

BEFORE THE OIL & GAS CONSERVATION COMMISSION  
OF THE STATE OF COLORADO

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| IN THE MATTER OF THE APPLICATION OF )  |                  |
| ENERGEN RESOURCES CORPORATION FOR )    |                  |
| AN ORDER ALLOWING AN EXCEPTION TO )    |                  |
| THE INTERIOR QUARTER SECTION SETBACK ) | CAUSE NO. 112    |
| IN AN ESTABLISHED DRILLING AND )       |                  |
| SPACING UNIT COVERING THE FRUITLAND )  | Docket No. _____ |
| COAL SEAM FORMATION, IGNACIO-BLANCO )  |                  |
| FIELD, ARCHULETA COUNTY, COLORADO )    |                  |

APPLICATION

COMES NOW Energen Resources Corporation (referred to herein as “Applicant”), by and through its undersigned attorneys, makes application to the Oil and Gas Conservation Commission of the State of Colorado, for an order to permit an exception to the setback established from interior quarter section lines in an established drilling and spacing unit for the Fruitland Coal Seam formation. In support thereof, the Applicant states and alleges as follows:

1. That the Applicant is the owner of leasehold interests in Archuleta County, Colorado, located within the area requested for spacing.
2. That the Applicant is requesting that the two (2) wells permitted in the existing drilling and spacing unit of 320 acres for the Fruitland Coal Seam formation comprised of T32N, R6W, Section 12: N/2 in Archuleta County, Colorado, be permitted to be produced without regard to the interior section setbacks.
3. That the subject 320-acre Fruitland Coal spacing Unit includes two wells, to wit: The Jaramillo 32-6 #12-1 Well, a vertical well located in the NW/4 of Section 12 (1125' FNL and 1435' FWL) and the Jaramillo 32-6 #12-2 Well, a horizontal well, the surface of which is located in the NW/4 of Section 12 with horizontal leg bottoming in the NE/4 of Section 12. The horizontal well however intersects the coal seam formation at 1100' FNL and 1925' FWL. While these wells were properly permitted by this Commission on January 9, 2001 and November 23, 2004, the horizontal leg of the Jaramillo 32-6 #12-2 Well intersects the producing formation within the NW/4 of Section 12 resulting in two Fruitland Coal Seam Formation wells partially located in the quarter section. All owners in the 320-acre spacing unit are common and no violation of correlative rights exists due to non-compliance with interior line setbacks.
4. On June 15, 1988, the Commission issued Order No. 112-60 which established 320-acre drilling and spacing units for production of gas from the Fruitland Coal Seam formations. Said units shall remain as previously established. Moreover, on May 15, 2000 the Commission issued Order No. 112-157 which permitted a second Fruitland Coal Seam Formation well in each 320-acre drilling and spacing unit with such additional wells being located no closer than 990 feet to any outer boundary of the unit, nor closer than 130 feet to any interior quarter section line. Applicant proposes that an exception from the 130-foot interior line setback be granted and that the two existing wells be authorized to be produced as permitted.
5. In support of the requested order, Applicant asserts that the two wells authorized to produce at their current permitted locations are necessary to efficiently and economically drain the 320-acre drilling and spacing unit. The wells as located are necessary to prevent waste, protect correlative rights and to recover gas and associated hydrocarbons from the Fruitland coal formation all in accordance with the Colorado statutes, the rules and regulations of this Commission.
6. Applicant further states that the requested these wells can be developed in a manner consistent with protection of public health, safety, welfare and the environment.
7. Exhibit A attached hereto and made part hereof is the list of the names of "Owners" required to be notified in accord with Commission Rule 507(a), including within the areas covered

by this Application. To the best of Applicant's knowledge and belief, Exhibit A contains the names of all such owners.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing, that notice thereof be given as required by law and that upon such hearing this Commission enter its order:

A. Authorizing the two existing (2) Fruitland Coal wells to produce from the existing 320-acre drilling and spacing unit for gas and associated hydrocarbons from the Fruitland Coal Seam formation underlying the subject lands at their present permitted locations. The permitted wells are located as described in paragraph 3 above.

B. That an exception to the 130' interior line setback be granted and that two (2) existing wells be authorized to produce as located in the N/2 of Section 12, T32N, R6W.

C. For such other findings and orders as the Commission may deem proper or advisable in the premises.

DATED this 11th day of April, 2005.

Respectfully submitted,

ENERGEN RESOURCES CORPORATION

By: \_\_\_\_\_  
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Applicants' Address:

605 21<sup>st</sup> Street North  
Birmingham, AL 35203-2707

VERIFICATION

STATE OF ALABAMA        )  
  ) ss.  
COUNTY OF JEFFERSON    )

Robert W. Plumb, of lawful age, being first duly sworn upon oath, deposes and says that he is the District Landman for Energen Resources Corporation and that he has read the foregoing Application and that the matters therein contained are true to the best of my knowledge, information and belief.

\_\_\_\_\_  
Robert W. Plumb

Subscribed and sworn to before this \_\_\_\_ day of April, 2005.

Witness my hand and official seal.  
My commission expires:

\_\_\_\_\_  
Notary Public

EXHIBIT A

Interested Parties

BP America Production Company  
380 Airport Road  
Durango, Colorado 81303  
Attention: Mr. Gary A. Weitz