

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 13090
Order No. R-12015**

**APPLICATION OF DEVON ENERGY PRODUCTION COMPANY, L.P. FOR
AN EXCEPTION TO THE WELL DENSITY PROVISIONS OF THE SPECIAL
RULES GOVERNING THE BLANCO-MESAVERDE POOL, SAN JUAN
COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on July 10, 2003, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 29th day of August, 2003, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its **subject** matter.

(2) The applicant, Devon Energy Production Company, L.P., ("Devon"), seeks an exception to the well density and location requirements for the **Blanco-Mesaverde** Pool in order to drill its **NEBU** Well No. **105-B** 1005 feet from the South line and 830 feet from the East line (Unit P) of Section 24, Township 30 North, Range 8 West, **NMPM**, San Juan County, New Mexico, as a second Mesaverde infill gas well in a quarter-quarter section within an existing standard 320-acre gas spacing and proration unit comprising the E/2 of Section 24.

(3) The **NEBU** Well No. 105-B is located within the Northeast **Blanco** Unit, a federal exploratory unit operated by Devon.

(4) The NEBU Well No. 105-B is also located within the **Blanco-Mesaverde** Pool, which is currently governed by the "*Special Rules for the Blanco-Mesaverde Pool*" as contained within Division Order No. R-10987-A, as **amended**, which require in part that:

- (a) up to four wells may be drilled on a standard 320-acre spacing unit, provided that: (i) the first optional infill well shall be located in the quarter section not containing the initial Mesaverde well; (ii) the second optional infill well shall be located in a quarter-quarter section not containing a Mesaverde well and within a quarter section not containing more than one Mesaverde well; and (iii) the third optional infill well shall be located in a quarter-quarter section not containing a Mesaverde well and within a quarter section not containing more than one Mesaverde well; and
- (b) **for wells located within a federal exploratory unit:** the well shall not be located closer than 10 feet to any section, quarter section, or interior quarter-quarter section line or subdivision inner boundary, provided however that the well shall not be located closer than 660 feet to the outer boundary of the federal exploratory unit.

(5) Devon testified that the E/2 of Section 24, the subject "**proration unit**," currently contains two Mesaverde producing wells, the NEBU Well No. 105 (API No. 30-045-09350) located 1650 feet from the North and East lines (Unit G), and the NEBU Well No. 105-A (API No. 30-045-22044) located 1010 feet from the South line and 920 feet from the East line (Unit P).

(6) The proposed NEBU Well No. 105-B is standard with respect to the setback requirements, but requires an exception to the well location requirements by virtue of being in the same quarter-quarter section as the NEBU Well No. 105-A.

(7) The applicant presented evidence that demonstrates that:

- (a) the NEBU Well No. 105-A was drilled in 1976 to test the Mesaverde formation. During drilling, the well encountered a productive sand in the upper portion of the Blanco-Mesaverde Pool. The well was subsequently drilled to a total depth of 4,278 feet and was completed in this upper **Chacra/Otero** sand interval;

- (b) the NEBU Well No. 105-B is proposed to be drilled to test the Basin-Dakota Pool and the lower portion (**Cliffhouse**, Menefee and Point Lookout) of the Blanco-Mesaverde Pool;
 - (c) the NEBU Well No. 105-A was not drilled to a depth sufficient to produce the lower portion of the Blanco-Mesaverde Pool, and Devon has no plans to deepen this well;
 - (d) Devon plans to produce the upper portion of the Blanco-Mesaverde Pool within the NEBU Well No. 105-A, and plans to produce only the lower portion of the Blanco-Mesaverde Pool within the NEBU Well No. 105-B; and
 - (e) Devon estimates that the NEBU Well No. 105-B will recover an additional 2.76 BCF of gas from the lower Mesaverde interval that would otherwise not be recovered by the existing NEBU Well No. 105-A, thereby preventing waste.
- (8) Devon presented further evidence that demonstrates that:
- (a) the NEBU Well No. 105-B is located within the Navajo Lake recreation area and is situated approximately one mile west of the Navajo Dam; and
 - (b) it is necessary to drill the NEBU Well No. 105-B within the SE/4 SE/4 of Section 24 due to surface constraints imposed by the United States Bureau of Reclamation.
- (9) The E/2 of Section 24 is contained within the Northeast **Blanco** Unit Mesaverde Participating Area (PA).
- (10) The only two offset operators, BP America Production Company and Burlington Resources Oil and Gas Company, L.P., were notified of the application.
- (11) No offset operator **and/or** interest owner appeared at the hearing in opposition to the application.

(12) Approval of the subject application will provide Devon the opportunity to produce its just and equitable share of the gas within the Blanco-Mesaverde Pool underlying the SE/4 of Section 24, will allow increased recovery from the Blanco-Mesaverde Pool, thereby preventing waste, and will not violate correlative rights.

IT IS THEREFORE ORDERED THAT :

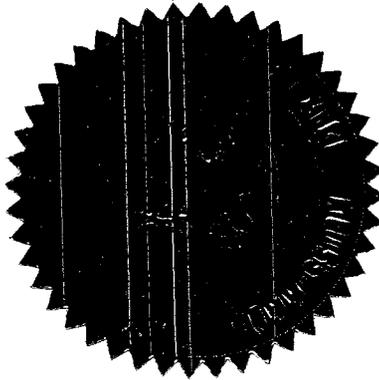
(1) The application of Devon Energy Production Company, L.P. for an exception to the well density and location requirements set forth within the "*Special Pool Rules for the Blanco-Mesaverde Pool*" as established by Division Order No. R-10987-A, as amended, to allow the drilling of its NEBU Well No. 105-B as a second Mesaverde infill well within the SE/4 SE/4 of Section 24, Township 30 North, Range 8 West, NMPM, San Juan County, New Mexico, is hereby approved.

(2) The E/2 of Section 24, being a standard 320-acre spacing and proration unit for the Blanco-Mesaverde Pool, shall be dedicated to the NEBU Wells No. 105, 105-A and 105-B.

(3) The applicant shall produce only the upper portion (**Chacra/Otero**) of the Blanco-Mesaverde Pool within the NEBU Well No. 105-A, and shall produce only the lower portion (**Cliffhouse/Menefee/Point Lookout**) of the Blanco-Mesaverde Pool within the NEBU Well No. 105-B.

(4) Jurisdiction is hereby 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

LORI WROTENBERY
Director