

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

IN THE MATTER OF THE APPLICATION OF ENERGEN
RESOURCES CORPORATION FOR AN ORDER
VACATING EXISTING 320-ACRE DRILLING AND
SPACING UNITS AND ESTABLISHING A 640-ACRE
DRILLING AND SPACING UNIT AND ALLOWING UP TO
THREE (3) HORIZONTAL WELLS FOR PRODUCTION
FROM LANDS IN THE FRUITLAND COAL SEAM
FORMATION, IGNACIO-BLANCO FIELD, ARCHULETA
COUNTY, COLORADO

CAUSE NO. 112

DOCKET NO. _____

APPLICATION

COMES NOW Energen Resources Corporation (referred to herein as "Applicant"), by and through its undersigned attorneys, respectfully submits this application to the Colorado Oil and Gas Conservation Commission ("Commission") for an order: (i) vacating the existing 320-acre drilling and spacing units for the Application Lands (defined below), (ii) establishing a 640-acre drilling and spacing unit for the Fruitland Coal Seam Formation underlying the Application Lands, (iii) to allow a total of three (3) horizontal wells to be drilled within the 640-acre drilling and spacing unit for production of gas from the Fruitland Coal Seam Formation underlying the Application Lands, and (iv) to reduce the setbacks for the proposed 640-acre drilling and spacing unit to 660' from any outer boundary of the unit. In support thereof, the Applicant states and alleges as follows:

1. Applicant is duly authorized to conduct business in the State of Colorado.
2. Insofar as the Application Lands are subject to the jurisdiction of the Southern Ute Indian Tribe, this Application is submitted to this Commission in accordance with the terms of the Memorandum of Understanding dated August 22, 1991 between the Bureau of Land Management ("BLM") and this Commission and separate Memorandum of Understanding dated August 22, 1991 between the Bureau of Indian Affairs, the BLM, and the Southern Ute Indian Tribe.
3. Certain mineral interests under the Application Lands are owned in trust by the United States of America for the benefit of the Southern Ute Indian Tribe ("Trust Lands").
4. Applicant owns leasehold interests in the following described lands (hereinafter "Application Lands"):

Township 32 North, Range 5 West, N.M.P.M.
Section 16: ALL

Archuleta County, Colorado, containing 640 acres, more or less.

A reference map of the Application Lands is attached hereto as Exhibit B.

5. On December 17, 1990, the Commission entered Order No. 112-85 which established 320-acre drilling and spacing units for the Application Lands and also provided that the units shall consist of the N $\frac{1}{2}$ and S $\frac{1}{2}$ or the E $\frac{1}{2}$ and W $\frac{1}{2}$ of a full section with the permitted well

located, when north of the north line of Township 32 North, in the NW¼ and SE¼ of the section, and when south of the north line of Township 32 North, in the NE¼ and SW¼ of the section, and no closer than 990 feet to any outer boundary of the unit, nor closer than 130 feet to any interior quarter section line.

6. To promote economical and efficient drainage, to protect correlative rights, to avoid waste, to reduce surface impacts, and to effectively recover gas and associated hydrocarbons from the Fruitland Coal Seam Formation for the Application Lands, Applicant requests that the Commission (i) vacate the 320-acre drilling and spacing units established by Order No. 112-85 as to the Application Lands, and (ii) establish a 640-acre drilling and spacing unit for the Application Lands for production of gas from the Fruitland Coal Seam Formation underlying the Application Lands.

7. To further promote economical and efficient drainage, to protect correlative rights, to avoid waste, to reduce surface impacts, and to effectively recover gas and associated hydrocarbons from the Fruitland Coal Seam Formation for the Application Lands, Applicant requests that the Commission allow up to three (3) horizontal wells to be drilled and completed to the Fruitland Coal Seam Formation in the 640-acre drilling and spacing unit on the Application Lands.

8. Applicant asserts that vacating existing 320-acre drilling and spacing units on the Application Lands, establishing a 640-acre drilling and spacing unit, and allow up to three (3) wells on the Applications Lands will allow the Fruitland Coal Formation to be efficiently drained due to the additional length available to each horizontal well on the Application Lands. The Application Lands are located under Navajo Lake and the topography of the area makes Applicant's request necessary to ensure proper development of the gas from the Fruitland Coal Seam Formation underlying the Application Lands.

9. Applicant requests that the proposed 640-acre drilling and spacing unit boundary setbacks be reduced to 660' feet from the outer boundary of the unit as such setbacks will prevent waste, will protect correlative rights and will assure the greatest ultimate recovery of gas and associated hydrocarbon substances from the reservoir. Applicant asserts no producing leg of any horizontal well shall be closer than 660 feet from the outer boundary of the unit. Applicant further requests that any internal quarter section setbacks be eliminated.

10. The surface location of the three (3) horizontal wells shall be located on an existing common or expanded well pad.

11. That the names and addresses of the interested parties according to the information and belief of the Applicant are set forth in Exhibit A attached hereto and made a part hereof, and the undersigned certifies that copies of this Application shall be served on each interested party within the next seven days as required by Rule 503.e.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing, that notice be given as required by law and that upon such hearing this Commission enter its order consistent with Applicant's proposals as set forth above.

Dated this 17th day of March, 2011.

Respectfully submitted,

ENERGEN RESOURCES CORPORATION

By: _____

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VERIFICATION

STATE OF COLORADO)
) ss.
COUNTY OF _____)

_____, of lawful age, being first duly sworn upon oath, deposes and says that he is the _____ 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.

Subscribed and sworn to before this ____ day of March, 2011.

Witness my hand and official seal.

My commission expires:

Notary Public

[SEAL]

EXHIBIT A INTERESTED PARTIES

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NOTE: Ray Thomas Sanchez was
appointed attorney-in-fact for the
following named persons, to-wit: (1)
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Inez R. Havlik FKA Inez R. Longley
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AFFIDAVIT OF MAILING

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

Jamie L. Jost, of lawful age, and being first duly sworn upon her oath, states and declares:

That she is the attorney for Energen Resources Corporation, that on or before March __, 2011, she caused a copy of the attached Application to be deposited in the United States Mail, postage prepaid, addressed to the parties listed on Exhibit A to the Application.

Jamie L. Jost

Subscribed and sworn to before me March __, 2011.

Witness my hand and official seal.

My commission expires: _____.

Notary Public