

**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:**

**CASE NO. 12121
Order No. R-11150**

**APPLICATION OF DEVON ENERGY CORPORATION (NEVADA) FOR POOL
ABOLISHMENT AND POOL EXPANSION, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on February 4, 1999, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 12th day of March, 1999, the Division Director, having considered the testimony, 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 applicant, Devon Energy Corporation (Nevada) (Devon), seeks to abolish the Sand Dunes-Cherry Canyon Pool, which currently comprises the following described acreage in Eddy County, New Mexico:

**Sand Dunes-Cherry Canyon Pool
Township 23 South, Range 31 East, NMPM**

Section 23:	SE/4
Section 24:	W/2
Section 25:	W/2
Section 26:	E/2
Section 35:	N/2

(3) The applicant further seeks to expand the vertical limits of the Ingle Wells-Delaware Pool to include the Cherry Canyon interval of the Delaware Mountain Group within that area currently encompassed by the Sand Dunes-Cherry Canyon Pool. The Ingle Wells-Delaware Pool currently comprises the following described area in Eddy County, New Mexico:

Ingle Wells-Delaware Pool
Township 23 South, Range 31 East, NMPM

Section 13:	NE/4, S/2
Section 23:	E/2
Sections 24 through 26:	All
Section 27:	S/2
Sections 34 through 36:	All

Township 24 South, Range 31 East, NMPM

Sections 2 and 3:	All
Section 10:	NE/4
Section 11:	N/2, SW/4

(4) Division records indicate that the Sand Dunes-Cherry Canyon Pool was created by Division Order No. R-3948 dated April 22, 1970. The discovery well for the pool was the Texas American Oil Corporation Todd "26" Federal Well No. 2 located in Unit G of Section 26, Township 23 South, Range 31 East. The well was completed in the Cherry Canyon member of the Delaware formation through perforations from 6,012 feet to 6,036 feet.

(5) Division records further indicate that the Ingle Wells-Delaware Pool was created by Division Order No. R-8969 dated July 27, 1989. The discovery well for the pool was the Texaco Production Inc. Todd "2" State Well No. 1 located in Unit F of Section 2, Township 24 South, Range 31 East. The well was completed in the Delaware formation through perforations from 7,210 feet to 7,217 feet.

(6) Both the Sand Dunes-Cherry Canyon and Ingle Wells-Delaware Pools are currently governed by Division Rule 104.C.(1), which requires standard 40-acre spacing and proration units with wells to be located no closer than 330 feet from the outer boundary of the spacing unit.

(7) The applicant presented geologic evidence and testimony indicating that:

- (a) the predominant producing interval within the Ingle Wells- Delaware Pool is the Brushy Canyon member, however there are some wells within the Ingle Wells-Delaware Pool that are completed in and producing from the Cherry Canyon interval and from other Delaware sands located above the Cherry Canyon; and
- (b) the Cherry Canyon member of the Delaware formation is present and potentially productive across the entire area encompassed by the Ingle Wells-Delaware Pool.

(8) The applicant presented land testimony indicating that:

- (a) Devon currently operates a considerable amount of acreage within both the Sand Dunes-Cherry Canyon and Ingle Wells-Delaware Pools;
- (b) the applicant notified Pogo Producing Company (Pogo), the only other operator within the Sand Dunes-Cherry Canyon Pool, of its application in this case. (Pogo did not appear in opposition to the application); and
- (c) the Sand Dunes-Cherry Canyon and Ingle Wells-Delaware Pools are directly offset to the north and west by the "Potash Area", which has the effect of curtailing the number of wells that can be drilled in this area.

(9) The applicant presented engineering evidence and testimony indicating that:

- (a) the cost to drill and equip a typical Cherry Canyon well in this area is approximately \$580,000, and cost to drill and equip a typical Brushy Canyon well in this area is approximately \$740,000;
- (b) the cost to drill and equip a dually completed Cherry Canyon/Brushy Canyon well in this area is approximately \$860,000; and
- (c) typical ultimate recoveries for Cherry Canyon and Brushy Canyon wells in this area are approximately 85,000 and 100,000 barrels of oil, respectively.

(10) Upon consideration of the evidence and testimony presented by the applicant in this case, the Division finds that:

- (a) there do not appear to be any geologic or engineering factors necessitating the segregation of the Cherry Canyon and Brushy Canyon members of the Delaware formation in the area of the Sand Dunes-Cherry Canyon Pool;
- (b) considerable cost savings can be achieved by drilling a single well to develop Cherry Canyon and Brushy Canyon reserves within the area of the Sand Dunes-Cherry Canyon Pool; and

- (c) approval of the application will benefit the applicant and other operators in this area with regards to the limited number of well locations available for drilling and developing Delaware reserves due to the presence of the "Potash Area."

(11) Approval of the application will allow the recovery of additional reserves from the Delaware formation that would otherwise not be recovered, thereby preventing waste, will prevent the drilling of unnecessary wells, and will otherwise protect correlative rights.

(12) All operators of wells within the Sand Dunes-Cherry Canyon Pool should be required to file new Forms C-102 with the Division's Artesia District Office within 60 days after the effective date of this order reflecting the change of pool from the Sand Dunes-Cherry Canyon Pool to the Ingle Wells-Delaware Pool.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Devon Energy Corporation (Nevada), the Sand Dunes-Cherry Canyon Pool, which currently comprises the following described area in Eddy County, New Mexico, is hereby abolished:

Sand Dunes-Cherry Canyon Pool
Township 23 South, Range 31 East, NMPM

Section 23:	SE/4
Section 24:	W/2
Section 25:	W/2
Section 26:	E/2
Section 35:	N/2

(2) Within the area previously contained within the Sand Dunes-Cherry Canyon Pool, the vertical limits of the Ingle Wells-Delaware Pool are hereby extended to include the entire Delaware formation.

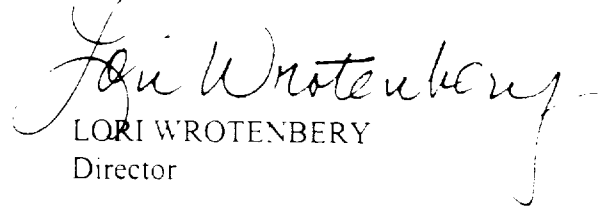
(3) All operators of wells within the Sand Dunes-Cherry Canyon Pool shall file new Forms C-102 with the Division's Artesia District Office within 60 days after the effective date of this order reflecting the change of pool from the Sand Dunes-Cherry Canyon Pool to the Ingle Wells-Delaware Pool.

(4) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director

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