

858-0600

devon

ENERGY CORPORATION

20 North Broadway, Suite 1500
Oklahoma City, Oklahoma 73102-8260

Telephone: (405) 235-3611
Fax: (405) 552-4667

Fel 7

Mr. William J. LeMay
Oil Conservation Division
1040 South Pacheco Street
Santa Fe, NM 87505

Dear Mr. LeMay:

Devon Energy Corporation (Nevada) requests the Division to issue a Certification of Interest in the Shugart Unit Waterflood Project. A draft Certification is enclosed.

Your attention to this matter is appreciated.

Yours very truly,

DEVON ENERGY CORPORATION (NEVADA)



Ken Gray
District Landman

KG:da\ocd.lt
Enclosure



**CERTIFICATION OF ENHANCED OIL RECOVERY PROJECT
FOR THE RECOVERED OIL TAX RATE**

The New Mexico Oil Conservation Division hereby certifies that the following Enhanced Oil Recovery Project has been approved by the Division as a secondary project, pursuant to the provisions of the New Mexico Enhanced Oil Recovery Act (L. 1992, Ch. 38). In order to qualify for the Recovered Oil Tax Rate, you must apply to the Division for certification of a positive production response within five years from the date of this certification. Only production from that portion of the project area identified herein which is actually developed for enhanced recovery will qualify for the reduced tax rate.

If operation of this project is terminated for any reason, the operator of the project must notify this Division and the Secretary of the Taxation and Revenue Department not later than the thirtieth day after termination.

NAME OF PROJECT: East Shugart Unit Waterflood Project

DIVISION ORDER NOS.: R-3769 and R-10760

OPERATOR'S ADDRESS: Devon Energy Corporation (Nevada)
20 North Broadway, Suite 1500
Oklahoma City, OK 73102
Attention: Ken Gray

CERTIFICATION DATE: February _____, 1997

PROJECT AREA:

Township 18 South, Range 31 East, N.M.P.M.

Section 27: SE/4 SE/4

Section 34: E/2, SE/4 NW/4, N/2 SW/4, SE/4 SW/4

Section 35: W/2, NE/4, W/2 SE/4

Township 19 South, Range 31 East, N.M.P.M.

Section 3: Lots 2 and 3, SE/4 NW/4, SW/4 NE/4

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**

**WILLIAM J. LEMAY
Director**



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

June 29, 2000

Devon Energy Corporation (Nevada)
C/o Mr. James Bruce
P.O. Box 1056
Santa Fe, New Mexico 87504

Re: Positive Production Response
East Shugart Unit Waterflood Project

Dear Mr. Bruce:

I have reviewed your request dated February 24, 2000, to certify a positive production response within the East Shugart Unit Waterflood Project currently operated by Devon Energy Corporation (Nevada). From the data submitted, it appears that due to the limited number of injection wells and incomplete line drive injection patterns, not all producing wells within the unit may be benefiting from injection operations.

In order to process your application, I am requesting that Devon provide the Division a list of the producing wells within the unit that have exhibited a response to injection operations, together with supporting data.

Your application will be processed upon receipt of the requested data. If you should have any questions, please contact me at (505) 827-8184.

Sincerely,

A handwritten signature in cursive script that reads "David Catanach".

David Catanach
Engineer

Xc: Case File-11695

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

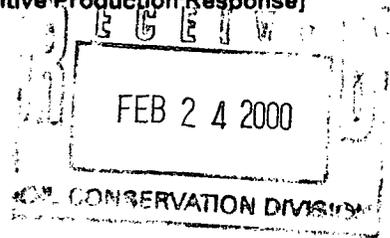
- [NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
- [DD-Directional Drilling] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Directional Drilling
 NSL NSP DD SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR



[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] **INFORMATION / DATA SUBMITTED IS COMPLETE** - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I further verify that all applicable API Numbers are included. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

JAMES BRUCE
 P.O. BOX 1056
 SANTA FE, NM 87504

Note: Statement must be completed by an individual with supervisory capacity.

James Bruce

 Signature

Attorney for Applicant

 Title

2/24/00

 Date

JAMES BRUCE

ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

3304 CAMINO LISA
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

February 24, 2000

David Catanach
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Dear Mr. Catanach:

Pursuant to Division Rule 30, Devon Energy Corporation (Nevada) ("Devon") applies for administrative approval of a positive production response for its East Shugart Unit Waterflood Project. In support thereof, Devon submits the following information:

1. Exhibit A: A copy of Order No. R-10760, which qualified the project as an Enhanced Oil Recovery Project.
2. Exhibit B: The letter from Devon requesting certification of the project. I do not know the exact date the certification was issued.
3. Exhibit C: A land plat of the unit. The project area is as follows:

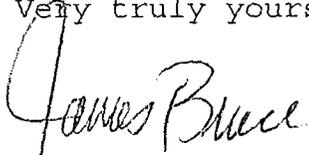
Township 18 South, Range 31 East, NMPM
Section 27: SE $\frac{1}{4}$ SE $\frac{1}{4}$
Section 34: E $\frac{1}{2}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$
Section 35: N $\frac{1}{2}$, SW $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$

Township 19 South, Range 31 East, NMPM
Section 3: Lots 2, 3, SW $\frac{1}{4}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$

4. Exhibit D: Data on the injection wells for the project.
5. Exhibit E: Information on the unit wells for which a positive production response is requested. The completion dates of the wells are given on the list.
6. Exhibits F and G: Graphical and tabular production data on the unit. Devon requests a response date of June 1, 1998.

Please call me if you need anything further on this matter.

Very truly yours,

A handwritten signature in cursive script that reads "James Bruce". The signature is written in dark ink and is positioned above the printed name.

James Bruce

Attorney for Devon Energy
Corporation (Nevada)

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVA-
TION DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 11695
ORDER NO. R-10760

APPLICATION OF DEVON ENERGY
CORPORATION (NEVADA) TO
QUALIFY A WATERFLOOD
EXPANSION PROJECT FOR THE
RECOVERED OIL TAX RATE
PURSUANT TO THE "ENHANCED OIL
RECOVERY ACT", EDDY COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on January 23, 1997, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 5th day of February, 1997, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) By Order No. R-3769 dated May 28, 1969, the Division authorized Atlantic Richfield Company to institute a waterflood project in its East Shugart Unit Area, described as follows, by the injection of water into the Yates and Queen formations, Shugart Yates-Seven Rivers-Queen-Grayburg Pool, Eddy County, New Mexico, through eleven initial injection wells located in Sections 27, 34 and 35, Township 18 South, Range 31 East, NMPM:

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM

Section 27: SE/4 SE/4

Section 34: E/2, SE/4 NW/4, N/2 SW/4, SE/4 SW/4

Section 35: W/2, NE/4, W/2 SE/4

EXHIBIT

A

TOWNSHIP 19 SOUTH, RANGE 31 EAST, NMPM

Section 3: Lots 2 & 3, SE/4 NW/4, SW/4 NE/4

(3) The applicant, Devon Energy Corporation (Nevada), being the current operator of the East Shugart Unit, seeks to qualify the East Shugart Unit Waterflood Project for the recovered oil tax rate pursuant to the "Rules and Procedures for Qualification of Enhanced Oil Recovery ("EOR") Projects and Certification for the Recovered Oil Tax Rate", as promulgated by Division Order No. R-9708, and pursuant to the "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5).

(4) According to applicant's evidence and testimony, active waterflood operations commenced within the East Shugart Unit in 1969 and continued until approximately the late 1980's.

(5) Division records indicate that at the time initial waterflood operations began within the East Shugart Unit, there were approximately twenty-nine producing wells and three injection wells. By the mid 1970's, there were approximately twenty-one producing wells and eleven injection wells.

(6) Division records further indicate that by 1988, there were only fourteen wells actively producing and eight wells actively injecting within the East Shugart Unit. In June, 1988, production averaged approximately 6.4 BOPD per producing well and injection averaged approximately 33 BWPD per injection well.

(7) As of January 1, 1989, cumulative production from the East Shugart Unit was approximately 3.6 MMBO and 1.9 BCFG.

(8) The applicant assumed operations of the East Shugart Unit in 1992.

(9) In mid-1993, applicant commenced an infill drilling program within the East Shugart Unit. To date, the applicant has drilled thirty-two new infill producing wells and has converted or otherwise re-activated ten injection wells within the unit area.

(10) Applicant testified that additional future development within the East Shugart Unit will include the drilling of an additional twelve infill producing wells, and the completion of a line-drive injection pattern.

(11) To date, applicant has invested approximately \$10 million dollars in its infill drilling and waterflood expansion program. In addition, applicant expects to incur an additional \$3.5 million dollars in capital costs completing its proposed infill drilling and waterflood expansion program.

(12) The evidence and testimony presented in this case indicates that:

- a) the line-drive injection pattern proposed to be utilized by the applicant within the East Shugart Unit represents a more efficient injection pattern than that previously utilized within this project;
- b) modern completion technology and the completion of zones previously not subject to waterflood/production operations will enhance the efficiency of the project;
- c) the reduction in the waterflood injection well pattern, increased producing well density and increased efficiency within the East Shugart Unit should result in the recovery of an additional 2.0 million barrels of oil from the unit area which would otherwise not be recovered;
- d) the East Shugart Unit has been so depleted that it is prudent to implement a waterflood injection well pattern reduction and infill drilling program to maximize the ultimate recovery of crude oil from said area; and,
- e) the proposed expansion is economically and technically feasible and has not been prematurely filed.

(13) The East Shugart Unit Waterflood Project should be qualified as an "Enhanced Oil Recovery Project" pursuant to the "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5).

(14) To be eligible for the EOR credit, the operator should advise the Division when water injection into each additional injection well commenced or will commence and at such time request that the Division certify the subject expansion project to the New Mexico Taxation and Revenue Department.

(15) At such time as a positive production response occurs and within five years from the date of the Certificate of Qualification, the applicant must apply to the Division for certification of positive production response, which application shall identify the area actually benefitting from enhanced recovery operations, and identifying the specific wells which the operator believes are eligible for the credit. The Division may review the application administratively or set it for hearing. Based upon evidence presented, the Division will certify to The Department of Taxation and Revenue those lands and wells which are eligible for the credit.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Devon Energy Corporation (Nevada), the East Shugart Unit Waterflood Project, described as follows, is hereby qualified as an "Enhanced Oil Recovery Project" pursuant to the "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5):

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM

Section 27: SE/4 SE/4

Section 34: E/2, SE/4 NW/4, N/2 SW/4, SE/4 SW/4

Section 35: W/2, NE/4, W/2 SE/4

TOWNSHIP 19 SOUTH, RANGE 31 EAST, NMPM

Section 3: Lots 2 & 3, SE/4 NW/4, SW/4 NE/4

(2) The approved "project area" shall comprise the entire East Shugart Unit described in Finding No. (1) above.

(3) To be eligible for the EOR credit, the operator shall advise the Division when water injection into each additional injection well commenced or will commence and at such time request that the Division certify the subject expansion project to the New Mexico Taxation and Revenue Department.

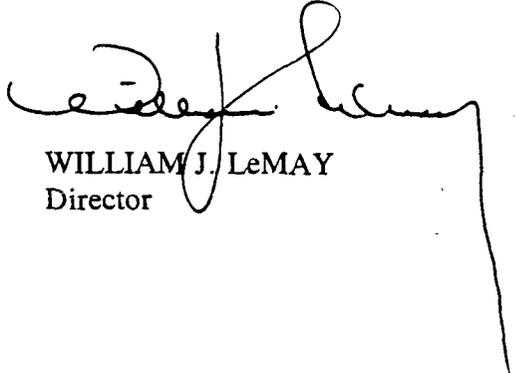
(4) At such time as a positive production response occurs and within five years from the date of the Certificate of Qualification, the operator must apply to the Division for certification of positive production response, which application shall identify the area actually benefitting from enhanced recovery operations, and identifying the specific wells which the operator believes are eligible for the credit. The Division may review the application administratively or set it for hearing. Based upon evidence presented, the Division will certify to The Department of Taxation and Revenue those lands and wells which are eligible for the credit.

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

CASE NO. 11695
Order No. R-10760
Page -5-

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

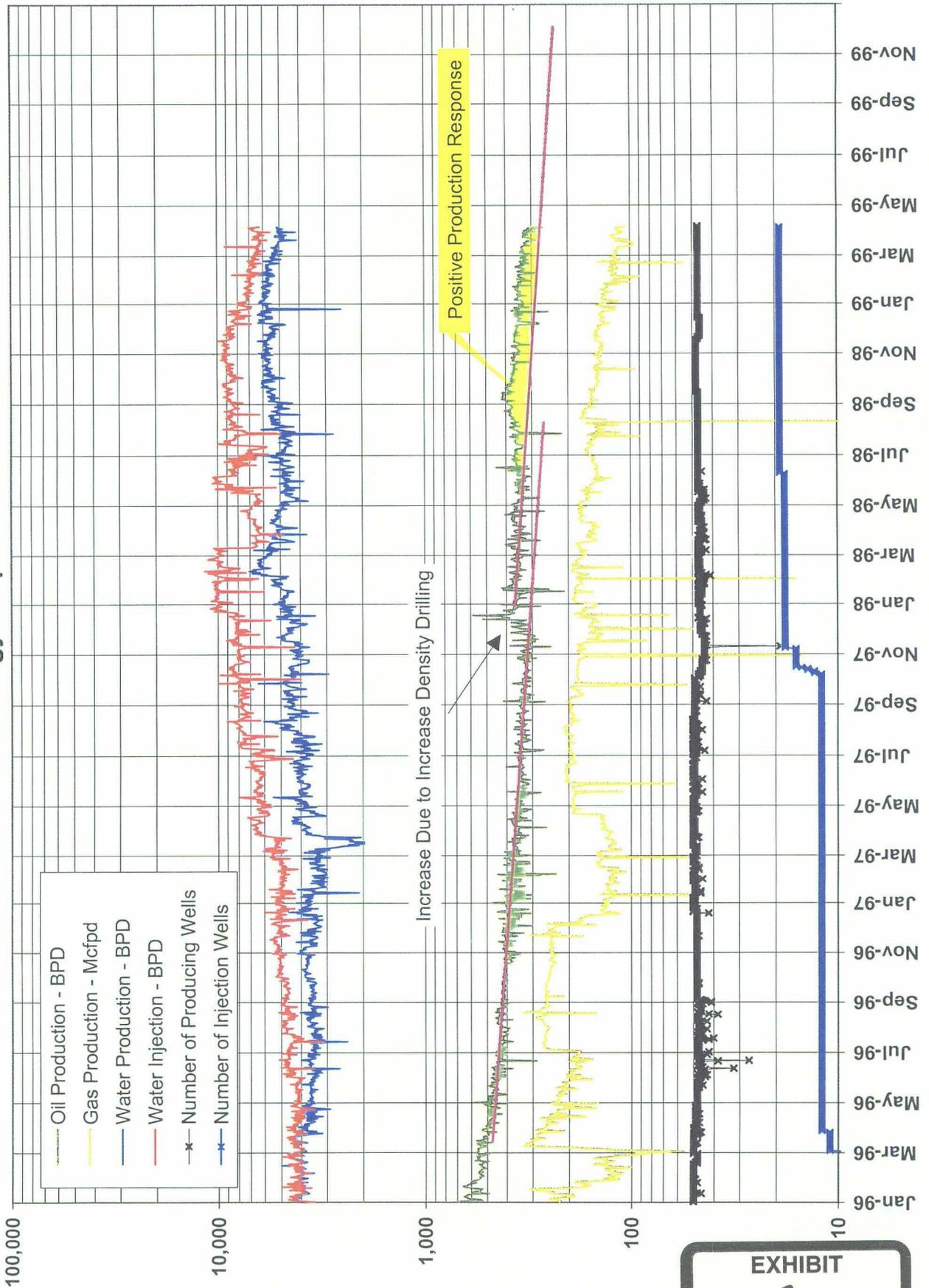
STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LeMAY
Director

S E A L

East Shugart Unit Daily Production History Devon Energy Corporation



EAST SHUGART UNIT PRODUCTION

DATE	MONTHLY OIL PRODUCED		MONTHLY GAS PRODUCED		MONTHLY WATER PRODUCED		MONTHLY WATER INJECTED		Wells on Oil Prod	Wells on Water Inj	Oil Rate (CD) bbl/d	Water Rate (CD) bbl/d	Gas Prod Rate (CD) Mcf/d	Water Inj Rate (CD) bbl/d
	bbl	bbl	Mcf	bbl	bbl	bbl	bbl	bbl/d						
19890501	5061		2025	8791	65402	13	5	163	284	65	2110			
19890601	4434		1575	9891	65806	13	5	148	330	53	2194			
19890701	4443		1896	10821	60992	14	5	143	349	61	1967			
19890801	4163		1380	8758	67420	12	5	134	283	45	2175			
19890901	4104		1234	12351	193095	12	5	137	412	41	6437			
19891001	4099		1189	13143	73387	12	5	132	424	38	2367			
19891101	3883		1062	16419	64609	12	5	129	547	35	2154			
19891201	3933		587	17208	62954	12	5	127	555	19	2031			
19900101	3887		647	16235	74717	12	5	125	524	21	2410			
19900201	3588		517	15726	68945	12	6	128	562	18	2462			
19900301	4000		598	17110	76831	12	5	129	552	19	2478			
19900401	4042		240	16432	56171	14	5	135	548	8	1872			
19900501	4105		290	16285	54343	14	5	132	525	9	1753			
19900601	3542		163	15351	40646	14	3	118	512	5	1355			
19900701	4108		193	21972	40400	13	4	133	709	6	1303			
19900801	4217		318	17763	35334	13	4	136	573	10	1140			
19900901	3963		141	17773	29770	13	4	132	592	5	992			
19901001	3746		52	16360	27091	13	3	121	528	2	874			
19901101	3656		31	18453	30511	13	3	122	615	1	1017			
19901201	3633		95	30550	33709	13	3	117	985	3	1087			
19910101	3321		56	23409	35729	13	3	107	755	2	830			
19910201	2971		3	19632	19223	13	3	106	701	0	687			
19910301	3186		0	16585	26950	13	4	103	535	0	869			
19910401	3001		71	29460	35289	14	4	100	982	2	1176			
19910501	4307		86	26794	33135	14	4	139	864	3	1069			
19910601	3838		207	23964	28856	13	4	128	799	7	962			
19910701	3954		379	24551	31906	13	4	128	792	12	1029			
19910801	3947		373	24365	24401	13	4	127	786	12	787			
19910901	3686		439	26254	31680	14	4	123	875	15	1056			
19911001	3888		420	17475	25014	14	4	125	564	14	807			
19911101	3760		444	19471	24146	14	4	125	649	15	805			
19911201	4778		548	19910	27287	14	4	154	642	18	880			
19920101	4549		402	16665	21568	14	4	147	538	13	696			
19920201	3991		377	15956	34040	14	5	138	550	13	1174			
19920301	3839		160	16584	37432	13	5	124	535	5	1207			
19920401	3236		377	16221	43633	13	5	108	541	13	1454			
19920501	3378		401	70759	84058	13	18	109	2283	13	2712			
19920601	3035		342	6167	0	13	0	101	206	11	0			
19920701	3225		353	14753	24396	13	5	104	476	11	787			
19920801	3291		333	18976	21956	15	5	106	612	11	708			
19920901	3176		320	15557	19607	15	5	106	519	11	654			
19921001	3159		330	14856	16097	15	5	102	479	11	519			
19921101	2361		306	13840	14719	14	5	79	461	10	491			
19921201	3296		311	15032	16659	14	5	106	485	10	537			
19930101	3235		310	14166	16838	14	5	104	457	10	543			
19930201	2349		283	12508	14580	14	5	84	447	10	521			



EAST SHUGART UNIT PRODUCTION

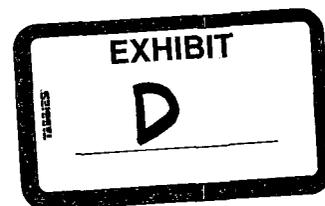
DATE	MONTHLY OIL PRODUCED		MONTHLY GAS PRODUCED		MONTHLY WATER INJECTED		WELLS ON OIL PROD		WELLS ON WATER INJ		OIL RATE (CD) bbl/d		GAS PROD RATE (CD) Mcf/d		WATER RATE (CD) bbl/d		WATER INJ RATE (CD) bbl/d	
	bbl	bbl	Mcf	bbl	bbl	bbl	Prod	Inj	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate
19930301	3082	331	14713	18858	14	5	99	475	11	608								
19930401	2475	309	14467	17304	14	5	83	482	10	577								
19930501	2896	311	14695	17164	14	5	93	474	10	554								
19930601	2664	331	13571	15288	11	5	89	452	11	510								
19930701	2960	406	15285	15553	12	5	95	493	13	502								
19930801	6171	499	25069	25169	19	5	199	809	16	812								
19930901	10918	392	39001	46137	20	4	364	1300	13	1538								
19931001	10591	391	36325	40022	20	4	342	1172	13	1291								
19931101	8337	343	30594	34657	19	5	278	1020	11	1155								
19931201	7403	373	32035	32736	19	5	239	1033	12	1056								
19940101	8037	356	32798	36068	20	5	259	1058	11	1163								
19940201	9394	322	46489	45442	20	5	336	1660	12	1623								
19940301	9385	455	69065	68898	21	5	303	2228	15	2223								
19940401	8374	618	57314	58511	21	5	279	1910	21	1950								
19940501	8143	643	45075	49061	21	5	253	1454	21	1583								
19940601	7733	539	29006	32755	22	5	258	967	18	1092								
19940701	7600	635	36883	29813	23	5	245	1190	20	962								
19940801	15506	595	41622	30990	23	5	500	1343	19	1000								
19940901	14717	2460	54555	39778	28	4	491	1819	82	1326								
19941001	13556	5374	39535	38664	30	4	437	1275	173	1247								
19941101	16834	5712	53993	36593	32	4	561	1800	190	1220								
19941201	18656	6469	79454	53631	33	4	602	2563	209	1730								
19950101	16914	5571	64577	116382	33	7	546	2083	180	3754								
19950201	18334	4163	75862	136118	36	7	655	2709	149	4861								
19950301	25687	6640	87208	159624	38	9	829	2813	214	5149								
19950401	20638	7114	89600	167245	39	9	688	2987	237	5575								
19950501	18902	8651	87785	157326	40	10	610	2832	279	5075								
19950601	15870	15791	84087	72412	40	8	529	2803	526	2414								
19950701	16499	16272	91038	82120	41	8	532	2937	525	2649								
19950801	17853	11686	109602	99883	42	9	576	3536	377	3222								
19950901	16986	10248	111811	77805	41	8	566	3727	342	2594								
19951001	17888	7020	119292	85218	41	8	577	3848	226	2749								
19951101	15180	7809	121389	79133	48	8	506	4046	260	2638								
19951201	18785	7581	131982	107877	50	9	606	4257	245	3480								
19960101	17828	6231	128271	102170	48	9	575	4138	201	3296								
19960201	15574	3675	120819	94992	50	9	537	4166	127	3276								
19960301	15890	7943	130211	113012	50	14	513	4200	256	3646								
19960401	14265	6912	125139	121605	49	15	476	4171	230	4054								
19960501	14138	6532	128447	123731	50	14	456	4143	214	3991								
19960601	12800	3324	122903	127701	50	14	427	4097	111	4257								
19960701	12594	7986	136581	128581	50	14	406	4406	258	4148								
19960801	13237	8284	144716	141624	50	15	427	4668	267	4569								
19960901	12379	7810	141413	138364	50	15	413	4714	260	4612								
19961001	12151	7604	157109	145967	50	15	392	5068	245	4709								
19961101	11893	7408	116630	146226	49	15	396	3888	247	4874								
19961201	11762	5102	155567	146404	50	15	379	5018	165	4723								

EAST SHUGART UNIT PRODUCTION

DATE	MONTHLY	MONTHLY	MONTHLY	MONTHLY	MONTHLY	Wells	Wells	Oil	Water	Gas	Water
	PRODUCED	PRODUCED	PRODUCED	WATER	WATER	on Oil	on Water	Rate	Rate	Prod Rate	Inj Rate
	bbl	Mcf	bbl	INJECTED	INJECTED	Prod	Inj	(CD)	(CD)	(CD)	(CD)
				bbl	bbl			bbl/d	bbl/d	Mcf/d	bbl/d
19970101	11189	4063	127823	0	0	50	0	361	4123	131	0
19970201	10226	3787	96237	134390	134390	50	15	365	3437	135	4800
19970301	11020	4140	113985	174235	174235	50	15	355	3677	134	5620
19970401	10367	4810	129014	167896	167896	50	15	346	4300	160	5597
19970501	10302	5931	131741	168338	168338	50	15	332	4250	191	5430
19970601	10084	6082	136745	160141	160141	50	15	336	4558	203	5338
19970701	10110	6261	126850	193801	193801	50	15	326	4092	202	6252
19970801	10295	6181	143753	211877	211877	50	15	332	4637	199	6835
19970901	9746	5463	121999	193700	193700	45	15	325	4067	182	6457
19971001	9777	5268	129479	209311	209311	44	20	315	4177	170	6752
19971101	9507	4756	123064	221673	221673	46	20	317	4102	159	7389
19971201	11195	4923	137050	269925	269925	47	20	361	4421	159	8707
19980101	10887	5756	152030	329484	329484	47	20	351	4904	186	10629
19980201	9763	5061	285034	271598	271598	47	20	349	10180	181	9700
19980301	10830	5254	163479	216193	216193	47	19	349	5274	169	6974
19980401	10538	5144	152360	191502	191502	47	19	351	5079	171	6383
19980501	10325	5115	140010	223677	223677	47	19	333	4516	165	7215
19980601	10352	4577	146598	246124	246124	47	20	345	4887	153	8204
19980701	10502	4825	143487	222269	222269	47	20	339	4629	156	7170
19980801	11521	4632	164348	247553	247553	47	19	372	5302	149	7986
19980901	11566	4656	155221	0	0	46	0	386	5174	155	0
19981001	11106	4565	175535	260024	260024	47	20	358	5662	147	8388
19981101	10611	4418	165495	263728	263728	46	20	354	5517	147	8791
19981201	10488	4358	121077	242952	242952	46	20	338	3906	141	7837
19990101	10191	4131	161842	214504	214504	47	17	329	5221	133	6919

**East Shugart Unit Waterflood Project
Injection Well Activity Review and Status
Devon Energy Corporation, Operator Since 1992**

<u>Well #</u>	<u>Well Type</u>	<u>4/1/99 Status</u>	<u>Date of First Injection</u>	<u>Comments</u>
1	I	SI	*	Injecting prior to Devon's operations
2	I	A	May-92	Converted producer to WIW
3	I	A	*	Injecting prior to Devon's operations
6	I	A	Mar-96	Re-activate inactive injector
9	I	A	Mar-96	Converted T&A'd producer to WIW
15	I	A	*	Injecting prior to Devon's operations
16	I	A	*	Injecting prior to Devon's operations
20	I	A	Oct-97	Converted producer to WIW
22	I	A	*	Injecting prior to Devon's operations
23	I	A	Mar-96	Re-activate inactive injector
24	I	A	Mar-96	Converted T&A'd producer to WIW
29	I	A	*	Injecting prior to Devon's operations
32	I	A	Mar-96	Re-activate inactive injector
33	I	A	Mar-95	Converted T&A'd producer to WIW
41	I	A	Jan-95	Converted producer to WIW
42	I	SI	Mar-95	Converted producer to WIW
52	I	A	Oct-97	Converted producer to WIW
56	I	A	Oct-97	Converted producer to WIW
58	I	A	Oct-97	Converted producer to WIW
75	I	A	Jun-98	Drill WIW
76	I	A	Oct-97	Converted producer to WIW
	19	Active injection wells		
	2	Shut-in injection wells		



Well Name	API Number	Completion DATE
ESU_1	300150561300	19580220
ESU_2	300150568400	19590804
ESU_3	300150568300	19581027
ESU_4	300150569200	19570801
ESU_5	300150569700	19890413
ESU_6	300150569600	19960301
ESU_7	300150570000	19660903
ESU_8	300150570400	19900405
ESU_9	300150570300	19960301
ESU_11	300150569500	19790205
ESU_13	300150568100	19940715
ESU_14	300150568200	19930826
ESU_15	300150568700	19801123
ESU_16	300150568800	19590929
ESU_17	300150568600	19450101
ESU_18	300150567900	19590510
ESU_20	300150570200	19971022
ESU_22	300150569800	19590118
ESU_23	300150569900	19600617
ESU_24	300150569100	19570408
ESU_25	300150569000	19561011
ESU_26	300150567600	19401120
ESU_27	300150567700	19520726
ESU_29	300150568500	19690916
ESU_31	300150571900	19890407
ESU_32	300152025400	19691003
ESU_33	300152648400	19930804
ESU_34	300152648300	19910411
ESU_35	300152742800	19930812
ESU_36	300152743600	19930804
ESU_37	300152746200	19930819
ESU_38	300152742900	19930915
ESU_39	300152743000	19930731
ESU_40	300152769000	19940720
ESU_41	300152767600	19940528
ESU_42	300152767000	19940705
ESU_43	300152767100	19940325
ESU_44	300152768100	19940110
ESU_45	300152786700	19940901
ESU_46	300152787000	19941218
ESU_47	300152787100	19950104
ESU_49	300152787300	19941208
ESU_50	300152794400	19940723
ESU_51	300152794500	19940731
ESU_52	300152794600	19951018
ESU_54	300152794800	19940929
ESU_55	300152795600	19941108
ESU_56	300152794900	19951130
ESU_57	300152795000	19941113
ESU_58	300152795100	19951203
ESU_59	300152795200	19950304
ESU_61	300152820200	19950201
ESU_62	300152795300	19950216
ESU_63	300152821700	19950118
ESU_66	300152795500	19940914
ESU_67	300152795800	19951006
ESU_69	300152821800	19951015
ESU_70	300152820900	19950512
ESU_71	300152821100	19950331
ESU_72	300152820300	19950222
ESU_74	300152835900	19950827
ESU_75	300152820400	19971212
ESU_76	300152820100	19950721
ESU_77	300152821900	19950716
ESU_78	300152827800	19951111
ESU_79	300152832600	19951216
ESU_83	300152877600	19971121
ESU_86	300152991700	19971204

EXHIBIT

E

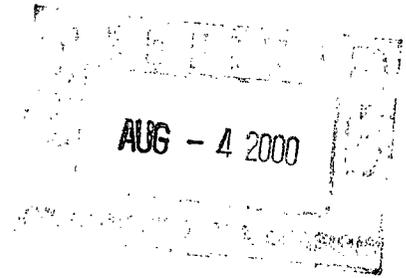


ENERGY CORPORATION

20 North Broadway, Suite 1500
Oklahoma City, Oklahoma 73102-8260

Telephone: (405) 235-3611
Fax: (405) 552-4667

July 28, 2000



New Mexico Energy, Minerals and
Natural Resources Department
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Attention: Mr. David Catanach

Re: Positive Production Response
East Shugart Unit Waterflood Project

In response to your request for additional information for your review of the positive production response within the East Shugart Unit waterflood project, I have attached a list of the wells in the East Shugart Unit that have exhibited a positive production response to injection operations. Supporting data is also enclosed.

If you need additional information you may contact me at 405-552-8141.

Sincerely,


Jan Glasgow
Reservoir Engineer

JG/jh

Encl.

East Shugart Unit Waterflood Project

Wells exhibiting positive production response to the East Shugart Unit Water-flood Project are:

<u>WELL NAME</u>	<u>LOCATION</u>	<u>API #</u>
ESU #7	990'FNL & 2310'FEL Sec.35-18S-31E	30-015-05700
ESU #8	990'FNL & 990'FEL Sec. 35-18S-31E	30-015-05704
ESU #11	2310'FWL & 2310'FNL Sec. 35-18S-31E	30-015-05695
ESU #14	1650'FEL & 2310'FNL Sec. 34-18S-31E	30-015-05682
ESU #17	1650'FSL & 2310'FWL Sec. 34-18S-31E	30-015-05686
ESU #25	990'FSL & 330'FWL Sec.35-18S-31E	30-015-05690
ESU #34	990'FNL & 2310'FWL NENW Sec. 3-19S-31E	30-015-26483
ESU #40	1650'FNL & 840'FEL Sec. 34-18S-31E	30-015-27690
ESU #45	2550'FSL & 580'FWL Sec. 35-18S-31E	30-015-27867
ESU #49	990'FNL & 1500'FEL NWNW Sec. 35-18S-31E	30-015-27873
ESU #50	1700'FNL & 2335'FEL Sec. 35-18S-31E	30-015-27944
ESU #51	550'FSL & 200'FEL Sec. 34-18S-31E	30-015-27945
ESU #57	375'FSL & 1950'FWL SESW Sec. 35-18S-31E	30-015-17950
ESU #61	2310'FNL & 865'FEL SENE Sec. 35-18S-31E	30-015-28202
ESU #69	990'FNL & 1700'FWL NENW Sec. 35-18S-31E	30-015-28218
ESU #70	330'FSL & 280'FWL SWSW Sec. 35-18S-31E	30-015-28209
ESU #71	990'FSL & 990'FWL SWSW Sec. 35-18S-31E	30-015-28211
ESU #72	1650'FSL & 1150'FWL NWSW Sec. 35-18S-31E	30-015-28203
ESU #74	510'FSL & 2455'FWL SESW Sec.35-18S-31E	30-015-28359
ESU #77	1550'FSL & 2120'FEL NWSE Sec. 35-18S-31E	30-015-28219
ESU #78	2300'FSL & 2300'FEL NESW Sec. 35-18S-31E	30-015-28278
ESU #79	2120'FNL & 375'FWL SWNW Sec. 35-18S-31E	30-015-28326
ESU #86	330'FSL & 780'FEL SESE Sec. 34-18S-31E	30-015-29917



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

June 29, 2000

Devon Energy Corporation (Nevada)
C/o Mr. James Bruce
P.O. Box 1056
Santa Fe, New Mexico 87504

Re: Positive Production Response
East Shugart Unit Waterflood Project

Dear Mr. Bruce:

I have reviewed your request dated February 24, 2000, to certify a positive production response within the East Shugart Unit Waterflood Project currently operated by Devon Energy Corporation (Nevada). From the data submitted, it appears that due to the limited number of injection wells and incomplete line drive injection patterns, not all producing wells within the unit may be benefiting from injection operations.

In order to process your application, I am requesting that Devon provide the Division a list of the producing wells within the unit that have exhibited a response to injection operations, together with supporting data.

Your application will be processed upon receipt of the requested data. If you should have any questions, please contact me at (505) 827-8184.

Sincerely,

A handwritten signature in black ink that reads "David Catanach".

David Catanach
Engineer

Xc: Case File-11695

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVA-
TION DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 11695
ORDER NO. R-10760

APPLICATION OF DEVON ENERGY
CORPORATION (NEVADA) TO
QUALIFY A WATERFLOOD
EXPANSION PROJECT FOR THE
RECOVERED OIL TAX RATE
PURSUANT TO THE "ENHANCED OIL
RECOVERY ACT", EDDY COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on January 23, 1997, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 5th day of February, 1997, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) By Order No. R-3769 dated May 28, 1969, the Division authorized Atlantic Richfield Company to institute a waterflood project in its East Shugart Unit Area, described as follows, by the injection of water into the Yates and Queen formations, Shugart Yates-Seven Rivers-Queen-Grayburg Pool, Eddy County, New Mexico, through eleven initial injection wells located in Sections 27, 34 and 35, Township 18 South, Range 31 East, NMPM:

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM

Section 27: SE/4 SE/4

Section 34: E/2, SE/4 NW/4, N/2 SW/4, SE/4 SW/4

Section 35: W/2, NE/4, W/2 SE/4

TOWNSHIP 19 SOUTH, RANGE 31 EAST, NMPM

Section 3: Lots 2 & 3, SE/4 NW/4, SW/4 NE/4

(3) The applicant, Devon Energy Corporation (Nevada), being the current operator of the East Shugart Unit, seeks to qualify the East Shugart Unit Waterflood Project for the recovered oil tax rate pursuant to the "Rules and Procedures for Qualification of Enhanced Oil Recovery ("EOR") Projects and Certification for the Recovered Oil Tax Rate", as promulgated by Division Order No. R-9708, and pursuant to the "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5).

(4) According to applicant's evidence and testimony, active waterflood operations commenced within the East Shugart Unit in 1969 and continued until approximately the late 1980's.

(5) Division records indicate that at the time initial waterflood operations began within the East Shugart Unit, there were approximately twenty-nine producing wells and three injection wells. By the mid 1970's, there were approximately twenty-one producing wells and eleven injection wells.

(6) Division records further indicate that by 1988, there were only fourteen wells actively producing and eight wells actively injecting within the East Shugart Unit. In June, 1988, production averaged approximately 6.4 BOPD per producing well and injection averaged approximately 33 BWPD per injection well.

(7) As of January 1, 1989, cumulative production from the East Shugart Unit was approximately 3.6 MMBO and 1.9 BCFG.

(8) The applicant assumed operations of the East Shugart Unit in 1992.

(9) In mid-1993, applicant commenced an infill drilling program within the East Shugart Unit. To date, the applicant has drilled thirty-two new infill producing wells and has converted or otherwise re-activated ten injection wells within the unit area.

(10) Applicant testified that additional future development within the East Shugart Unit will include the drilling of an additional twelve infill producing wells, and the completion of a line-drive injection pattern.

(11) To date, applicant has invested approximately \$10 million dollars in its infill drilling and waterflood expansion program. In addition, applicant expects to incur an additional \$3.5 million dollars in capital costs completing its proposed infill drilling and waterflood expansion program.

(12) The evidence and testimony presented in this case indicates that:

- a) the line-drive injection pattern proposed to be utilized by the applicant within the East Shugart Unit represents a more efficient injection pattern than that previously utilized within this project;
- b) modern completion technology and the completion of zones previously not subject to waterflood/production operations will enhance the efficiency of the project;
- c) the reduction in the waterflood injection well pattern, increased producing well density and increased efficiency within the East Shugart Unit should result in the recovery of an additional 2.0 million barrels of oil from the unit area which would otherwise not be recovered;
- d) the East Shugart Unit has been so depleted that it is prudent to implement a waterflood injection well pattern reduction and infill drilling program to maximize the ultimate recovery of crude oil from said area; and,
- e) the proposed expansion is economically and technically feasible and has not been prematurely filed.

(13) The East Shugart Unit Waterflood Project should be qualified as an "Enhanced Oil Recovery Project" pursuant to the "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5).

(14) To be eligible for the EOR credit, the operator should advise the Division when water injection into each additional injection well commenced or will commence and at such time request that the Division certify the subject expansion project to the New Mexico Taxation and Revenue Department.

(15) At such time as a positive production response occurs and within five years from the date of the Certificate of Qualification, the applicant must apply to the Division for certification of positive production response, which application shall identify the area actually benefitting from enhanced recovery operations, and identifying the specific wells which the operator believes are eligible for the credit. The Division may review the application administratively or set it for hearing. Based upon evidence presented, the Division will certify to The Department of Taxation and Revenue those lands and wells which are eligible for the credit.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Devon Energy Corporation (Nevada), the East Shugart Unit Waterflood Project, described as follows, is hereby qualified as an "Enhanced Oil Recovery Project" pursuant to the "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5):

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM

Section 27: SE/4 SE/4

Section 34: E/2, SE/4 NW/4, N/2 SW/4, SE/4 SW/4

Section 35: W/2, NE/4, W/2 SE/4

TOWNSHIP 19 SOUTH, RANGE 31 EAST, NMPM

Section 3: Lots 2 & 3, SE/4 NW/4, SW/4 NE/4

(2) The approved "project area" shall comprise the entire East Shugart Unit described in Finding No. (1) above.

(3) To be eligible for the EOR credit, the operator shall advise the Division when water injection into each additional injection well commenced or will commence and at such time request that the Division certify the subject expansion project to the New Mexico Taxation and Revenue Department.

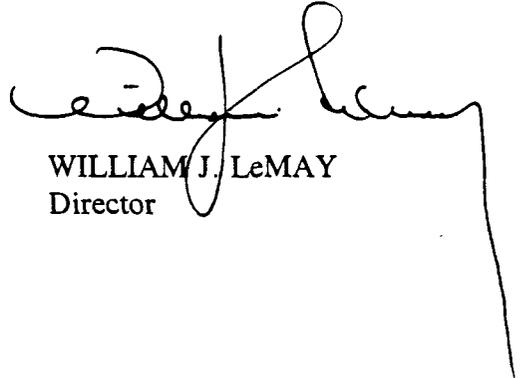
(4) At such time as a positive production response occurs and within five years from the date of the Certificate of Qualification, the operator must apply to the Division for certification of positive production response, which application shall identify the area actually benefitting from enhanced recovery operations, and identifying the specific wells which the operator believes are eligible for the credit. The Division may review the application administratively or set it for hearing. Based upon evidence presented, the Division will certify to The Department of Taxation and Revenue those lands and wells which are eligible for the credit.

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

CASE NO. 11695
Order No. R-10760
Page -5-

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LeMAY
Director

S E A L