

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

June 22, 2006

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-5403 (BHL)
(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") in Santa Fe, New Mexico by telefax on June 1, 2006 (***administrative application reference No. pTDS0-615331703***); (ii) Mr. Michael E. Stogner's, Staff Engineer with the Division in Santa Fe, telephone conversations with Mr. Mike Williams, Regulatory Consultant for Devon in Artesia, New Mexico, on Tuesday morning, June 6, 2006 concerning this and other Devon applications; and (iii) the Division's records in Artesia and Santa Fe, including the file on Division Administrative Order NSL-5350: all concerning Devon Energy Production Company, L. P.'s ("Devon") request to horizontally drill its proposed Laguna Salado "22" Federal Well No. 3 within the designated and Undesignated Northeast Harroun Ranch-Delaware Pool (**96878**) in Section 22, Township 23 South, Range 29 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), 111.C (2), and 1210.A (2);
- (2) By Order No. R-11256, issued in Case No. 12263 on October 14, 1999 and made effective on November 1, 1999, the Division created and defined the Northeast Harroun Ranch-Delaware Pool for the production of oil from the Delaware formation; the horizontal limits for this pool, as currently designated, comprises the following described lands in Eddy County, New Mexico:

TOWNSHIP 23 SOUTH, RANGE 29 EAST, NMPM

Section 16:	E/2
Section 20:	W/2 and SE/4
Section 21:	NE/4 and S/2
Section 22:	N/2
Section 28:	NW/4;

- (3) Currently, the Northeast Harroun Ranch-Delaware Pool and that area within one-mile of the above-described pool boundary (see Division Rule 104.A) is governed under the statewide rules and regulations, as promulgated by Division Rules 104.B (1), 505, and 506, 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; each standard 40-acre is assigned a top unit depth bracket allowable of 142 barrels of oil per day and a limiting gas/oil ratio of 2,000 cubic feet of gas per barrel of oil which results in a casinghead gas allowable of 284 MCF per day; this depth bracket allowable was established and set by said Order No. R-11256 to correspond with the top most perforation in the discovery well for the pool, being 6,210 feet in the Concho Resources, Inc. Cochiti "28" Federal Well No. 1 (**API No. 30-015-30113**), located 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 28, Township 23 South, Range 29 East, NMPM, Eddy County, New Mexico;
- (4) Devon's proposed 160-acre "Project Area", pursuant to Division Rules 111.A (9) and C (3), is to comprise the W/2 W/2 (Units D, E, L, and M) of Section 22, and will be created by combining four standard 40-acre oil spacing and proration units within Section 28;
- (5) From the well completion reports in nearby wells, the estimated top of the Delaware formation will be at a depth of 3,050 feet;
- (6) It is the Division's understanding that Devon intends to drill its Laguna Salado "22" Federal Well No. 3 from a surface location 130 feet from the South line and 760 feet from the West line (Unit M) of Section 22, vertically to an approximate measured depth (MD) of 6,320 feet; kick-off to the north and build angle until a 90 degree deviation off of vertical is achieved at an approximate measured depth of 6,917 feet (MD), or 6,700 (TVD); and continue to drill horizontally for an approximate distance of 4,441 feet to a targeted bottomhole location, or end-point, within the Delaware formation at a standard subsurface oil location approximately 330 feet from the North line and 660 feet from the West line (Unit D) of Section 22 at an approximate measured depth of 11,358 feet, or 6,700 feet TVD;
- (7) From the entry point into the Delaware formation within the vertical wellbore to the kick-off depth and a portion of the curved wellbore will be unorthodox pursuant to Division Rules 104.B (1) and 111.A (13);
- (8) From the information provided and the Division's records, all of Section 22 is a single federal lease (*U. S. Government lease No. NM-66425*) with common mineral interests within the oil-bearing interval of the Delaware formation in which Devon is the leasehold operator; and
- (9) It appearing the applicant has satisfied all of the appropriate requirements prescribed in Rules 111.C (2) and 104.F (2), 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 Rules 111, 505, and 506.

It Is Therefore Ordered That:

(1) Devon Energy Production Company, L. P.'s ("Devon") is hereby authorized to directionally drill its Laguna Salado "22" Federal Well No. 3 from a surface location 130 feet from the South line and 760 feet from the West line (Unit M) of Section 22, Township 23 South, Range 29 East, NMPM, Eddy County, New Mexico, vertically to an approximate measured depth (MD) of 6,320 feet; kick-off to the north and build angle until a 90 degree deviation off of vertical is achieved at an approximate measured depth of 6,917 feet (MD), or 6,700 (TVD); and continue to drill horizontally for an approximate distance of 4,441 feet to a targeted bottomhole location, or end-point, within the Delaware formation at a standard subsurface oil location approximately 330 feet from the North line and 660 feet from the West line (Unit D) of Section 22 at an approximate measured depth of 11,358 feet, or 6,700 feet TVD.

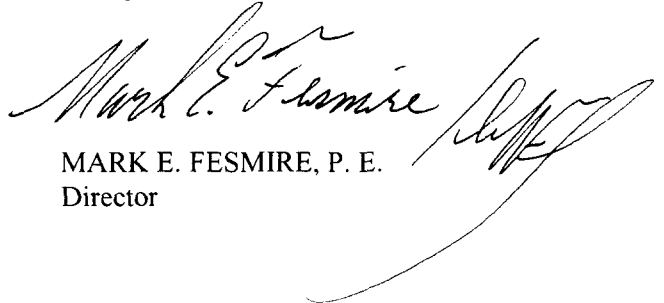
(2) Pursuant to Division Rules 111.A (9) and C (3) a 160-acre Project Area shall will be established by combining four standard 40-acre oil spacing and proration units within the designated and Undesignated Northeast Harroun Ranch-Delaware Pool (96878) comprising the W/2 W/2 (Units D, E, L, and M) of Section 22.

(3) The operator of this 160-acre Project Area shall comply with all applicable requirements and conditions for the Northeast Harroun Ranch-Delaware Pool set forth in Division Rules 111, 505, and 506.

(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. FESMIRE, P. E.
Director

MEF/ms

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