

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

IN THE MATTER OF THE APPLICATION
OF ENERGEN RESOURCES CORPORATION
FOR COMPULSORY POOLING AND FOR AN
EXCEPTION TO RULE 2 OF THE SPECIAL
POOL RULES FOR THE WEST LINDRITH
GALLUP-DAKOTA OIL POOL FOR DESIGNATION
OF A NON-STANDARD SPACING UNIT,
RIO ARriba COUNTY, NEW MEXICO

CASE NO. 13890

APPLICATION

Energen Resources Corporation, by its undersigned attorneys, Miller, Stratvert P.A., (J. Scott Hall) hereby makes application pursuant to *inter alia* NMSA 1978 Section 70-2-17 (1995) and Rule 2 of the Special Rules for the West Lindrith Gallup-Dakota Oil Pool for an order pooling all interests in the Gallup/Dakota formation (West Lindrith Gallup-Dakota Oil Pool) underlying the Lots 3, 4 and the NW/4 of irregular Section 1, Township 24 North, Range 4 West, NMPM, Rio Arriba County, New Mexico, (the "Subject Lands"), to form a non-standard 216.76 ± acre spacing and proration unit. In support thereof, Applicant states:

1. Applicant owns certain working interests in and under the Subject Lands and has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced pooled unit to its Jicarilla 126 S No. 1-E Well to be drilled at a standard location 2535' from the North line and 1735' from the West line of Section 1 to a depth sufficient to test the Gallup-Dakota formation underlying the Subject Lands.

3. The proposed 216.76 acre non-standard spacing unit lies wholly within the single quarter-section equivalent of Section 1, T-24-N, R-4-W, NMPM in Rio Arriba County, New Mexico. Rule 2 of the Special Rules for the West Lindrith Gallup-Dakota Oil Pool requires that each well shall be located on a standard unit containing 160-acres, more or less. Rule 3 of those same rules authorizes exceptions from the acreage dedication requirements of Rule 2 where the shape of a tract is due to variation in the legal subdivision survey.

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 the Subject Lands in Section 1.

4. 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.

5. The pooling of interests and approval of the non-standard spacing unit will afford the Applicant the opportunity to produce its just and equitable share of hydrocarbons underlying the Subject Lands, 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 March 15, 2007 and that after notice and hearing as required by law, the Division enter its Order approving the non-standard spacing unit 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.

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By:



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