



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

March 1, 2005

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Devon Energy Production Company, L. P.
20 North Broadway
Oklahoma City, Oklahoma 73102

Attention: Linda Guthrie
Linda.Guthrie@devon.com

Administrative Order NSL-4974-A (BHL)

Dear Ms. Guthrie:

Reference is made to the following: (i) your initial application filed with the New Mexico Oil Conservation Division ("Division") in Santa Fe on September 10, 2004 (*administrative application reference No. pMES0-426535117*); (ii) the Division's initial response from Mr. Michael E. Stogner, Engineer/Hearing Officer in Santa Fe by letter dated November 2, 2004 requesting additional information to support this application; (iii) Mr. Ken Gray's response by telefax letter on November 11, 2004; (iv) Mr. Gray's second telefaxed response on December 10, 2004; (v) Mr. Stogner's second request for support data by letter dated January 17, 2005; (vi) Mr. Gray's response with the necessary information to complete your application; and (vii) the Division's records in Artesia and Santa Fe, including the files of Division Administrative Orders NSL-4974 and DHC-3323: all concerning Devon Energy Production Company, L. P. ("Devon") request for exception to Division Rules 104.C (2) (a) and 111.B (4) with respect to the Burton Flat-Morrow (73280) and Alacran Hills-Atoka Gas Pools (70060).

The Division Director Finds That:

- (1) The subject application has been duly filed under the provisions of: (i) Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999; (ii) Division Rules 111.A (13) and 111.C (2); (iii) Division Rule 1207.A (2); and (iv) Division Order No. R-8179-E-1, issued in Case No. 9872 and dated October 28, 1991;
- (2) By Order No. R-5667, issued in Case No. 6178 on March 14, 1978 and made effective April 1, 1978, the Division created and defined the Alacran Hills-Atoka Gas Pool for the production of gas from the Atoka formation; The horizontal limits for this pool, as currently designated, include the following lands in Eddy County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM
Irregular Section 6: Lots 9 through 18, E/2 SW/4, and SE/4;

- (3) By Order No. R-4486, issued in Case No. 4914 on March 2, 1973 and made effective March 1, 1973, the Division created and defined the Burton Flat-Morrow Gas Pool for the production of gas from the Morrow formation; The horizontal limits for this pool, as currently designated, include the following lands in Eddy County, New Mexico:

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM

Section 12:	S/2
Section 13:	All
Section 14:	E/2
Sections 23 through 26:	All
Sections 35 and 36:	All

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM

Section 8:	All
Section 9:	W/2
Section 11:	All
Sections 14 through 35:	All
Section 36:	E/2

TOWNSHIP 21 SOUTH, RANGE 26 EAST, NMPM

Irregular Section 1:	All
Sections 11 through 13:	All
Section 14:	E/2
Section 23:	N/2
Section 25:	E/2
Section 36:	E/2

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM

Irregular Section 1:	S/2
Irregular Sections 2 through 6:	All
Sections 7 through 23:	All
Sections 28 through 30:	All
Section 31:	N/2
Sections 32 through 34:	All;

- (4) Both pools (see Division Order No. R-8170-E-1 as it relates to the Burton Flat-Morrow Gas Pool) are currently governed by Division Rule 104.C (2), which states:

“(2) 320-Acre Spacing applies to any deep gas well in Lea, Chaves, Eddy or Roosevelt County, defined as a well that is projected to be drilled to a gas producing formation or is within a defined gas pool in the Wolfcamp or an older formation. Such well shall be located on a spacing unit consisting of 320 surface contiguous acres, more or less, comprising any two contiguous quarter sections of a single section that is a legal subdivision of the U.S. Public Land Surveys provided that:

- (a) *the initial well on a 320-acre unit is located no closer than 660 feet to the outer boundary of the quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary;*
- (b) *only one infill well on a 320-acre unit shall be allowed provided that the well is located in the quarter section of the 320-acre unit not containing the initial well and is no closer than 660 feet to the outer boundary of the quarter section and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary; and*
- (c) *the Division-designated operator for the infill well is the same operator currently designated by the Division for the initial well."*
- (5) By Division Administrative Order NSL-4974, dated December 31, 2003, authorization was granted Devon to drill its Kurland "6" Federal Well No. 2 (API No. 30-015-33238) to be drilled at an unorthodox gas well location 3000 feet from the North line and 610 feet from the West line (Lot 12/Unit L) of Irregular Section 6, Township 21 South, Range 27 East, NMPM, Eddy County, New Mexico, in order to test the Burton Flat-Morrow Gas Pool within a 308.48-acre stand-up gas spacing unit comprising Lots 11 through 14, 17 and 17, and the E/2 SW/4 of Irregular Section 6;
- (6) By Administrative Order DHC-3323, dated August 6, 2004, the Division authorized the commingling of the Burton Flat-Morrow and Alacran Hills-Atoka gas production within the wellbore of the above-described Kurland "6" Federal Well No. 2;
- (7) It is the Division's understanding that: (i) the Kurland "6" Federal Well No. 2 was spud on February 22, 2004 and drilled to a total depth of 11343 feet (MD); and (ii) upon completion of the Kurland "6" Federal Well No. 2, it was discovered from the deviation tests that, due to somewhat excessive deviation, the wellbore could possibly have a horizontal displacement of 491 feet from its surface location;
- (8) In lieu of a directional survey of the wellbore to determine the actual subsurface locations within each producing interval, as requested by the Division's Artesia District Office pursuant to Division Rule 111.B (4), Devon has satisfied all of the appropriate requirements prescribed in Division Rules 111.C (2), 104.F, and 1207.A (2) for a "worst case scenario;" therefore, the subject unorthodox location application should be approved; and
- (9) The provisions contained within this order and all other applicable provisions of Division Rules 104.C (2) and 111 should govern the subject 308.48-acre Atoka and Morrow gas spacing units.

It Is Therefore Ordered That:

(1) By the authority granted me under the provisions of Division Rule 104.F (2) and the provisions of Division Order No. R-8170-E-1 as it relates to the Burton Flat-Morrow Gas Pool (73280), the above-described application of Devon Energy Production Company, L. P. ("Devon") for an exception to Division Rules 104.C (2) (a) and 111.B (2) for its Kurland "6" Federal Well No. 2 (API No. 30-015-33238), located on the surface 3000 feet from the North line and 610 feet from the West line (Lot 12/Unit L) of Irregular Section 6, Township 21 South, Range 27 East, NMPM, Eddy County, New Mexico, and an unorthodox subsurface gas well location within both the Burton Flat-Morrow and the Alacran Hills-Atoka Gas Pools (70060), is hereby approved.

(2) Lots 11 through 14, 17 and 17, and the E/2 SW/4 of Irregular Section 6, being a 308.48-acre stand-up gas spacing unit for both intervals is to be dedicated to this well.

(3) An unorthodox subsurface gas well location within both the Burton Flat-Morrow and the Alacran Hills-Atoka Gas Pools being within a 491 foot radius of its surface location is hereby approved for Devon's Kurland "6" Federal Well No. 2.

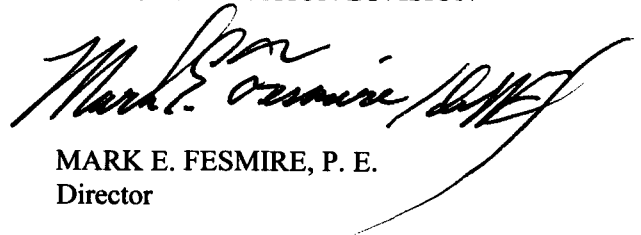
(4) This order shall supersede the provisions of Division Administrative Order NSL-4974.

(5) The operator shall comply with all applicable requirements and conditions set forth in Division Rules 104.C (2) and 111.

(6) 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
Ken Gray, Senior Land Advisor – Devon Energy Production Company, L.P., Oklahoma City (Ken.Gray@devn.com)
James Bruce, Legal Counsel for Devon Energy Production Company, L.P. – Santa Fe (jamesbruce@aol.com)
File: DHC-3323
NSL-4974