

**Bell Lake North Field - Model Scenario**

**Economic Comparisons      One well vs Two wells recovering the same reserves.**

**Assumptions: Modeling Bell Lake North Production**

<b>1 well case</b>	<b>2 well case</b>
100% WI, 75% NRI	100% WI, 75% NRI
\$2.3 million D&C per well	\$2.3 million D&C per well
14 mmcf IP	28 mmcf IP
40 year life	20 year life
30 bcf EUR	30 bcf EUR
\$3.0/mcf gas price	\$3.0/mcf gas price
\$5,000/opex/well, includes ~ 200 bwpd disposal cost	\$5,000/opex/well, includes ~ 200 bwpd disposal cost

**BEFORE THE  
OIL CONSERVATION DIVISION**  
Case 13085 Exhibit No. - **19**  
Submitted By:  
**Devon Energy Production Co.**  
Hearing Date: October 2, 2003

<b>Results:</b>	<b>Present Value in today's dollars \$37.3 million</b>	<b>Present Value in today's dollars \$43.6 million</b>
	<b>Severance tax collections \$6.0 million over 40 years</b>	<b>Severance tax collections \$6.0 million over 20 years</b>
	<b>Present value of severance taxes \$132,569</b>	<b>Present value of severance taxes \$894,000</b>
	<b>With reserve acceleration, an incremental \$6.3 million is obtained by the WI owners</b>	
	<b>With reserve acceleration, an incremental \$761,000 is obtained by the State of New Mexico</b>	

**CONCLUSIONS:**

Drilling additional wells prevents "waste" and increases the recovery of gas reserves along with the future expected value.

It is in everyone's best interest to increase gas recoveries.

The above scenario represents a worst case. It assumes that two wells recover the same amount of gas as one well, but in half the time.

Multiple wells are required to effectively drain and produce Devonian gas reservoirs. Increased ultimate recoveries will be obtained.

Gas is being left in place at Bell Lake North. This is evidenced by the DST from the Amerada Bell Lake #3. It tested 4 mmcf with 1300 bwpd. Additional gas is being "wasted" and left behind in the reservoir.

The Bell Lake North to Antelope Ridge field comparison points this out. Antelope Ridge being of similar size to Bell Lake North will recover 8 bcf of additional gas through reservoir exposure from additional wells. Water production at Antelope Ridge appears to have been lower (more efficient drainage) than at Bell Lake North due to having more wells (reduced water coning).

The dual porosity nature of the Devonian carbonate reservoir lends itself to multiple well drilling. Multiple wells will contact different portions of the reservoir, natural fracture system, and porosity & permeability intervals. Gas EUR will be increased with additional wells because heterogeneity becomes less of an issue.