

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:

NOMENCLATURE
CASE NO. 12006
ORDER NO. R-9922-D

APPLICATION OF MARATHON OIL COMPANY, YATES PETROLEUM CORPORATION, ORYX ENERGY COMPANY, DEVON ENERGY CORPORATION (NEVADA) AND SANTA FE ENERGY RESOURCES, INC. FOR THE EXPANSION OF THE INDIAN BASIN-UPPER PENNSYLVANIAN ASSOCIATED POOL AND THE CONCOMITANT CONTRACTION OF THE INDIAN BASIN-UPPER PENNSYLVANIAN GAS POOL, APPROVAL OF FOUR NON-STANDARD 320-ACRE GAS PRORATION UNITS, AN UNORTHODOX GAS WELL LOCATION, AND APPORTIONMENT OF GAS ALLOWABLES, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on July 9, 1998, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 7th day of December, 1998, the Division Director, having considered the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.

(2) The Indian Basin-Upper Pennsylvanian Gas Pool is a prorated gas pool currently governed by the "General Rules for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Gas Pool," as promulgated by Division Order No. R-8170, as amended, which require standard 640-acre spacing and proration units ("GPU") with wells to be located no closer than 1650 feet from the outer boundary of the GPU nor closer than 330 feet from any governmental quarter-quarter section line or subdivision inner boundary. The current gas allowable for the Indian Basin-Upper Pennsylvanian Gas Pool is approximately 6.5 MMCFG per day per GPU.

(3) The Indian Basin-Upper Pennsylvanian (Prorated) Gas Pool currently comprises the following described area in Eddy County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

| | |
|-------------------------|-----|
| Section 3: | W/2 |
| Section 4: | All |
| Sections 8 and 9: | All |
| Section 10: | W/2 |
| Section 15: | W/2 |
| Sections 16 through 30: | All |
| Sections 32 through 36: | All |

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM

| | |
|-------------------------|-----|
| Sections 19 through 21: | All |
| Sections 28 through 32: | All |

TOWNSHIP 22 SOUTH, RANGE 23 EAST, NMPM

| | |
|------------------------|------|
| Sections 1 through 5: | All |
| Sections 8 through 17: | All |
| Section 21: | N/2 |
| Section 22: | All. |

(4) The Indian Basin-Upper Pennsylvanian Associated Pool is currently governed by the "*Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool*," as promulgated by Division Order No. R-9922, as amended, which require standard 320-acre oil and gas spacing units with wells to be located no closer than 660 feet from the outer boundary of the proration unit nor closer than 330 feet from any quarter-quarter section line or subdivision inner boundary, and with no more than one well per 80-acre tract to be drilled or produced on a standard proration unit. The special depth bracket allowable for the pool is 1,400 barrels of oil per day. The limiting gas-oil ratio for the pool is 7,000 cubic feet of gas per barrel of oil, which results in a casinghead gas allowable of 9.8 MMCFG per day.

(5) The Indian Basin-Upper Pennsylvanian Associated Pool currently comprises the following described area in Eddy County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM

| | |
|---------------------|------|
| Section 27: | S/2 |
| Sections 33 and 34: | All. |

(3) The Indian Basin-Upper Pennsylvanian (Prorated) Gas Pool currently comprises the following described area in Eddy County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

| | |
|-------------------------|-----|
| Section 3: | W/2 |
| Section 4: | All |
| Sections 8 and 9: | All |
| Section 10: | W/2 |
| Section 15: | W/2 |
| Sections 16 through 30: | All |
| Sections 32 through 36: | All |

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM

| | |
|-------------------------|-----|
| Sections 19 through 21: | All |
| Sections 28 through 32: | All |

TOWNSHIP 22 SOUTH, RANGE 23 EAST, NMPM

| | |
|------------------------|------|
| Sections 1 through 5: | All |
| Sections 8 through 17: | All |
| Section 21: | N/2 |
| Section 22: | All. |

(4) The Indian Basin-Upper Pennsylvanian Associated Pool is currently governed by the "*Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool*," as promulgated by Division Order No. R-9922, as amended, which require standard 320-acre oil and gas spacing units with wells to be located no closer than 660 feet from the outer boundary of the proration unit nor closer than 330 feet from any quarter-quarter section line or subdivision inner boundary, and with no more than one well per 80-acre tract to be drilled or produced on a standard proration unit. The special depth bracket allowable for the pool is 1,400 barrels of oil per day. The limiting gas-oil ratio for the pool is 7,000 cubic feet of gas per barrel of oil, which results in a casinghead gas allowable of 9.8 MMCFG per day.

(5) The Indian Basin-Upper Pennsylvanian Associated Pool currently comprises the following described area in Eddy County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM

| | |
|---------------------|------|
| Section 27: | S/2 |
| Sections 33 and 34: | All. |

TOWNSHIP 22 SOUTH, RANGE 24 EAST, NMPM

Sections 2 through 10: All
Section 11: N/2
Sections 16 and 17: All.

(6) The applicants, Marathon Oil Company, Yates Petroleum Corporation, Oryx Energy Company, Devon Energy Corporation (Nevada), and Santa Fe Energy Resources, Inc. seek an order expanding the Indian Basin-Upper Pennsylvanian Associated Pool in Eddy County, New Mexico to include:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

Section 36: E/2

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM

Sections 20 and 21: All
Sections 28 through 32: All

TOWNSHIP 22 SOUTH, RANGE 23 EAST, NMPM

Section 1: E/2
Section 12: E/2
Section 13: E/2

TOWNSHIP 22 SOUTH, RANGE 24 EAST, NMPM

Section 18: All

AND THE concomitant contraction of the Indian Basin-Upper Pennsylvanian Gas Pool by deleting therefrom:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

Section 36: E/2

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM

Sections 20 and 21: All
Sections 28 through 32: All

TOWNSHIP 22 SOUTH, RANGE 23 EAST, NMPM

Section 1: E/2
Section 12: E/2
Section 13: E/2.

(7) In conjunction with the proposed adjustment to the boundaries of the two subject pools, the applicants seek to establish the following four 320-acre, more or less, GPU's within the Indian Basin-Upper Pennsylvanian Gas Pool within Section 36, Township 21 South, Range 23 East, NMPM, and Sections 1, 12, and 13, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico:

(A) the W/2 of Section 36, comprising 320 acres, which is to be dedicated to the existing Lowe State Gas Com Well No. 1 (**API No. 30-015-10342**), located 1995 feet from the North line and 1712 feet from the West line (Unit F) of Section 36;

(B) the W/2 equivalent of Section 1, comprising 336.57 acres, on which there is currently no well;

(C) the W/2 of Section 12, comprising 320 acres, which is to be dedicated to the existing Smith Federal Gas Com Well No. 2 (**API No. 30-015-26834**) located 2049 feet from the North line and 480 feet from the West line (Unit E) of Section 12; and

(D) the W/2 of Section 13, comprising 320 acres, which is to be dedicated to the HOC Federal Gas Com Well No. 2 (**API No. 30-015-26939**) located 330 feet from the North and West lines (Unit D) of Section 13.

(8) The proposed acreage and pool rededication results in the Lowe State Gas Com Well No. 1 being only 928 feet from the outer boundary of its newly designated 320-acre gas proration unit. The resulting unorthodox gas well location for this well requires proper authorization pursuant to the appropriate rules and regulations governing the Indian Basin-Upper Pennsylvanian Gas Pool.

(9) On behalf of the applicants, Marathon Oil Company presented geologic, petroleum engineering, and oil and gas mineral ownership and land evidence, which demonstrates that this application should be granted and which is summarized as follows:

(A) In the Indian Basin area, the Upper Pennsylvanian interval contains multiple compartmentalized reservoirs, which are productive of oil, gas and water from several dolomitized horizons from the top of the Cisco formation to

the base of the Canyon formation.

(B) The Cisco/Canyon formations within the Indian Basin-Upper Pennsylvanian Gas Pool, including the extension area, and the Indian Basin-Upper Pennsylvanian Associated Pool were originally developed with flowing gas wells on 640-acre gas spacing such that, once the gas wells stopped flowing as a result of water encroachment, the wells were abandoned.

(C) The Indian Basin-Upper Pennsylvanian Gas Pool attained its maximum extension in the 1970s and, since then, water encroachment has advanced from east to west slowly watering out the flowing gas wells. Currently, flowing gas production occurs west of a structural contour line at minus 3300 feet subsea elevation.

(D) In 1992, Yates Petroleum Corporation reentered and recompleted the Hickory "ALV" Federal Well No 1 (API No. **30-015-10566**), located 1650 feet from the North and West lines (Unit F) of Section 17, Township 22 South, Range 24 East, NMPM. Using the same high capacity pumps used in the nearby South Dagger Draw-Upper Pennsylvanian Associated Pool, Yates was able to achieve rates of 400 BOPD, 500 MCFGPD and 1200 BWPD in a former Indian Basin-Upper Pennsylvanian Gas Pool well which had previously been depleted. Thereafter the Division entered Order No. R-9922 and created the Indian Basin-Upper Pennsylvanian Associated Pool.

(E) The Cisco/Canyon formations within the Indian Basin-Upper Pennsylvanian Associated Pool and the extension area are in a structural feature separated from the Indian Basin-Upper Pennsylvanian Gas Pool by a structural saddle at the top of the Cisco at a subsea elevation of minus 3500 feet. New wells located within 320-acre spacing units in the Indian Basin-Upper Pennsylvanian Associated Pool and the extension area are now producing or have the potential to produce oil and gas that was not previously recovered when this area was originally developed as part of the Indian Basin-Upper Pennsylvanian Gas Pool.

(F) Current oil and gas production from the Cisco/Canyon formations in the Indian Basin-Upper Pennsylvanian Associated Pool and the extension area required extensive formation "de-watering." Hydrocarbons are mobilized by continuous movement of large volumes of water with artificial lift.

(G) Pressure data demonstrates that:

(i) the Indian Basin-Upper Pennsylvanian Associated Pool, with a pressure on average of 1600 psi, is not in pressure communication with the Indian Basin-Upper Pennsylvanian Gas Pool, which has a current pressure on average of 500 psi; and

(ii) wells in the extension area of Township 21 South, Range 24 East, NMPM, have a pressure related to the Indian Basin-Upper Pennsylvanian Associated Pool.

(H) Production data demonstrates that:

(i) there are no flowing gas wells in the extension area; and

(ii) old flowing gas wells in the extension area were abandoned when they watered out and new wells are attaining oil and gas production by using high capacity pumps.

(I) The division of Section 36, Township 21 South, Range 23 East, NMPM and Sections 1, 12, and 13, Township 22 South, Range 23 East, NMPM (the transition area) into non-standard 320-acre, more or less, gas proration and spacing units will provide an equitable "buffer" between the Indian Basin-Upper Pennsylvanian Gas Pool and the Indian Basin-Upper Pennsylvanian Associated Pool because:

(i) wells have been located or can be located such that drainage by wells in the Indian Basin-Upper Pennsylvanian Associated Pool can be met with counter drainage from wells located or to be located on the eastern side of each of the four 320-acre, more or less, non-standard gas spacing and proration units in the Indian Basin-Upper Pennsylvanian Gas Pool provided that wells located on the eastern side of these units can be no closer than 660 feet from the eastern boundary, which is also the setback requirement for wells in the Indian Basin-Upper Pennsylvanian Associated Pool; and

(ii) wells located in the Indian Basin-Upper Pennsylvanian Gas Pool will not suffer unfair competition from wells located or to be located in these four, non-standard gas proration units because allowables will be apportioned based upon the gas proration system adopted for the Indian Basin-Upper Pennsylvanian Gas Pool.

(J) The granting of this application should not impair the correlative rights:

(i) of any working interest owner within any of the existing 640-acre GPUs because there are voluntary joint operating agreements requiring that all those owners continue to share in production and pay costs from the new 320-acre spacing units on the same proportional basis as in the original 640-acre unit;

(ii) of any overriding royalty interest owner or the federal royalty under a federal oil and gas lease within any of the existing 640-

acre GPUs because there are federal communitization agreements requiring that all those owners continue to share in production from the new 320-acre spacing units on the same proportional basis as in the original 640-acre unit;

(iii) under Section 32, Township 21 South, Range 24 East, NMPM, which consists of two 320-acre State of New Mexico leases and is operated by Marathon Oil Company, because there are no overriding royalty owners and the State Land Office desires that the communitization agreement for the existing 640-acre proration unit terminate and be replaced by two 320-acre proration units co-extensive with the two State leases; and,

(iv) under Section 36, Township 21 South, Range 23 East, NMPM, which consists of two State of New Mexico leases and is operated by ORYX Energy Company, because there are no overriding royalty owners and the State Land Office desires that the existing 640-acre communitization agreement terminate and be replaced by two 320-acre communitization agreements.

(10) The evidence and testimony presented at the hearing further indicate that:

(A) The Cisco/Canyon formations within the Indian Basin-Upper Pennsylvanian Associated Pool and the extension area are a single structural feature such that wells located in this area should be subject to the same special rules and regulations.

(B) Geologic and petroleum engineering evidence demonstrate that substantial volumes of oil and gas, which otherwise would not be produced, can be economically recovered from the extension area if that area is subject to the

current rules applicable to the Indian Basin-Upper Pennsylvanian Associated Pool, thereby preventing waste.

(C) Making the extension area part of the Indian Basin-Upper Pennsylvanian Associated Pool will afford the opportunity to increase the de-watering process in the reservoir and improve recovery efficiencies for both oil and gas.

(D) The adoption of the four 320-acre, more or less, non-standard gas proration and spacing units will establish a temporary "buffer" or transition area between the Indian Basin-Upper Pennsylvanian Gas Pool and the Indian Basin-Upper Pennsylvanian Associated Pool, which at this time will establish equity and protect correlative rights.

(11) The applicants are all of the operators of wells in the extension area and they have met and unanimously agreed upon this application.

(12) In accordance with Division notification rules, notification of this application and request for hearing has been sent to the owners within the proposed expansion area and to the offset operators to each non-standard gas proration and spacing unit and no objections have been received by either the Division or Marathon Oil Company, which sent out these notices.

(13) In order to prevent waste, to prevent the drilling of unnecessary wells, to protect correlative rights and provide for a more orderly development of the Cisco/Canyon formations, it is necessary to do the following:

(A) contract the Indian Basin-Upper Pennsylvanian Gas Pool and expand the Indian Basin-Upper Pennsylvanian Associated Pool as described in Finding Paragraph No. 6;

(B) approve the four non-standard 320-acre, more or less, GPU's within the Indian Basin-Upper Pennsylvanian Gas Pool as described in Finding Paragraph No. 7; and,

(C) approve an unorthodox gas well location for the Lowe State Gas Com Well No. 1 located 1995 feet from the North line and 1712 feet from the West line (Unit K) of said Section

36.

(14) Marathon Oil Company, Santa Fe Energy Resources, Inc. and ORYX Energy Corporation were present at the hearing and Marathon Oil Company, on behalf of the applicants, provided technical land, geologic and engineering testimony concerning the reservoir and, these pools.

(15) No other operator and/or interest owner appeared at the hearing in opposition to the application.

(16) Approval of the applicant's request will allow the interest owners the opportunity to economically recover their share of the oil and gas in the subject pools, will not reduce ultimate recovery from the subject pools, and will not violate correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The Indian Basin-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby contracted by the deletion of the following described area:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

Section 36: E/2

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM

Sections 20 and 21: All

Sections 28 through 32: All

TOWNSHIP 22 SOUTH, RANGE 23 EAST, NMPM

Section 1: E/2

Section 12: E/2

Section 13: E/2.

(2) Concomitantly, the Indian Basin-Upper Pennsylvanian Associated Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein the following described area:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

Section 36: E/2

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM

Sections 20 and 21: All
Sections 28 through 32: All

TOWNSHIP 22 SOUTH, RANGE 23 EAST, NMPM

Section 1: E/2
Section 12: E/2
Section 13: E/2.

TOWNSHIP 22 SOUTH, RANGE 24 EAST, NMPM

Section 18: All.

(3) The following four 320-acre, more or less, GPU's within the Indian Basin-Upper Pennsylvanian Gas Pool within Section 36, Township 21 South, Range 23 East, and Sections 1, 12, and 13, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico, are hereby approved:

(A) the W/2 of Section 36, comprising 320 acres, which is to be dedicated to the existing Lowe State Gas Com Well No. 1 (**API No. 30-015-10342**), located at an unorthodox gas well location for the 320-acre GPU, 1995 feet from the North line and 1712 feet from the West line (Unit F) of Section 36;

(B) the W/2 of Section 1, comprising 336.57 acres, on which there is currently no well;

(C) the W/2 of Section 12, comprising 320 acres, which is to be dedicated to the existing Smith Federal Gas Com Well No. 2 (**API No. 30-015-26834**) located 2049 feet from the North and 480 feet from the West lines (Unit E) of Section 12; and,

(D) the W/2 of Section 13, comprising 320 acres, which is to be dedicated to the HOC Federal Gas Com Well No. 2 (**API No. 30-015-26939**) located 330 feet from the North line and 330 feet from the West line (Unit D) of Section 13.

(4) Any future well located in any of these four non-standard gas proration and spacing units no closer than 660 feet to the eastern boundary of the unit shall be considered

to be at a standard location.

(5) The apportionment of gas allowables for the four non-standard GPU's shall be accomplished by applying a 0.5 acreage factor to each of the non-standard GPU's.

(6) An unorthodox gas well location for the following well in the Indian Basin-Upper Pennsylvanian Gas Pool, which became unorthodox as a result of the change in pool boundary, is hereby approved: Lowe State Gas Com Well No. 1 located 1995 feet from the North line and 1712 feet from the West line and of Section 36, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico.

(7) The locations of all wells presently drilling to or completed in the Indian Basin-Upper Pennsylvanian Associated Pool within this expansion area are hereby approved; the operator of any well having an unorthodox location shall notify the Artesia District Office of the Division in writing of the name and location of the well within thirty days from the date of this order.

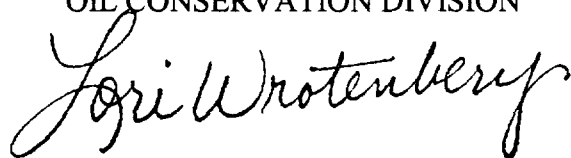
(8) Pursuant to Paragraph A of Section 70-2-18, NMSA (1978), contained in Chapter 271, Laws of 1969, existing wells in the Indian Basin-Upper Pennsylvanian Associated Pool within this expansion area shall have dedicated thereto 320 acres; or, pursuant to Paragraph C of Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

(9) Failure to file new Forms C-102 with the Division dedicating 320 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to being shut-in.

(10) Jurisdiction of this case 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



LORI WROTENBERY
Director

SEAL

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

TELEPHONE (505) 962-4285

TELEFAX (505) 962-2047

JASON KELLAHIN (RETIRED 1991)

FACSIMILE COVER SHEETDATE: November 24, 1998
TIME: 1:45 PM (Santa Fe)

NUMBER OF PAGES: -6-

TO: Michael E. Stogner
OF: NMOCD
FAX NO: (505) 827-8177REF: OGD Case 12006
Extension of Indian Basin-Upper Penn Associated Pool**MESSAGE:**

Dear Mike:

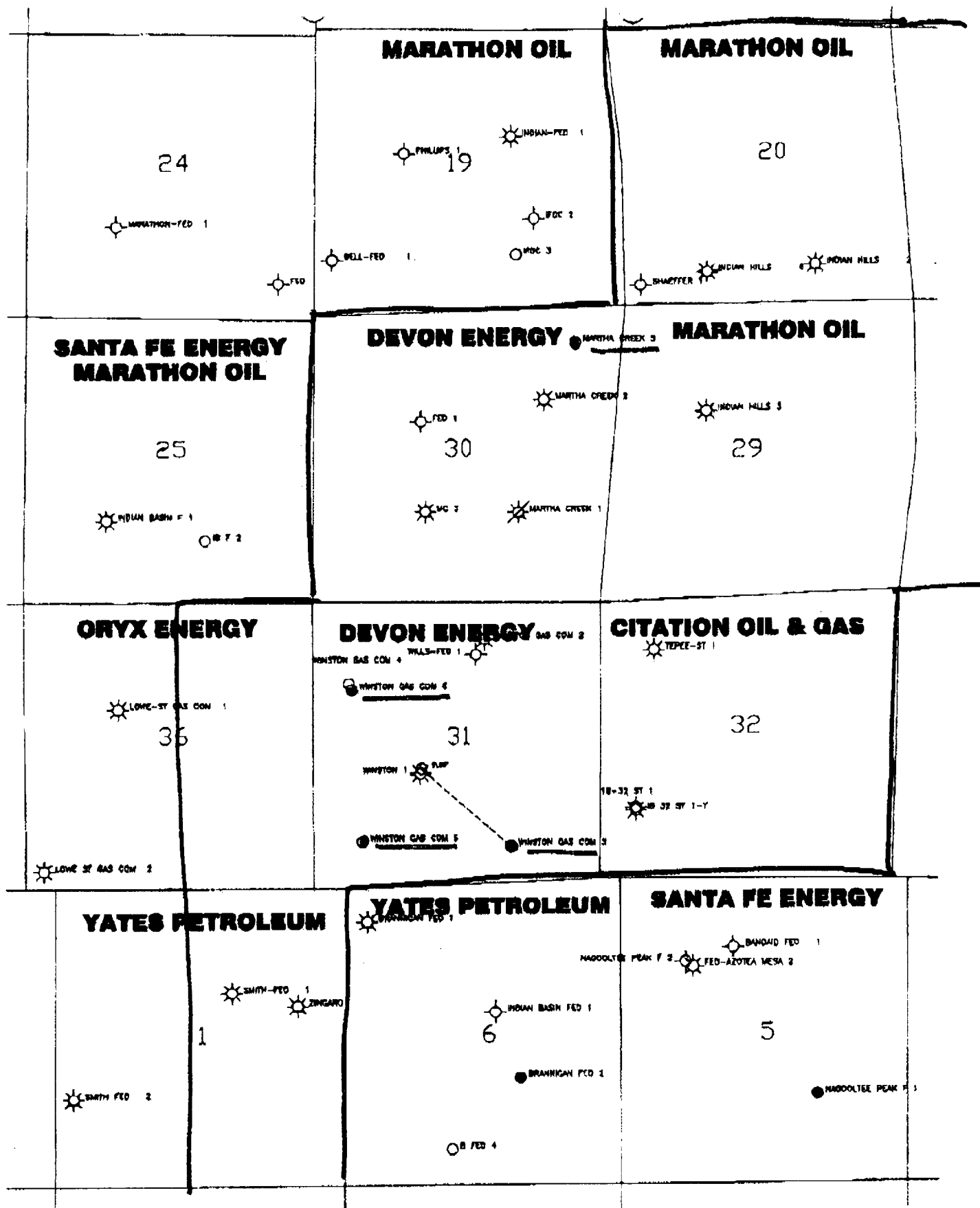
As I mentioned the other day, I'm getting a lot of pressure from three of my clients over wells in the extension area. They are shown on the attached letters from Oryx, Marathon and Devon. In addition Devon also has the Winston Gas Com Well No. 3 in Section 3, T21S, R24E.

I know you are working on the order. Please let me know when this order might be ready.

Regards,


W. Thomas Kellahin

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Thomas C. Lowry
Region Counsel
Mid-Continent Region
Law Organization



P.O. Box 552 (79702-0552)
125 West Missouri (79701-5204)
Midland, TX
Telephone 915/682-1626
Fax 915/687-8171

November 16, 1998

**Via Telecopy: (505) 982-2047
and Regular Mail**

Mr. W. Thomas Kellahin
Kellahin & Kellahin
117 North Guadalupe
El Patio Building
Santa Fe, New Mexico 87504

**Re: NMOCD Case No. 12006
Application of Marathon Oil Company, et al., for the Expansion of the Indian
Basin-Upper Penn Associated Pool**

Dear Mr. Kellahin:

Marathon is the operator of two State of New Mexico leases in Section 32, Township 21 South, Range 24 East, Eddy County, New Mexico, on which it currently operates two wells: the IB "32" State Well No. 1-Y and the IB "32" State Well No. 2. Marathon has recently drilled the IB "32" State Well No. 3, which Marathon anticipates will be completed as a producer during the week of November 23, 1998.

Because Section 32 is currently in the Indian Basin-Upper Penn Gas Pool, production from Section 32 is limited to the allowable set by OCD for a non-marginal proration unit in that prorated pool. That allowable is currently 6.5 MMCFG per day.

Marathon is currently able to produce the full allowable of 6.5 MMCFG per day from Section 32. Once the IB "32" Well No. 3 is completed, Marathon expects that Section 32 will be capable of producing 15 MMCFG per day. Under the Indian Basin-Upper Penn Associated Pool Rules, to which the section will be subject if the application in the above case is granted, Marathon will be able to produce 9.8 MMCFG per day from each 320-acre proration unit in the section. Thus, following completion of the IB "32" No. 3 Well, production from the section will be curtailed by virtue of the allowable set for the Indian Basin-Upper Penn Gas Pool, if an order granting the application in the above cause has not been issued.

Sincerely,

A handwritten signature in cursive script that reads 'Thomas Lowry'.
Thomas C. Lowry



Oryx Energy Company
13155 Noel Road
Dallas TX 75240-5067
PO Box 2880
Dallas TX 75221-2880
972 715 4000

November 12, 1998

Mr. W. Thomas Kellahin
Kellahin and Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87501

**Re: Expansion of Indian Basin Associated Pool
Eddy County, New Mexico**

Dear Mr. Kellahin;

Oryx Energy Company is in the process of putting together it's first quarter 1999 drilling program. At this time there are two wells that Oryx has put on it's drilling schedule, with one scheduled to spud in January, 1999 that are contingent on receiving a favorable ruling on captioned matter. The two wells are:

Lowe State #4 Well, located in the NE/4 of Section 36, T21S-R23E, Eddy County, New Mexico.

Malone "ASA" Federal Gas Com #2, located in the NE/4 of Section 12, T22S-R23E, Eddy County, New Mexico.

Anything that you can do to expedite obtaining a final ruling and an Order will be most appreciated. If we can be of any further service, please feel free to call me at 972/715-8371.

Sincerely,

ORYX ENERGY COMPANY

Fred B. Winter
Landman



Ken Gray, District Landman

20 North Broadway, Suite 1500
Oklahoma City, Oklahoma 73102-8260

Telephone: 405/552-4633
Fax: 405/552-8113

October 29, 1998

VIA CERTIFIED MAIL

Michael E. Stogner
Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87501

**Re: Winston Gas Com #5; Winston Gas Com #6; and
Martha Creek #5
Sections 30 & 31-T21S-R24E
Eddy County, New Mexico**

Dear Mr. Stogner:

Devon Energy Corporation (Nevada) ("Devon") requests administrative approval by the New Mexico Oil Conservation Division ("NMOCD") of the following three (3) unorthodox gas well locations in accordance with Division General Rule 104.F:

Winston Gas Com #5; 900' FWL and 856' FSL; Section 31-T21S-R24E
Winston Gas Com #6; 710' FWL and 1650' FNL; Section 31-T21S-R24E
Martha Creek #5; 660' FNL and 859' FEL; Section 30-T21S-R24E

All of the above wells will be drilled to a depth of approximately 9800' which will be sufficient to test both the Morrow and the Cisco/Canyon formations. These wells will be drilled primarily as Cisco/Canyon tests in anticipation of future Cisco/Canyon development.

The Morrow formation in Sections 30 and 31 are included within the current boundaries of the Indian Basin-Morrow Gas Pool which provides, among other things, for 640-acre proration and spacing units with well locations to be not closer than 660' to the outer boundary of a spacing unit.

The Cisco/Canyon formation in Sections 30 and 31 are included within the current boundaries of the Indian Basin-Upper Pennsylvanian Gas Pool which provides, among other things, for 640-acre proration and spacing units with well locations to be not closer than 1650' to the outer boundary of a spacing unit. Accordingly, a completion in the Cisco/Canyon formation will be at an unorthodox location according to current pool rules.

Michael E. Stogner
October 29, 1998
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Currently pending before the NMOCDC is an application of Marathon Oil Company, Yates Petroleum Corporation, Oryx Energy Company, Devon Energy Corporation (Nevada) and Santa Fe Energy Resources, Inc. in Case No. 12006 for the expansion of the Indian Basin-Upper Pennsylvanian Associated Pool and the contraction of the Indian Basin-Upper Pennsylvanian Gas Pool covering Sections 30 and 31 as well as other lands. Devon, as operator of Sections 30 and 31, may deem it necessary to proceed with the drilling of the above mentioned wells prior to the issuance of an Order approving the application in Case No. 12006.

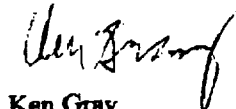
In support of this administrative application Devon proposes to incorporate by reference, all geologic and petroleum engineering evidence submitted in Case No. 12006 which demonstrates that this administrative application should be approved.

A copy of this application is being submitted to all affected offset operators as identified on the attached land plat.

Devon requests that this matter be approved at the earliest possible time.

Yours very truly,

DEVON ENERGY CORPORATION (NEVADA)



Ken Gray
District Landman

KG:mib/nmood.1

enc.