



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

March 30, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Devon Energy Production Company, L. P.
20 North Broadway
Oklahoma City, Oklahoma 73102-8260

Telefax No. (405) 552-8113

Attention: **Ken Gray**
Sr. Land Advisor
ken.gray@dvn.com

*Administrative Order NSL-3348-A (BHL) (SD)
(Non-Standard Subsurface Location/Producing Area)*

Dear Mr. Gray:

Reference is made to the following: (i) your application submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico by telefax on March 22, 2006 (*administrative application reference No. pMES0-608953707*); (ii) Mr. Michael E. Stogner's, Engineer with the Division in Santa Fe, telephone conversations with Ms. Stephanie Ysasaga and Mr. James Bruce on Friday, March 24, 2006; (iii) your voice mail message for Mr. Stogner on Wednesday, March 29, 2006; and (iv) the Division's records in Artesia and Santa Fe, including the file on Division Administrative Order NSL-3348: all concerning Devon Energy Production Company, L. P.'s ("Devon") request to horizontally drill its proposed North Pure Gold "4" Federal Well No. 2 within the designated and Undesignated Los Medanos-Delaware Pool (**40297**) in Sections 4 and 9, Township 23 South, Range 31 East, NMPM, Eddy County, New Mexico.

The Division Director Finds That:

- (1) The subject application has been duly filed under the provisions of Division Rules 104.F, 111.A (13), 111.C (2) and 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005];
- (2) The Los Medanos-Delaware Pool currently comprises the following described area in Eddy County, New Mexico:

TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM

Section 8:	E/2
Section 9:	W/2 and SE/4
Sections 16 and 17:	All;

- (3) The Los Medanos-Delaware Pool and the area within one-mile of its boundary (see Division Rule 104.A) is subject to the statewide rules and regulations, as promulgated by Rule 104.B (1), which provides for 40-acre oil spacing and proration units, or drilling units, and requires that wells be located no closer than 330 feet to the outer boundary of a single 40-acre oil spacing and proration unit;

- (4) Devon's designated 160-acre "project area", pursuant to Division Rules 111.A (9) and C (3), is to comprise the SW/4 NW/4 (Unit E) and the W/2 SW/4 (Units L and M) of Section 4 and the NW/4 NW/4 (Unit D) of Section 9, will be created by combining four standard 40-acre oil spacing and proration units within both sections;
- (5) Devon is currently developing the Los Medanos-Delaware Pool within the subject 160-acre project area with its existing North Pure Gold "9" Federal Well No. 5 (API No. 30-015-27914), located at an unorthodox oil well location, within a standard 40-acre oil spacing and proration unit comprising the NW/4 NW/4 (Unit D) of Section 9, 1140 feet from the North line and 990 feet from the West line of Section 9 through perforations from 7,918 feet to 7,958 feet (approved by Division Administrative Order NSL-3348, dated January 31, 1994);
- (6) From the well completion report for the above-described North Pure Gold "9" Federal Well No. 5 (U. S. Bureau of Land Management form 3160-4 dated July 18, 1994), the initial operator, Santa Fe Energy Operating Partners, L. P., indicates that the top of the Delaware formation was encountered at a depth of 4,124 feet;
- (7) It is the Division's understanding that Devon intends to drill the referenced horizontal Delaware well to a total vertical depth (TVD) of approximately 7,458 feet with a measured depth (MD) of approximately 12,556 feet from its proposed surface location, 1140 feet from the North line and 840 feet from the West line (Unit D) of Section 9, to a targeted end point, or bottomhole location, 1650 feet from the North line and 600 feet from the West line (Unit E) of Section 4; the initial portion of the openhole (and potentially productive) horizontal section of the well will be located approximately 330 feet from the South line and 480 feet from the West line (Unit M) of Section 4 at an approximate depth of 9,268 feet (MD);
- (8) From the information provided and the Division's records, the proposed 160-acre project area will comprise acreage from two federal leases: (i) all of Section 4 is within U. S. Government lease No. NM-81953; and (ii) all of Section 9 is within U. S. Government lease No. NM-77046; and
- (9) It appearing the applicant has satisfied all of the appropriate requirements prescribed in Rules 111.C (2) and 104.F, the subject application should be approved and the subject horizontal drainhole and 160-acre project area should be governed by the provisions contained within this order and all other applicable provisions of Division Rule 111.

It Is Therefore Ordered That:

(1) Devon Energy Production Company, L. P. ("Devon") is hereby authorized to operate a horizontal/high angle directional drilling project area ("Project Area") within the 160 acres that comprises the SW/4 NW/4 (Unit E) and the W/2 SW/4 (Units L and M) of Section 4 and the NW/4 NW/4 (Unit D) of Section 9, both in Township 23 South, Range 31 East, NMPM, designated and Undesignated Los Medanos-Delaware Pool (40297) in which the following two wells are to be dedicated:

(a) Devon's existing North Pure Gold "9" Federal Well No. 5 (API No. 30-015-27914), located at an unorthodox oil well location, within a standard 40-acre oil spacing and proration unit comprising the NW/4 NW/4 (Unit D) of Section 9, 1140 feet from the North line and 990 feet from the West line of Section 9 through perforations from 7,918 feet to 7,958 feet (approved by Division Administrative Order NSL-3348, dated January 31, 1994); and

(b) Devon's proposed North Pure Gold "4" Federal Well No. 2, to be directionally drilled as a horizontal/high angle horizontal drainhole within the Delaware formation from a surface location 1140 feet from the North line and 840 feet from the West line (Unit D) of Section 9, to a standard targeted bottomhole oil well location, or end point, 1650 feet from the North line and 600 feet from the West line (Unit E) of Section 4.

(2) The applicable drilling window or "producing area" within the designated and Undesignated Los Medanos-Delaware Pool for this horizontal/high angle directional drilling project is to be confined to that area within the subject 160-acre project area that is no closer than 180 feet to the southern boundary line of the proposed project area nor closer than 330 feet to any other outer boundary line of the proposed project area.

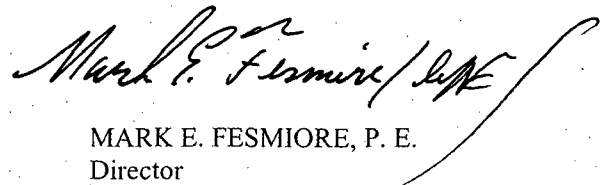
(3) The operator shall comply with all applicable requirements and conditions set forth in Division Rule 111.

(4) Should Devon wish to amend any part of this order, a hearing before a duly appointed hearing officer will be necessary.

(5) Jurisdiction of this cause is 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


MARK E. FESMIRO, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Artesia
U. S. Bureau of Land Management – Carlsbad
James Bruce, Legal Counsel for Devon Energy Production Company, L. P. – Santa Fe
Ms. Stephanie Ysasaga (*Stephanie.Ysasaga@devon.com*) - Oklahoma City
File: NSL-3348