



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

February 4, 2004

Lori Wrotenbery

Director

Oil Conservation Division

Devon Energy Production Company, L. P.
20 North Broadway – Suite 1500
Oklahoma City, Oklahoma 73102-8260

Telefax No. (405) 552-8113

Attention: Ken Gray

Administrative Order NSL-4994 (BHL) (SD)

Dear Mr. Gray:

Reference is made to the following: (i) your application filed with the New Mexico Oil Conservation Division ("Division") by telefax on January 15, 2004 (*administrative application reference No. pMES0-402333814*); and (ii) the Division's records in Santa Fe, including the files on Division Cases No. 10986 and 10989: all concerning Devon's request for an exception to Rule 2 (b) of the "*Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool*", as promulgated by New Mexico Oil Conservation Division ("Division") Order Nos. R-9922, R-9922-A, R-9922-B, R-9922-C, R-9922-D, and R-9922-E and the "*General Rules and Regulations for the Associated Oil and Gas Pools of Northwest New Mexico and Southeast New Mexico*," as promulgated by Division Order No. R-5353, as amended, for the recently drilled and completed Old Ranch Canyon "7" Federal Well No. 7 (API No. 30-015-32604), which is located to an unorthodox bottom-hole location within a standard 297.68-acre stand-up spacing and proration unit comprising Lots 1 through 4 and the E/2 W/2 (W/2 equivalent) of Section 7, Township 22 South, Range 24 East, NMPM, Indian Basin-Upper Pennsylvanian Associated Pool (33685), Eddy County, New Mexico.

This unit is currently simultaneously dedicated to Devon's:

- (i) Old Ranch Canyon "7" Federal Well No. 2 (API No. 30-015-28075), located at an unorthodox location (approved by Division Order No. R-10152, issued in Case No. 10989 on July 19, 1994) 1600 feet from the North line and 1400 feet from the West line (Unit F) of Section 7; and
- (ii) Old Ranch Canyon "7" Federal Well No. 4 (API No. 30-015-31151), located on the surface 1599 feet from the North line and 1248 feet from the West line (Lot 2/Unit E) of Section 7, and completed within the Indian Basin-Upper Pennsylvanian Associated Pool at an approximate subsurface location 1916 feet from the South line and 1380 feet from the West line (Unit K) of Section 7.

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It is the Division's understanding that Devon permitted its Old Ranch Canyon "7" Federal Well No. 7 in January, 2003 to be directionally drilled from a surface location 1598 feet from the North line and 1097 feet from the West line (Lot 2/Unit E) of Section 7 to a standard bottom-hole location within the Indian Basin-Upper Pennsylvanian Associated Pool 660 feet from the North and West lines (Lot 1/Unit D) of Section 7.

However, it was determined after drilling to a total depth of 8,300 feet (MD) that the bottom-hole location of this well was 625 feet from the North line and 700 feet from the East line (Lot 1/Unit D) of Section 7.

This request been duly filed under the provisions of: (i) Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999; (ii) Division Rule 111.C (2); (iii) Division Rule 1207.A; and (iv) Rule 2 (c) of the Division's associated pool rules.

By the authority granted me under the provisions of Division Rule 104.F (2) and the applicable provisions of the special rules governing the Indian Basin-Upper Pennsylvanian Associated Pool, the above-described unorthodox bottom-hole location for Devon's Old Ranch Canyon "7" Federal Well No. 7 within the (W/2 equivalent) of Section 7 is hereby approved. Further, both the aforementioned well and spacing and proration unit will be subject to all existing rules, regulations, policies, and procedures applicable to the Indian Basin-Upper Pennsylvanian Associated Pool.

Devon is hereby authorized to simultaneously dedicate production attributed to the Indian Basin-Upper Pennsylvanian Associated Pool from the aforementioned Old Ranch Canyon "7" Federal Wells No. 2, 4, and 7. Furthermore, Devon is permitted to produce the allowable assigned the subject 297.68-acre spacing and proration unit from all three wells in any proportion.

Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,


Lori Wrotenbery
Director

LW/mes

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad