

DATE IN 5/9/08	SUSPENSE	ENGINEER W Jones	LOGGED IN 5/12/08	TYPE SEMI	APP NO. PKURO813340673
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



Cancelled
5/12/08
Waiting on info

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [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 - Simultaneous Dedication
 NSL NSP 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
- [D] Other: Specify Surface Commingling
- [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] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is accurate and complete to the best of my knowledge. I also understand that no action will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Norvella Adams

Sr. Staff Engineering Technician

5/8/08

Print or Type Name

Signature

Title

Date

Norvella.adams@dvn.com
 e-mail Address



Jim Ball
Land Advisor

Devon Energy Corporation
20 North Broadway
Oklahoma City, Oklahoma 73102-8260
(405) 552-3384
(405) 552-8113 FAX

April 23, 2008

New Mexico Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

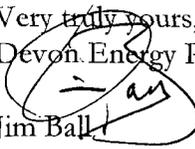
Attention: Mr. William Jones

RE: Surface Commingle
NW/4 of Section 32, T18S, R32E
Lea County, New Mexico

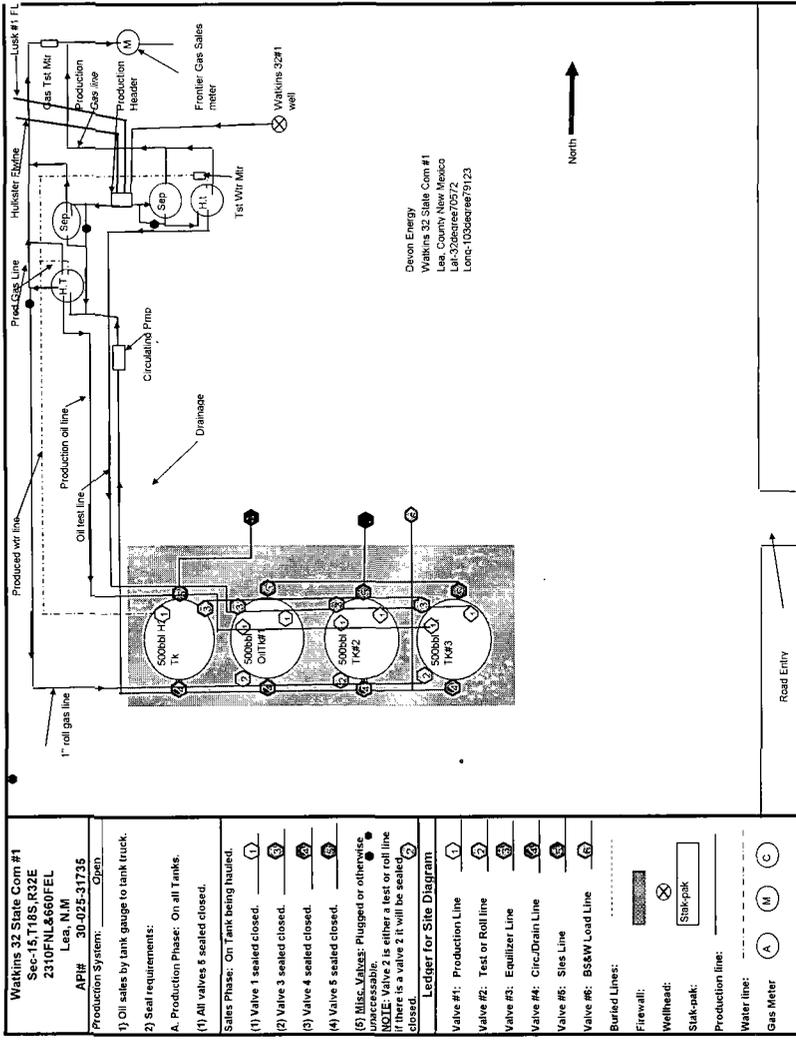
Dear Mr. ^{Jones}~~Albers~~:

The Watkins 32 State #1, North Lusk 32 State #1 and Hulkster #1 are located in the NW/4 of Section 32, T18S, R32E, Lea County, New Mexico. The Watkins 32 State #1 has been producing into a single-well battery for some time. Devon Energy Production Company, L.P. ("Devon") recently recompleted the North Lusk 32 State #1 in the same formation (Bone Spring) and is currently completing the Hulkster #1 well in the Bone Spring. Devon plans to surface commingle these wells into the Watkins 32 State #1 tank battery located on State Lease No. LG-7655-4. The surface owner is the State of New Mexico. The ownership of working interest, overriding royalty interest and royalty interest in each well is identical from the surface to the base of the Bone Spring Formation.

Should you have any question or need any additional information, please feel free to contact me at (405) 552-3384.

Very truly yours,
Devon Energy Production Company, L.P.

Jim Ball
Land Advisor

Kr:\NluskComLtr2



Watkins 32 State Com #1
 Sec-15, T18S, R32E
 2310FNL&650FEL
 Lea, N.M.
 API# 30-025-31735
 Production System: Open

- 1) Oil sales by tank gauge to tank truck.
 2) Seal requirements:
 A. Production Phase: On all Tanks.
 (1) All valves 5 sealed closed.

- Sales Phase: On Tank being loaded.
 (1) Valve 1 sealed closed.
 (2) Valve 3 sealed closed.
 (3) Valve 4 sealed closed.
 (4) Valve 5 sealed closed.
 (5) Misc. Valves: Plugged or otherwise sealed.
 NOTES: Valve 2 is either a test or roll line if there is a valve 2, it will be sealed closed.

Ledger for Site Diagram

Valve #1: Production Line	(1)
Valve #2: Test or Roll line	(2)
Valve #3: Equalizer Line	(3)
Valve #4: Circ/Drain Line	(4)
Valve #5: Sies Line	(5)
Valve #6: BSS&W Load Line	(6)

- Buried Lines: -----
 Firewall: [hatched box]
 Wellhead: [X]
 Skak-pak: [box]
 Production line: [solid line]
 Water line: [dashed line]
 Gas Meter: (A) (M) (C)

Devon Energy
 Watkins 32 State Com #1
 Lea, County New Mexico
 Lea-302500000/052/2
 Letic-1000000000/0123

North

Road Entry

Submit 3 Copies To Appropriate District Office
 District I
 1625 N. French Dr., Hobbs, NM 88240
 District II
 1301 W. Grand Ave., Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources

Form C-103
 May 27, 2004

OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

2008 MAY 8 PM 1 56

WELL API NO.
 30-025-31735

5. Indicate Type of Lease
 STATE FEE

6. State Oil & Gas Lease No.
 LG-7655

7. Lease Name or Unit Agreement Name
 Watkins 32 State

8. Well Number
 1

9. OGRID Number
 6137

10. Pool name or Wildcat
 Lusk N, Bone Spring (41450)

SUNDRY NOTICES AND REPORTS ON WELLS
 (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well Gas Well Other

2. Name of Operator
 Devon Energy Production Company

3. Address of Operator
 20 North Broadway, Oklahoma City, Oklahoma 73010-8260

4. Well Location
 Unit Letter F : 1980 feet from the North line and 1650 feet from the West line
 Section 32 Township 18S Range 32E NMPM County Lea

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
 3701' GR

Pit or Below-grade Tank Application or Closure
 Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____
 Pit Liner Thickness: _____ mil Below-Grade Tank: Volume _____ bbls: Construction Material _____

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK PLUG AND ABANDON
 TEMPORARILY ABANDON CHANGE PLANS
 PULL OR ALTER CASING MULTIPLE COMPL

SUBSEQUENT REPORT OF:

REMEDIAL WORK ALTERING CASING
 COMMENCE DRILLING OPNS. P AND A
 CASING/CEMENT JOB

OTHER: Surface Commingle OTHER:

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Devon Energy Production Company, L.P., respectfully requests approval to surface commingle the zones listed below into the Watkins 32 State #1 battery located in Section 32 T18S R32E, Lea County, NM. Commingling these pools will not reduce the value of the total remaining production and the ownership between pools is identical.

- Watkins 32 State 1 API # 30-025-31735 1980' FNL & 1650' FWL Sec 32 T18S 32E Lea, County - Bone Spring
- N. Lusk 32 State 1 API # 30-025-35747 330' FNL & 2258' FWL Sec 32 T18S 32E Lea, County - Bone Spring
- Hulkster # 1 API # 30-025-38446 990' FNL & 990' FWL Sec 32 T18S 32E Lea County - Bone Spring

(40 ACRE DEDICATION)
 NORTH LUSK, Bone SPRING POOL
 41450

CTB-596

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines , a general permit or an (attached) alternative OCD-approved plan .

SIGNATURE Norvella Adams TITLE Sr. Staff Engineering Technician DATE 5/6/08

Type or print name Norvella Adams E-mail address: norvella.adams@dvn.com Telephone No. 405-552-8198
For State Use Only

APPROVED BY: _____ TITLE _____ DATE _____
 Conditions of Approval (if any): _____

Jones, William V., EMNRD

From: Adams, Norvella [Norvella.Adams@dvn.com]
Sent: Tuesday, July 08, 2008 10:23 AM
To: Brooks, David K., EMNRD; Jones, William V., EMNRD
Cc: Ezeanyim, Richard, EMNRD; Warnell, Terry G, EMNRD
Subject: RE: Surface Commingle Application from Devon: three wells in the NW/4 of Sec 32 T18S R32E Lea County NM

I apologize for the delay in getting you the information that you need to complete your review. Our Landman in this area has been out of the office. He is working on getting you the information you need.

Thanks for your help!

Norvella Adams

*N/2 Sec 32 = all one lease
12/30/08*

From: Brooks, David K., EMNRD [mailto:david.brooks@state.nm.us]
Sent: Monday, June 16, 2008 11:43 AM
To: Jones, William V., EMNRD; Adams, Norvella
Cc: Ezeanyim, Richard, EMNRD; Warnell, Terry G, EMNRD
Subject: RE: Surface Commingle Application from Devon: three wells in the NW/4 of Sec 32 T18S R32E Lea County NM

I agree that notice to the non-consenting party is required.

David Brooks

From: Jones, William V., EMNRD
Sent: Tuesday, June 10, 2008 10:31 AM
To: Adams, Norvella
Cc: Brooks, David K., EMNRD; Ezeanyim, Richard, EMNRD; Warnell, Terry G, EMNRD
Subject: RE: Surface Commingle Application from Devon: three wells in the NW/4 of Sec 32 T18S R32E Lea County NM

Norvella: (copying David Brooks for his comments - this is an odd situation)

I picked this (three-well, same pool) surface commingle application up again to finish and after reading the application and our emails:

The landman statement in the application - "the ownership of working interest, overriding royalty interest and royalty interest in each well is identical from the surface to the base of the Bone Spring formation" - seems to not be the full story. Maybe "in each well" being not the same as "between each well" is the key point.

It sounds like interests between wells was identical until that party went non-consent in the Lusk well, so currently interests are not identical but they will be - after payout plus penalty. If you were only commingling the Watkins and the Hulkster then it would be identical and would not require any permit (same ownership, same pool).

So notice is required to the party who went non-consent in the Lusk well. (David tell me if wrong on this)

In any case, if all three wells are to be included, then Devon must set a full-time dedicated metering separator for the Lusk well (and probably should add those costs to the payout calculation from the non-consenting party). Otherwise, to be consistent with how the Division is handling these types of oil commingles, this must be done after a hearing.

Let me know if Devon wants to (i) only include the two identical wells or (ii) commingle all three wells and set the extra separator or (iii) have an examiner hearing OR something else?

Thank You,

7/8/2008

Booked in already

Jones, William V., EMNRD

From: Adams, Norvella [Norvella.Adams@dvn.com]
Sent: Thursday, May 22, 2008 12:06 PM
To: Jones, William V., EMNRD
Subject: RE: Surface Commingle Application from Devon: three wells in the NW/4 of Sec 32 T18S R32E Lea County NM

Will,
I know exactly what you mean. If you find that light at the end of the tunnel send it this way!

We have the same interest in all three wells except in the Lusk well there is a non-consent owner that will not pay out anytime soon. We have consent to commingle from all other owners in the Lusk well.

Does this answer your question?

Thanks,
Norvella

From: Jones, William V., EMNRD [mailto:William.V.Jones@state.nm.us]
Sent: Thursday, May 22, 2008 12:35 PM
To: Adams, Norvella
Subject: RE: Surface Commingle Application from Devon: three wells in the NW/4 of Sec 32 T18S R32E Lea County NM

Hello Norvella:
Thanks for the reply - been slammed here with hearing orders and admin applications, so you will have to let me know if an appl. is here too long and is urgent.

Same lease and same pool - must be differing interests in the wells?

William V. Jones PE
New Mexico Oil Conservation Division
1220 South St. Francis
Santa Fe, NM 87505
505-476-3448

From: Adams, Norvella [mailto:Norvella.Adams@dvn.com]
Sent: Thursday, May 22, 2008 8:51 AM
To: Jones, William V., EMNRD
Subject: FW: Surface Commingle Application from Devon: three wells in the NW/4 of Sec 32 T18S R32E Lea County NM

Will,
Sorry it's taken so long to respond to your request. I was out of the office last week.

Please find the answers to your questions below. If you have any other questions please contact me.

Thanks,
Norvella Adams
Devon Energy
405-552-8198

From: Jones, William V., EMNRD [mailto:William.V.Jones@state.nm.us]
Sent: Monday, May 12, 2008 3:18 PM
To: Adams, Norvella
Cc: Ezeanyim, Richard, EMNRD; Warnell, Terry G, EMNRD

5/22/2008

Subject: Surface Commingle Application from Devon: three wells in the NW/4 of Sec 32 T18S R32E Lea County NM

Hello Norvella:
Just received this application.

What Bone Spring Pool (and Pool code) are these three wells producing from? Lusk ~~W~~ Bone Springs North - Pool code # 41450

Are they all three in the same lease (your landman says all interests are identical to the base of the Bone Spring). If not, what are the lease names? Yes all 3 are located on the same OGL

Is it true that the two new wells will be combined into the existing one-well battery now serving the Watkins32State #1? Yes

William V. Jones PE
New Mexico Oil Conservation Division
1220 South St. Francis
Santa Fe, NM 87505
505-476-3448

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