

**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. 14546
ORDER NO. R-13340**

**APPLICATION OF DEVON ENERGY PRODUCTION
COMPANY, L.P. FOR APPROVAL OF A PILOT INFILL
DRILLING PROJECT IN THE PICTURED CLIFFS
FORMATION IN A PORTION OF THE NORTHEAST
BLANCO UNIT, AND FOR SPECIAL WELL LOCATION
REQUIREMENTS, RIO ARRIBA AND SAN JUAN
COUNTIES, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 18, 2010, at Santa Fe, New Mexico, before Examiner Richard I. Ezeanyim.

NOW, on this 2nd day of December, 2010, 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 of the subject matter.

(2) Devon Energy Production Company, L.P. ("Devon") seeks approval to institute a pilot infill drilling project in the Pictured Cliffs formation in a portion of the Northeast Blanco Unit ("NEBU"). Applicant further seeks approval for two wells in a standard 160-acre gas spacing unit in the project area, and for special well location requirements within NEBU's Pictured Cliffs Participating Area, which is within the proposed project area.

(3) ConocoPhillips Company entered an appearance in the case but took no position.

(4) Applicant presented evidence which demonstrates that:

(a) Applicant is a working interest owner in, and the operator of, NEBU, which covers approximately 32,991 acres of state, federal, and fee land in Rio Arriba and San Juan Counties, New Mexico.

(b) The proposed infill project area is comprised of the following lands, all located within the Unit:

Township 31 North, Range 6 West, N.M.P.M.

| | |
|-----------------|-----|
| Section 6: | All |
| Section 7: | All |
| Sections 18-20: | All |
| Section 30: | All |

Township 31 North, Range 7 West, N.M.P.M.

| | |
|-----------------|-----|
| Section 1: | All |
| Section 10: | S/2 |
| Sections 11-15: | All |
| Sections 22-27: | All |
| Sections 34-36: | All |

NEBU's Pictured Cliffs Participating Area (22nd Expansion) (the "P.A.") covers most, but not all, of the project area. There are pending expansions to the P.A.

(c) Interest ownership within the P.A. is uniform.

(d) The Pictured Cliffs formation within NEBU is developed on statewide rules, which provide for 160-acre spacing, one well per well unit, and wells to be located no closer than 660 feet to a quarter section line nor closer than 10 feet to an interior quarter-quarter section line.

(e) Applicant seeks permission to drill two Pictured Cliffs wells per quarter section within the entire project area.

(f) Applicant further requests that, within the P.A., as it may be expanded from time to time, it be allowed to drill wells at any location no closer than 660 feet from the outer boundary of the P.A., and no closer than 10 feet to a section, quarter section, or quarter-quarter section line.

(g) The Mesaverde and Dakota formations in NEBU are developed on 320-acre spacing, with four wells per well unit (two in each quarter section).

(h) Applicant's plan is for the Pictured Cliffs formation to be developed as part of recompleting existing, deeper wells, or in connection with new Mesaverde wells which will be drilled. No stand-alone Pictured Cliffs wells will be drilled.

- (i) NEBU encompasses most of the land around Navajo Lake. It is an area of high relief, and in addition the Bureau of Land Management ("BLM") restricts locations around the lake. Thus, allowing additional Pictured Cliffs completions in existing or new deeper wells will minimize surface disturbance.
- (j) The BLM submitted a letter in support of the application.
- (k) In Case No. 14310, applicant received Division approval to recomplete NEBU Well No. 321, located 835 feet from the South line and 2475 feet from the East line of Section 18, Township 31 North, Range 6 West, N.M.P.M., as an infill well in the Pictured Cliffs formation. NEBU Well No. 321 is surrounded by four existing Pictured Cliffs producers.
- (l) The results of NEBU Well No. 321 demonstrate that:
 - (i) It produced at rates higher than three of the four offsetting wells.
 - (ii) Its initial bottomhole pressure and pressure gradient are the same as the original pressures in other Pictured Cliffs wells in NEBU.
 - (iii) No interference has been seen with offsetting wells.
- (m) Applicant also conducted decline curve and original gas in place calculations for Pictured Cliffs wells in NEBU, which show that average drainage per well is less than 100 acres, and gas recovery is 50%.
- (5) The evidence shows the feasibility of drilling additional Pictured Cliffs infill wells within the project area without adverse effect on offsetting wells.
- (6) Approval of the subject application will afford applicant and interest owners in NEBU the opportunity to recover their just and equitable shares of oil and gas reserves from the reservoir, 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 order approving a pilot infill drilling project in the Pictured Cliffs formation in a portion of the Northeast Blanco Unit is hereby approved.
- (2) The project area shall encompass the following lands:

Township 31 North, Range 6 West, N.M.P.M.
Section 6: All

| | |
|-----------------|-----|
| Section 7: | All |
| Sections 18-20: | All |
| Section 30: | All |

Township 31 North, Range 7 West, N.M.P.M.

| | |
|-----------------|-----|
| Section 1: | All |
| Section 10: | S/2 |
| Sections 11-15: | All |
| Sections 22-27: | All |
| Sections 34-36: | All |

(3) Within the project area the operator of NEBU shall be allowed to drill two Pictured Cliffs wells per quarter section (if required), and/or by re-completing existing Mesaverde and Dakota wellbores which are currently developed on 80-acre effective spacing.

(4) In acreage that is within NEBU's Pictured Cliffs Participating Area (within the project area), as it may be expanded from time to time, the operator of NEBU may drill wells at any location no closer than 660 feet from the outer boundary of the P.A., and no closer than 10 feet to a section, quarter section, or quarter-quarter section line.

(5) Devon shall gather sufficient geologic, and reservoir engineering data to determine any wellbore interference, drainage area and orientation, incremental recovery, and rate acceleration factors.

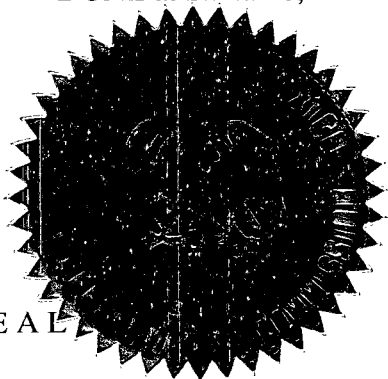
(6) Devon shall annually present to BLM and OCD their geologic and engineering data and findings for the wells drilled or re-completed in the previous calendar year.

(7) Devon shall provide their overall findings and well density recommendations for the balance of the NEBU area to BLM and OCD within six (6) months of completion of the pilot project.

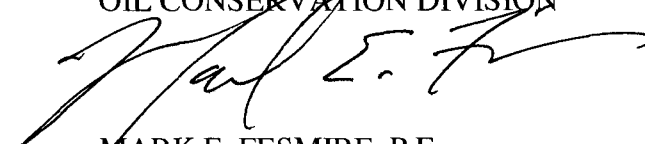
(8) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

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

SEAL



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


MARK E. FESMIRE, P.E.
Acting Director