

DEVON
ENERGY
CORPORATION

1500 Mid-America Tower
20 North Broadway
Oklahoma City, Oklahoma 73102-8260

405/235-3611
TWX 910-831-3277

September 6, 1989

Energy Minerals and
Natural Resources Department
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. David Catanach

Re: Application of
Devon Energy Corporation (Nevada)
for approval of the
Etz State Unit
Eddy County, New Mexico
Case No. 9738
Oil Conservation Division

Gentlemen:

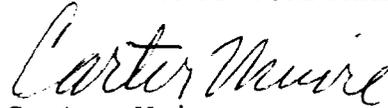
Under a cover letter dated August 29, 1989, Devon Energy Corporation (Nevada), ("Devon") forwarded to you a revision of paragraph (h) of Section 2, page 2 to the proposed Unit Agreement for the Etz State Unit. This revision of August 29, 1989, included portions of the San Andres formation in the unitized interval, by reference to the interval of 2,474 feet to 4,000 feet occurring on the unit typelog (Etz State No. 23, 990' FSL & 1650' FWL, Section 16, T17S-R30E). This reference to inclusion of portions of the San Andres formation in the unitized interval is not acceptable to the Bureau of Land Management insofar as the San Andres formation is not in a secondary recovery phase by water injection and the request for approval of the proposed Unit and Unit Agreement is based on secondary recovery operations.

As a remedy for this problem, Devon requests your consideration of revising the application and the pending order prior to issuing the final order, to include the revision of paragraph (h) of Section 2, page 2 of the proposed Etz State Unit Agreement enclosed herewith for insertion into the Unit Agreement for the Etz State Unit in replacement of existing page 2. Additionally Devon has revised the Plan of Development submitted with the subject application to include a statement of Devon's agreement to plug San Andres perforations in all proposed unit wells as they are reworked or entered for operational procedures as required under standards consistent with good oil field practice, and in compliance with the rules and regulations of the Oil Conservation Division and the Bureau of Land Management.

Your patience shown to date with our prior revisions of Section 2 is greatly appreciated, and hopefully the enclosed revisions will conclude the matter, enabling you to issue the order without further confusion. If Devon may be of assistance in any way with respect to this application, please contact the undersigned at your convenience.

Yours Very truly,

DEVON ENERGY CORPORATION (NEVADA)

A handwritten signature in cursive script that reads "Carter Muire".

Carter Muire
District Landman

CM/gc

SECTION 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 25, 1920, as amended, supra, and all valid pertinent regulations, including operating and unit plan regulations, heretofore issued thereunder or valid, pertinent, and reasonable regulations hereafter issued thereunder are accepted and made a part of this Agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this Agreement; and as to non-Federal lands, the oil and gas operating regulations in effect as of the Effective Date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the state in which the non-Federal land is located, are hereby accepted and made a part of this Agreement.

SECTION 2. UNIT AREA AND DEFINITIONS. For the purpose of this Agreement, the following terms and expressions as used herein shall mean:

(a) "Unit Area" is defined as those lands described in Exhibit "B" and depicted on Exhibit "A" hereof, and such land is hereby designated and recognized as constituting the Unit Area, containing 640 acres, more or less, in Eddy County, New Mexico.

(b) "Land Commissioner" is defined as the Commissioner of Public Lands of the State of New Mexico.

(c) "Division" is defined as the Oil Conservation Division of the Department of Energy and Minerals of the State of New Mexico.

(d) "Authorized Officer" or "A.O." is any employee of the Bureau of Land Management who has been delegated the required authority to act on behalf of the BLM.

(e) "Secretary" is defined as the Secretary of the Interior of the United States of America, or his duly authorized delegate.

(f) "Department" is defined as the Department of the Interior of the United States of America.

(g) "Proper BLM Office" is defined as the Bureau of Land Management office having jurisdiction over the federal lands included in the Unit Area.

(h) "Unitized Formation" shall mean that interval comprising the Grayburg formation underlying the Unit Area, the vertical limits of which extend from the top of the Grayburg formation to the geologic marker having been previously found to occur at 2,474 feet in Devon Energy Corporation (Nevada)'s Etz State No. 23 well (located 990' FSL and 1650' FWL of Section 16, T17S, R30E, Eddy County, New Mexico) as recorded on the Dresser Atlas BHC Acoustilog recorded on November 25, 1972, said log measured from a Kelly bushing elevation of 3,673 feet above mean sea level, to a lower limit of the base of the Grayburg formation, the geologic marker having been previously found to occur at 2,770 feet in the above well as recorded and measured by the above referenced well log.

(i) "Unitized Substances" are all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquid or liquefiable hydrocarbons, other than outside substances, within and produced from the Unitized Formation.

(j) "Tract" is each parcel of land described as such and given a Tract number in Exhibit "B."

(k) "Tract Participation" is defined as the percentage of participation shown on Exhibit "B" for allocating Unitized Substances to a Tract under this Agreement.

(l) "Unit Participation" is the sum of the percentages obtained by multiplying the Working Interest of a Working Interest Owner in each Tract by the Tract Participation of such Tract.

PLAN OF OPERATIONS FOR
THE ETZ STATE UNIT
EDDY COUNTY, NEW MEXICO

Devon Energy Corporation (Nevada), ("Devon") is the operator and owner of all right title and interest in and to certain leasehold record title and operating rights in several oil and gas leases ("leases") issued by The State of New Mexico and the Department of the Interior, Bureau of Land Management insofar as they cover and effect the proposed "Unitized Formation" as defined in the proposed Etz State Unit Agreement ("Unit Agreement"); said leases more fully described on Exhibit "A" and "B" to said Unit Agreement. The Unit Agreement, accompanied by supporting geological and engineering data and evaluations has been submitted herewith for approval to The Commissioner of Public Lands, The Oil and Gas Conservation Division of the Energy and Minerals Department of the State of New Mexico ("The Division") and the District Manager of the Bureau of Land Management, Department of the Interior ("B.L.M."). Said leases are valid and subsisting and currently producing in commercial quantities from the Unitized Formation or are within their respective primary terms.

Production of oil and gas from wells on said leases has reached an advanced state of depletion and such wells are classified as stripper wells. In order to effect a greater recovery of oil and/or gas associated hydrocarbons from the Unitized Formation, the value of which is reasonably expected to exceed the additional costs of conducting the operations herein proposed, and to prevent waste and conserve natural resources, Devon has continued to inject water into the proposed Unitized Formation through certain wells ("injection wells") under permission granted by the Order of The Oil and Gas Conservation Division dated February 13, 1985 in Case No. 8481, Order No. R-7926 as modified by letters dated July 7, 1986 and April 13, 1989 from the Oil Conservation Division, of the Energy, Minerals and Natural Resources Department of the State of New Mexico. These injection wells are identified as follows, to wit:

<u>CURRENT WELL NAME</u>	<u>PROPOSED UNIT WELL NAME</u>	<u>LOCATION</u>	<u>CURRENT PERFORATIONS</u>
ETZ "B" State Well No. 18	8-1	Section 16: SW NE T17S, R30E	2551-2798
ETZ State Well No. 24	3-7	Section 16: NE NE SW T17S, R30E	2533-2779
ETZ "C" State Well No. 17	6-1	Section 16: SW NW T17S, R30E	2532-2776
Randel State Well No. 3	5-1	Section 16: NE NW T17S, R30E	2564-2795

Said original order and modifying letters are attached hereto as Exhibit "A." Devon has succeeded as Operator of the above injection wells under the original order by virtue of acquisition of all rights and title of the prior owner and Operator, Texas American Oil Corporation in the wells and oil and gas leases effected by said order.

The interval of perforation in the currently existing injection wells is set forth above. The current rate of injection into these wells ranges from 0 bbls water per day to 135 bbls water per day at pressures from 1,084 psig to 1,240 psig in accordance with the above referenced order as amended. Devon may from time to time alter existing perforations within the proposed Unitized Formation.

Upon effective approval of the unit, Devon intends to perform a cement squeeze of existing perforations in the Queen formation in the existing Randel State Well No. 5, and Etz State Well No. 20 wells, (Unit Well Name 5A-1 and 3-4 respectively). Additionally, Devon will plug all perforations and open hole completions in the San Andres formation in all unit wells as and when such wells are reworked or entered for operational purposes under standards of good oil field practice, and in compliance with rules and regulations of The Oil Conservation Division of The Energy Minerals and Natural Resources Department of the State of New Mexico, and The Bureau of Land Management.

Devon intends to seek approval of additional injection wells at the following locations including perforations in the following intervals by submittal of a Division form C-108, and related B.L.M. Sundry Notice in accordance with Division rules 701, 1203, 1204, 1205, 1206, and 1207, and B.L.M. Operating Procedure.

<u>CURRENT WELL NAME</u>	<u>PROPOSED UNIT WELL NAME</u>	<u>LOCATION</u>	<u>PERFORATIONS</u>
ETZ "J" State No. 22	4-3	Section 16: NW SW SE T17S-R30E	2539-2802
Collier Federal No. 1	1-1	Section 17: NE NE	2573-2819

Operation of the above existing injection wells and proposed injection wells will be conducted pursuant to existing and prospective orders, and governed by standards of good geologic and petroleum engineering practices and conservation methods as prescribed by industry custom and practice.

Injection into each of said wells shall be through internally coated tubing, set in a packer which shall be located as near as practicable to the uppermost perforation; the casing-tubing annulus of each injection well shall be loaded with an inert fluid and equipped with an approved pressure gauge or attention-attracting leak detection device.

The injection wells and/or injection system shall be so equipped as to limit injection pressures at the respective wellheads as prescribed in the pertinent orders as may be amended from time to time through authorization of the Division Director following application and satisfactory showing that such pressures will not result in fracturing of the confining strata.

Devon shall furnish The Commissioner, The Division, and the District Manager of the B.L.M. with monthly injection and production reports for each well in the proposed Unit Area. Subject to approval and final order, operations shall be commenced on August 1, 1989, at 7:00 a.m. and shall be conducted in accordance with Division Rules 701 through 708, and 1115, and all pertinent rules and regulations of the B.L.M.

KELLAHIN, KELLAHIN and AUBREY
Attorneys at Law

W. Thomas Kellahin
Karen Aubrey

Jason Kellahin
Of Counsel

El Patio - 117 North Guadalupe
Post Office Box 2265
Santa Fé, New Mexico 87504-2265

Telephone 982-4285
Area Code 505

Fax: 505/982-2047

July 31, 1989

RECEIVED

AUG 1 1989

OIL CONSERVATION DIVISION

Mr. William J. LeMay
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501

Re: Devon Energy Corporation
for Approval of the ETZ State
Unit Well, Eddy County,
New Mexico

Case 9734

Dear Mr. LeMay:

On behalf of Devon Energy Corporation please set the enclosed application for hearing on the Division Examiner's docket now scheduled for August 23, 1989.

Very truly yours,



W. Thomas Kellahin

WTK/rs
Encl.

cc: Mr. Carter Muire - Devon Energy Corporation

"Certified Return-Receipt Requested"

All parties listed in Application.

RECEIVED

AUG 1 1989

OIL CONSERVATION DIVISION

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

IN THE MATTER OF THE APPLICATION OF
DEVON ENERGY CORPORATION FOR APPROVAL
OF THE ETZ STATE UNIT, EDDY COUNTY,
NEW MEXICO

CASE NO. 9734

A P P L I C A T I O N

COMES NOW Devon Energy Corporation and applies to the Oil Conservation Division of New Mexico for approval of its ETZ State Unit, Eddy County, New Mexico, and in support thereof would show:

1. Applicant has formed its ETZ State Unit, composed of State and Federal acreage consisting of the following lands:

640-acres, more or less, covering:

Township 17 South, Range 30 East, NMPM
Section 16: NW/4; S/2 NE/4; SE/4; E/2SW/4 and NW/4SW/4
Section 17: N/2 NE/4; SE/4 NE/4

2. Applicant is designated as operator of the proposed unit.

3. The Unit Agreement has been submitted to the Commissioner of Public Lands and Bureau of Land Management for preliminary approval.

4. The said Unit Agreement has been approved by sufficient owners of interests to assure its ultimate effectiveness.

5. The said Unit is being formed for the further development by waterflood of the acreage dedicated to it.

6. Attached as Exhibit "A" is a list of the names and addresses of those parties to be included in this unit and to whom notification of the Division hearing to be held on August 23, 1989, has been provided.

7. Attached as Exhibit "B" is a plat of the unit area.

8. The granting of this application will result in the prevention of waste and the protection of correlative rights.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing before the Division's duly appointed Examiner and that after such notice and hearing, an order be granted approving the Unit Agreement.

Kellahin, Kellahin & Aubrey

By: 

W. Thomas Kellahin

Post Office Box 2265
Santa Fe, New Mexico 87504

(505) 982-4285

Exhibit "A"

Bureau of Land Management
Post Office Box 1397
Roswell, New Mexico 88201

Oil & Gas Division
Office of the Commissioner of
Public Lands
Post Office Box 1148
Santa Fe, New Mexico 87504-1148

KELLAHIN, KELLAHIN and AUBREY

Attorneys at Law

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Karen Aubrey

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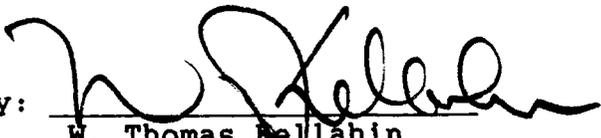
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By: 

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Santa Fe, New Mexico 87504

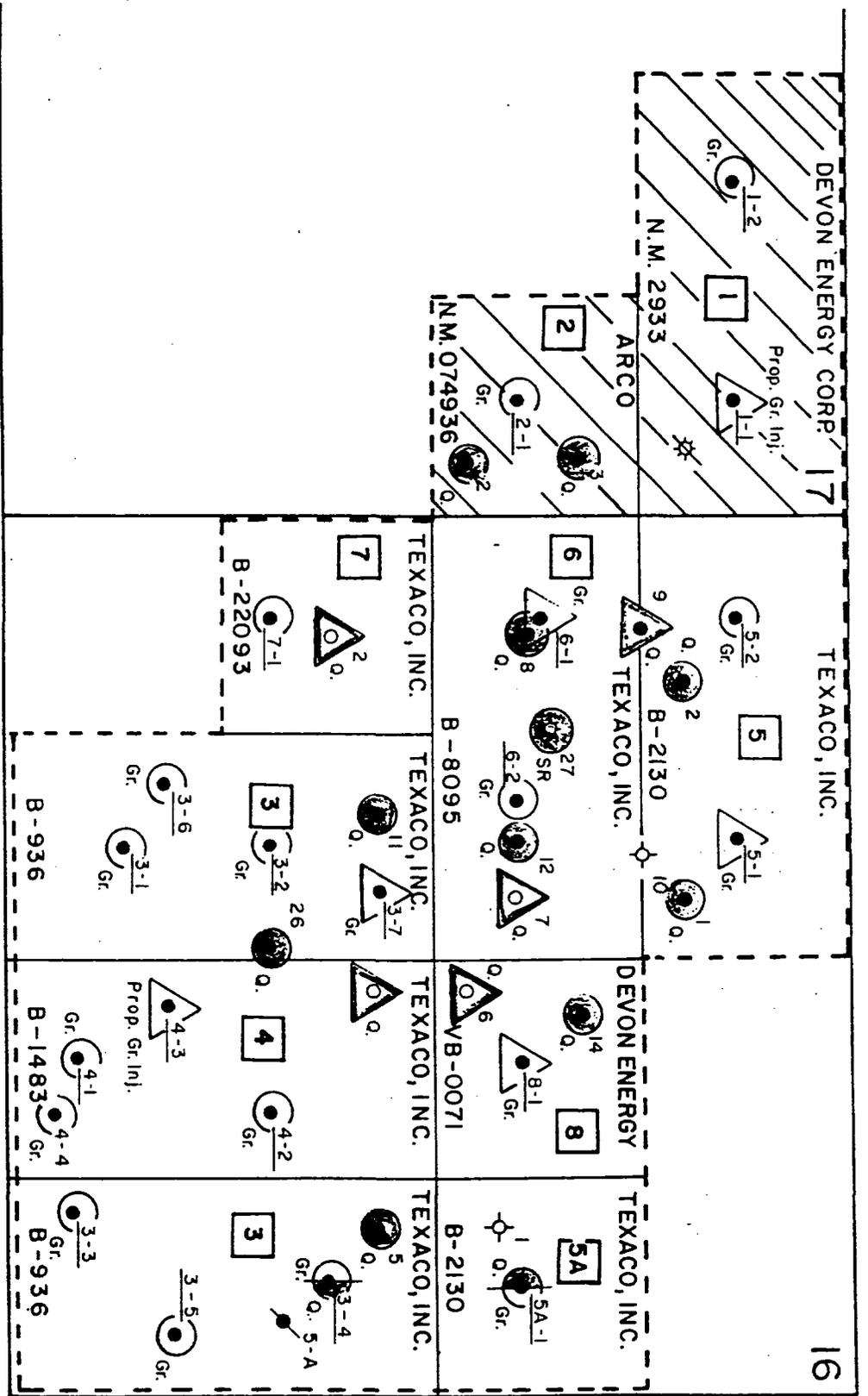
(505) 982-4285

Exhibit "A"

Bureau of Land Management
Post Office Box 1397
Roswell, New Mexico 88201

Oil & Gas Division
Office of the Commissioner of
Public Lands
Post Office Box 1148
Santa Fe, New Mexico 87504-1148

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S



△ Gr. INJECTOR WITH ZONE NOTED

▨ FEDERAL LANDS

□ STATE LANDS

- - - UNIT OUTLINE

3 TRACT NUMBER

● Q. QUEEN PRODUCER

Gr. ...

Exhibit "R"

R-30-E

DEVON
ENERGY CORPORATION
EXHIBIT A

ETZ - STATE UNIT
Eddy Co., New Mexico
UNIT DETAIL MAP:

111 000'

5-89

KELLAHIN, KELLAHIN and AUBREY

Attorneys at Law

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Karen Aubrey

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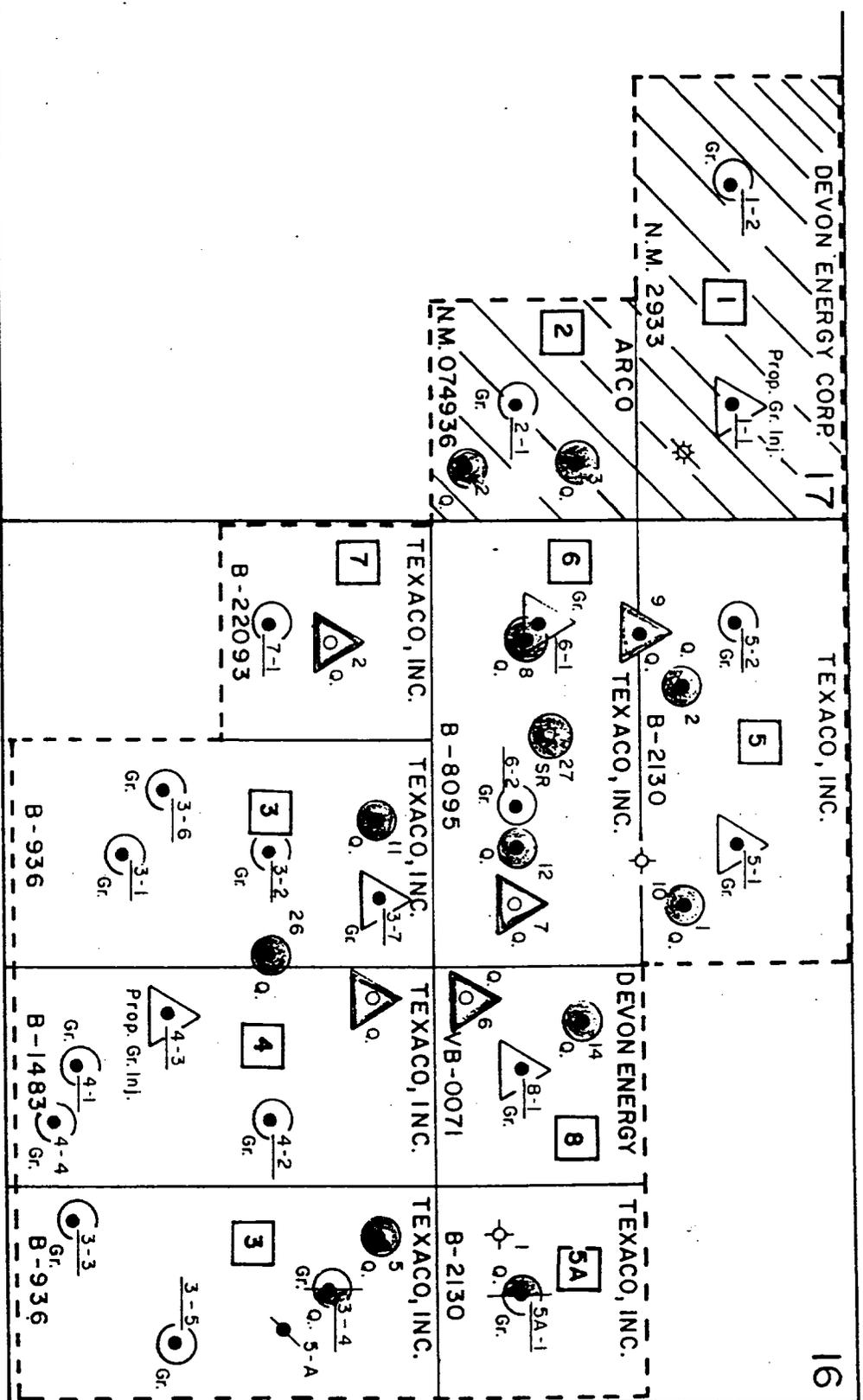
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Roswell, New Mexico 88201

Oil & Gas Division
Office of the Commissioner of
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Post Office Box 1148
Santa Fe, New Mexico 87504-1148

T
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S



Gr. INJECTOR WITH ZONE NOTED

FEDERAL LANDS

STATE LANDS

UNIT OUTLINE

TRACT NUMBER

QUEEN PRODUCER

Gr. PRODUCER

Map Sheet 11

DEVON
ENERGY CORPORATION

EXHIBIT A

ETZ - STATE UNIT
Eddy Co., New Mexico

UNIT DETAIL MAP: