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August 3, 1998

**Hand Delivered**

Michael E. Stogner  
Oil Conservation Division  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

Re: Case 11966 (Application of Devon Energy Corporation  
(Nevada) for 23 unorthodox oil well locations in the Red  
Lake Queen-Grayburg-San Andres Pool)

Dear Mr. Stogner:

As you requested at the hearing, enclosed is a proposed order, both  
on disc and in hard copy.

Very truly yours,

James Bruce

Attorney for Devon Energy  
Corporation (Nevada)

RECEIVED

AUG 3 1998

OIL CONSERVATION DIVISION

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

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

APPLICATION OF DEVON ENERGY CORPORATION  
(NEVADA) FOR 23 UNORTHODOX OIL WELL  
LOCATIONS, EDDY COUNTY, NEW MEXICO.

Case No. 11966  
Order No. R-\_\_\_\_\_

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on April 16, 1998 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this \_\_\_\_\_ day of August, 1998, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter hereof.

(2) The applicant, Devon Energy Corporation (Nevada), seeks authority to drill and produce the following wells at unorthodox oil well locations in Township 17 South, Range 27 East, N.M.P.M.:

<u>Well Name</u>	<u>Unit</u>	<u>Section</u>	<u>Location</u>
Eagle "27H" Fed. No. 15	H	27	1450' FNL & 990' FEL
Eagle "31" Fed. No. 3	J	31	1330' FSL & 1630' FEL
Eagle "33G" Fed. No. 6	G	33	2460' FNL & 1350' FEL
Eagle "33H" Fed. No. 8	H	33	2435' FNL & 531' FEL
Eagle "33N" Fed. No. 10	N	33	230' FSL & 2140' FWL
Eagle "34E" Fed. No. 10	E	34	2310' FNL & 1240' FWL
Eagle "34F" Fed. No. 12	F	34	2310' FNL & 2420' FWL
Eagle "34G" Fed. No. 14	G	34	2310' FNL & 1600' FEL
Eagle "34I" Fed. No. 18	I	34	1740' FSL & 280' FEL
Eagle "34L" Fed. No. 24	L	34	1740' FSL & 1065' FWL

In addition, the applicant seeks authority to drill and produce the following wells at unorthodox oil well locations in Township 18 South, Range 27 East, N.M.P.M.:

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<u>Well Name</u>	<u>Unit</u>	<u>Section</u>	<u>Location</u>
Falcon "3N" Fed. No. 18	N	3	680' FSL & 1350' FWL
Carter Collier "5" Fed. No. 9	B	5	330' FNL & 2360' FEL
Evarts "6" Fed. No. 4	A	6	330' FNL & 1190' FEL
Fred "6" Fed. No. 5	D	6	1260' FNL & 990' FWL
Patton "6" Fed. No. 5	F	6	2460' FNL & 2310' FWL
Patton "6" Fed. No. 4	K	6	1593' FSL & 1469' FWL
Patton "6" Fed. No. 3	N	6	930' FSL & 1450' FWL
Hawk "9B" Fed. No. 4	B	9	990' FNL & 1360' FEL
Hawk "9J" Fed. No. 15	J	9	1630' FSL & 1650' FEL
Hawk "9O" Fed. No. 17	O	9	1170' FSL & 2310' FEL
Hawk "17C" Fed. No. 1	C	17	380' FNL & 1450' FWL
Hawk "17C" Fed. No. 2	C	17	890' FNL & 2585' FWL
Kaiser No. 1	A	18	330' FNL & 1110' FEL

Prior to the hearing in this matter, unorthodox locations were granted administratively for the Carter Collier "5" Fed. No. 9, Evarts "6" Fed. No. 4, Hawk "17C" Fed. No. 1, and Hawk "17C" Fed. No. 2 wells.

(3) The above-described wells are completed in or proposed to be completed in the Red Lake Queen-Grayburg-San Andres Pool, which is subject to statewide rules providing for 40 acre spacing, with wells to be located no closer than 330 feet to the outer boundary of a quarter-quarter section. Each well will have a standard 40-acre unit dedicated thereto.

(4) The applicant presented the following evidence:

(a) All of the wells are located on federal land, except the Kaiser No. 1, which is located on fee land.

(b) The subject pool is continuous across the area, trending in a northeast-southwest manner.

(c) The original locations for all of the subject wells were orthodox, but were moved due to topographic and engineering reasons.

(d) The subject area is near the Pecos River, with numerous draws and elevation changes of 100-200 feet. The Bureau of Land Management requested that numerous well locations be moved to prevent extreme cut and fill of slopes, and prevent erosion of the highly erodible soil in this area. In addition, there are numerous gas transmission and gathering pipelines, roads, existing wells, and a gas plant. All of these factors limit well locations.

(e) Average reserves in wells completed in the subject pool are about 50,000 barrels of oil, and the drainage radius for

an average well is 445 feet. The applicant has drilled wells within 400-450 feet of older, above-average wells in the pool, and has seen no evidence of drainage from the existing wells.

(f) The drainage radius for a well capable of draining 40 acres is approximately 745 feet. Thus, unless a well in the subject pool is located closer than 100 feet to an offsetting lease, a well at an unorthodox location will have no more effect than a well capable of draining 40 acres located at an orthodox location.

(g) Directional drilling is not feasible because the small reserves in these wells do not justify the additional drilling and operating costs.

(h) Applicant is drilling two wells per 40-acre unit to (i) adequately drain each unit, and (ii) use in a possible future waterflood project. Injection in the West Red Lake Unit has shown a favorable production response. Drilling two wells per 40-acre unit could allow the unit's waterflood project to be expanded.

(5) All of the unorthodox locations should be approved because:

(a) They are moving toward the interior of a lease;

(b) They are encroaching on a lease not owned or operated by the applicant, notice was given to the offset, and no objection was received by the Division;

(c) The location is relatively unorthodox and will not encroach on the offset well unit due to the limited drainage areas in the subject pool;

(d) A well will be drilled offsetting the proposed unorthodox well, or the offsetting well unit has existing wells producing from the same pool; and/or

(e) There are no overriding royalty interest owners in the tract offsetting one of the subject well, or the applicant is the only overriding royalty interest owner in the offsetting tract.

(6) Approval of the proposed unorthodox locations will afford the applicant the opportunity to produce its just and equitable share of oil and gas from the subject pool, will prevent economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive

number of wells, and will prevent waste and protect correlative rights.

**IT IS THEREFORE ORDERED THAT:**

(1) The applicant, Devon Energy Corporation (Nevada), is hereby authorized to drill the wells described below at unorthodox oil well locations in the Red Lake Queen-Grayburg-San Andres Pool:

**Township 17 South, Range 27 East, N.M.P.M.:**

<u>Well Name</u>	<u>Unit</u>	<u>Section</u>	<u>Location</u>
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**Township 18 South, Range 27 East, N.M.P.M.:**

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Hawk "9O" Fed. No. 17	O	9	1170' FSL & 2310' FEL
Kaiser No. 1	A	18	330' FNL & 1110' FEL

(2) Each well shall have a standard 40-acre oil spacing and proration unit dedicated thereto

(3) Jurisdiction is hereby 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

LORI WROTENBERY  
Director