

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

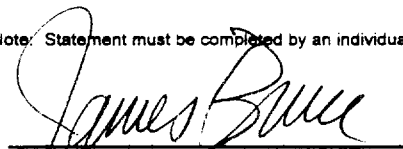
- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners
- [B] ☐ Offset Operators, Leaseholders or Surface Owner
- [C] ☐ Application is One Which Requires Published Legal Notice
- [D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public 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
 218 MONTEZUMA
 SANTA FE, NM 87501

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


 Signature


 Title

11/26/96
 Date

Print or Type Name

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

APPLICATION

Devon Energy Corporation (Nevada) files this application pursuant to the Enhanced Oil Recovery Act (L. 1992, Ch. 38) and Division Order No. R-9708. In support thereof, applicant states:

1. The name of the operator is Devon Energy Corporation (Nevada), whose address is Suite 1500, 20 North Broadway, Oklahoma City, Oklahoma 73102.

2. The waterflood project is referred to as the Hudson Federal Waterflood Project, and the project area for the expansion is as follows:

Township 17 South, Range 31 East, N.M.P.M.

Section 17: W $\frac{1}{2}$ NW $\frac{1}{4}$

Section 18: E $\frac{1}{2}$ NE $\frac{1}{4}$

containing 160 acres, more or less.

A plat outlining the project area for the Hudson Federal Waterflood Project is attached hereto as Exhibit A. The subject pool is the Grayburg-Jackson Pool.

3. The project area is not unitized. The entire project area is comprised of Federal Lease LC 054908. The working interest owners under the lease, as to the Grayburg-Jackson Pool, are: Devon Energy Corporation (Nevada); Sharon Aston Olsen, Trustee of the Sharon Aston Olsen Trust; First National Bank of Chicago, Trustee

of the Aston Partnership; Charles Aston, Executor of the Lincoln Aston Estate; and NationsBank of Texas, N.A., Agent for the Aston Family Limited Partnership.

4. Secondary recovery shall be by a waterflood project. The injection formation is the Grayburg-San Andres formation of the Grayburg-Jackson Pool, with the injected water consisting of produced water from the Grayburg-Jackson Pool, and makeup water from the Keel-West fresh water system. The waterflood project was approved by Division Order No. R-3165.

5. Pursuant to Order No. R-9708, project data is summarized on Exhibit B attached hereto, and includes:

- (a) Number of producing wells;
- (b) Number of injection wells;¹
- (c) Capital cost of additional facilities;
- (d) Estimated net value of incremental production recovered from the project;
- (e) Anticipated injection commencement date; and
- (f) Anticipated injection volumes.

This project qualifies as an expansion which is entitled to the recovered oil tax rate because the number of injection and producing wells is being significantly increased, greatly expanding the waterflood pattern. Also, fracture stimulation and completion technology has improved significantly since the waterflood project was instituted, which will allow greater recovery of oil within the project area.

6. The projected primary plus secondary production from the

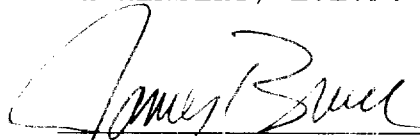
¹The injection and producing wells in the project area are shown on Exhibit A. The number of producing wells in August 1996 is greater than the number of producing wells at full development because certain wells will initially be producers, but will later be converted to injection.

project expansion is shown on Exhibit C² attached hereto.³

WHEREFORE, Applicant requests that the Division administratively qualify the expansion of the Hudson Federal Waterflood Project as an Enhanced Oil Recovery Project, and certify the project for the Recovered Oil Tax Rate.

Respectfully submitted,

HINKLE, COX, EATON, COFFIELD
& HENSLEY, L.L.P.



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Santa Fe, New Mexico 87504
(505) 982-4554

Attorneys for Devon Energy
Corporation (Nevada)

cc: Artesia District Office

²Exhibit C shows the combined projected production from the C.A Russell Waterflood Project, Hudson Federal Waterflood Project, Turner "A" Waterflood Project, Turner "B" Waterflood Project, and Friess-Fren Waterflood Project. EOR applications regarding all of these waterflood projects are being submitted to the Division.

³The initial increase in production is due to drilling new wells in the project area, which are being produced before being converted to injection.

VERIFICATION

STATE OF OKLAHOMA)
COUNTY OF OKLAHOMA)

Dick Morrow, being duly sworn upon his oath, deposes and states that: he is a petroleum engineer and an employee of applicant; he is familiar with the matters set forth in the foregoing application; and the statements therein are true and correct to the best of his knowledge.

Dick Morrow
Dick Morrow

SUBSCRIBED AND SWORN TO before me this 30th day of November, 1996 by Dick Morrow.

Ada Petro
Notary Public

My Commission expires:

Jan 24 1998

LARGE FORMAT
EXHIBIT HAS
BEEN REMOVED
AND IS LOCATED
IN THE NEXT FILE