pool; and
 - (i) Energen Resources Corporation provided notice of this application to all affected parties including BP America Production Company, corporate successor to Amoco, and no other party appeared at the hearing in opposition to the application.
- (6) This application should be approved in order to prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

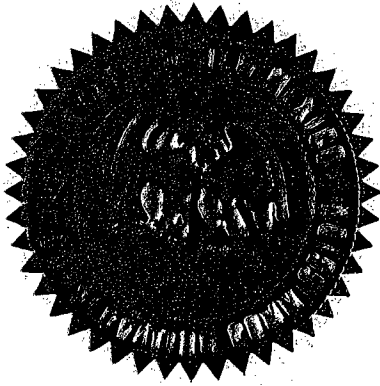
- (1) The application of Energen Resources Corporation to amend Administrative Order NSL-3572 (NSP) re-designating the current 208.84-acre non-standard spacing unit to a 308.56-acre non-standard gas spacing unit comprising Lots 3, 4, and the E/2 W/2 (SW/4 equivalent) of Irregular Section 30, and Lots 1 through 4, and the E/2 W/2 (W/2 equivalent) of Irregular Section 31, Township 30 North, Range 9 West, NMPM, San Juan County, New Mexico, is hereby approved.
- (2) This unit shall be dedicated to Energen's Florance Gas Com "H" Well No. 1 (**API No. 30-045-28624**) located at an unorthodox gas well location that has been approved by Administrative Order NSL-3572 (NSP).
- (3) Energen Resources Corporation is hereby authorized to drill an optional infill well in the SW/4 of Section 31, Township 30 North, Range 9 West, NMPM, San Juan County, New Mexico.
- (4) Energen shall file a Form C-102 with the Division reflecting the non-standard 308.56-acre spacing unit within 30 days from the date of this order.

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(5) All other provisions of Division Administrative Order NSL 3572 (NSP) shall remain in full force and effect.

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

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in dark ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE P.E.
Director

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