



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

July 22, 2005

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

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

Telefax No. (405) 552-8113

Attention: Ken Gray

*Administrative Order NSL-5237 (BHL) (SD)
(Non-Standard Subsurface Location/Producing Area)*

Dear Mr. Gray:

Reference is made to the following: (i) your application submitted to the New Mexico Oil Conservation Division ("Division") by telefax on June 22, 2005 (*administrative application reference No. pSEM0-517432329*); and (ii) 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 "13" Federal Well No. 8 within the designated and Undesignated Cabin Lake-Delaware Pool (8435) in Section 13, 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 Cabin Lake-Delaware Pool currently comprises the following described area in Eddy County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 30 EAST, NMPM

Section 34: SE/4
Section 35: S/2
Section 36: SW/4

TOWNSHIP 22 SOUTH, RANGE 30 EAST, NMPM

Section 1: W/2 and SE/4
Section 2: All
Section 3: E/2
Section 11: E/2
Section 12: W/2 and SE/4
Section 13: E/2

TOWNSHIP 22 SOUTH, RANGE 31 EAST, NMPM

Section 7: SW/4;

- (3) The Cabin Lake-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) Devon's proposed 120-acre "project area", pursuant to Division Rules 111.A (9) and C (3), is to comprise the S/2 NE/4 (Units G and H) and the SE/4 NW/4 (Unit F) of Section 13, will be created by combining three standard 40-acre oil spacing and proration units within Section 13;
- (5) Devon is currently developing the Cabin Lake-Delaware Pool within the subject 120-acre project area with its existing Apache "13" Federal Well No. 4 (API No. 30-015-33077), located at a standard oil well location, within a standard 40-acre oil spacing and proration unit comprising the SE/4 NE/4 (Unit H) of Section 13, 1730 feet from the North line and 330 feet from the East line of Section 13 through perforations from 6,770 feet to 6,784 feet;
- (6) From the well completion report for the above-described Apache "13" Federal Well No. 4 (U. S. Bureau of Land Management form OBM No. 1004-0137 dated March 25, 2004), Devon indicates that the top of the Delaware formation was encountered at a depth of 3,855 feet;
- (7) It is the Division's understanding that Devon intends to drill the referenced horizontal Delaware well to a total vertical depth (TVD) of approximately 6,780 feet with a measured depth (MD) of approximately 10,010 feet from its proposed surface location, 2530 feet from the North line and 330 feet from the East line (also in Unit H) of Section 13, to a targeted end point, or bottomhole location, 1650 feet from the North and West lines (Unit F) of Section 13; the initial portion of the openhole (and potentially productive) horizontal section of the well will be located approximately 2400 feet from the North line and 821 feet from the East line (also in Unit H) of Section 13 at an approximate depth of 7,100 feet (MD);
- (8) From the information provided and the Division's records, the SE/4 SE/4 of Section 12; the NE/4, SE/4 NW/4, E/2 SW/4, and SE/4 of Section 13; the NE/4, E/2 NW/4, and S/2 of Section 24; and the N/2, SW/4, and S/2 SE/4 of Section 25; 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 120-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 120 acres that comprises the S/2 NE/4 (Units G and H) and the SE/4 NW/4 (Unit F) of Section 13, Township 22 South, Range 30 East, NMPM, designated and Undesignated Cabin Lake-Delaware Pool (8435) in which the following two wells are to be dedicated:

(a) Devon's existing Apache "13" Federal Well No. 4 (API No. 30-015-33077), located at a standard oil well location 1730 feet from the North line and 330 feet from the East line (Unit H) of Section 13; and

(b) Devon's proposed Apache "13" Federal Well No. 8, to be directionally drilled as a horizontal/high angle horizontal drainhole within the Delaware formation from a surface location 2530 feet from the North line and 330 feet from the East line (also in Unit H) of Section 13, to a standard targeted bottomhole oil well location, or end point, 1650 feet from the North and West lines (Unit F) of Section 13.

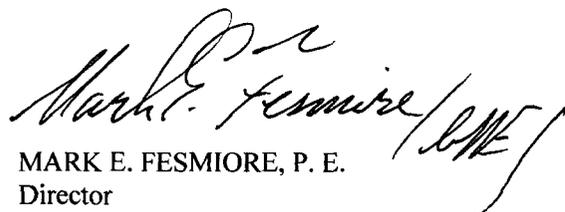
(2) The applicable drilling window or "producing area" within the designated and Undesignated Cabin Lake-Delaware Pool for this horizontal/high angle directional drilling project is to be confined to that area within the subject 120-acre project area that is no closer than 110 feet to the southern boundary line of the proposed project area 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