



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

September 13, 2004

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Devon Energy Production Company, L. P.
20 North Broadway
Oklahoma City, Oklahoma 73102-8260

Attention: **Ken Gray**

Administrative Order NSL-5110 (BHL) (SD)
(Non-Standard Subsurface Location/Producing Area)

Dear Mr. Gray:

Reference is made to the following: (i) your application initially submitted to the New Mexico Oil Conservation Division ("Division") by telefax on September 8, 2004 (*application reference No. pSEM0-425242605*); (ii) Mr. Michael E. Stogner's, Engineer/Chief Hearing Officer with the Division, in Santa Fe, telephone conversation with Ms. Linda Guthrie on Monday morning, September 13, 2004; and (iii) the Division's records in Artesia and Santa Fe: all concerning Devon Energy Production Company, L. P.'s ("Devon") request to horizontally drill its proposed Apache "24" Federal Well No. 9 within the designated and Undesignated Southeast Quahada Ridge-Delaware Pool (50443) in Section 24, Township 22 South, Range 30 East, NMPM, Eddy County, New Mexico.

The Division Director Finds That:

- (1) The subject application has been duly filed under the provisions of Division Rules 104.F, 111.A (13), and 111.C (2);
- (2) The Southeast Quahada Ridge-Delaware Pool currently comprises the following described area in Eddy County, New Mexico:

TOWNSHIP 22 SOUTH, RANGE 30 EAST, NMPM

Section 24: E/2
Section 25: NE/4 and S/2
Section 36: NE/4 and S/2

TOWNSHIP 23 SOUTH, RANGE 30 EAST, NMPM

Section 1: N/2 and SE/4

TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM

Section 6: N/2;

- (3) The Southeast Quahada Ridge-Delaware Pool is subject to the statewide rules and regulations, as promulgated by Rule 104.B (1), which provides for 40-acre oil spacing and proration units, or drilling units, and requires that wells be located no closer than 330 feet to the outer boundary of a single 40-acre oil spacing and proration unit;

- (4) Strata's proposed 160-acre "project area", pursuant to Division Rules 111.A (9) and C (3), is to comprise the N/2 S/2 (Units I through L) of Section 24, will be created by combining four standard 40-acre oil spacing and proration units within Section 24;
- (5) Devon is currently developing the Southeast Quahada Ridge-Delaware Pool within the subject 160-acre project area with its existing Apache "24" Federal Well No. 3 (API No. 30-015-33080), located at a standard oil well location, within a standard 40-acre oil spacing and proration unit comprising the NE/4 SE/4 of Section 24, 1980 feet from the South line and 330 feet from the East line (Unit I) of Section 24 through perforations from 7,672 feet to 7,684 feet;
- (6) From the well completion report for the above-described Apache "24" Federal Well No. 3 (U. S. Bureau of Land Management form OBM No. 1004-0137 dated December 16, 2003), Devon indicates that the top of the Delaware formation was encountered at a depth of 3,899 feet;
- (7) It is the Division's understanding that Devon proposes to drill its Apache "24" Federal Well No. 9 at a surface location 1386 feet from the South line and 330 feet from the East line (Unit I) of Section 24, kick-off from vertical in a west-northwesterly direction at an approximate depth of 5,922 feet and built angle at a rate of 2.95 degrees per 100 feet until a 30 degree inclination is achieved. This 30 degree inclination will be held to an approximate measured depth of 7,550 feet (7,422 feet TVD), which a second kick-off will be made from the wellbore, angle will be increased to 90.62 degrees and a horizontal drainhole will be drilled a lateral distance of 3,667 feet to a targeted end point 2310 feet from the South line and 330 feet from the West line (Unit L) of Section 24;
- (8) From the information provided and the Division's records, the SE/4 SE of Section 12, the NE/4, SE/4 NW/4, E/2 SW/4, and SE/4 of Section 13, and the NE/4, E/2 NW/4, and S/2 of Section 24, all in Township 22 South, Range 30 East, NMPM, Eddy County, New Mexico, comprises a single Federal lease (U. S. Government lease No. NM-89051) in which Devon owns 100 % of the record title; and
- (9) It appearing the applicant has satisfied all of the appropriate requirements prescribed in Rules 111.C (2) and 104.F, the subject application should be approved and the subject horizontal drainhole and 160-acre project area should be governed by the provisions contained within this order and all other applicable provisions of Division Rule 111.

It Is Therefore Ordered That:

- (1) Devon Energy Production Company, L. P. ("Devon") is hereby authorized to operate a horizontal/high angle directional drilling project area ("Project Area") within the 160 acres that comprises the N/2 S/2 (Units I through L) of Section 24, Township 22 South, Range 30 East, NMPM, designated and Undesignated Southeast Quahada Ridge-Delaware Pool (50443) in Section 24, Township 22 South, Range 30 East, NMPM, Eddy County, New Mexico, in which the following two wells are to be dedicated:

- (a) Devon's existing Apache "24" Federal Well No. 3 (API No. 30-015-33080), located at a standard oil well location 1980 feet from the South line and 330 feet from the East line (Unit I) of Section 24; and
- (b) Devon's proposed Apache "24" Federal Well No. 9, to be directionally drilled as a horizontal/high angle within the Delaware formation from a surface location 1386 feet from the South line and 330 feet from the East line (Unit I) of Section 24 to a standard targeted bottomhole oil well location, or end point, 2310 feet from the South line and 330 feet from the West line (Unit L) of Section 24.
- (2) The applicable drilling window or "producing area" within the designated and Undesignated Southeast Quahada Ridge-Delaware Pool for this horizontal/high angle directional drilling project is to be confined to that area within the subject 160-acre project area that is no closer than 66 feet to the north/south half quarter section line that divides the N/2 S/2 and S/2 S/2 of Section 24 nor closer than 330 feet to any other outer boundary line of the proposed project area.
- (3) The operator shall comply with all applicable requirements and conditions set forth in Division Rule 111.
- (4) Jurisdiction of this cause 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



MARK E. FESMIORE, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Artesia
U. S. Bureau of Land Management – Carlsbad
Ms. Linda Guthrie, Devon Energy Production Company, L. P. – Oklahoma City, OK (linda.Guthrie@dvn.com)