Before the Oil Conservation Division
New Mexico Department of Energy, Minerals and
Natural Resources
Case No. 11581
Devon Energy Corporation Exhibit No. 7
July 25, 1996

ECONOMIC EVALUATION OF SEVEN RIVERS DEVELOPMENT

Recovery from Skelly Unit (primary + secondary) = 1730 STB/acre
Recovery from Devon properties (primary only) = 1085 STB/acre

Potential waterflood reserves from Devon properties = 645 STB/acre
825 MSTB for 1280 acres

Capital costs required: $189,000 to drill new producer
$165,000 to drill new injector
$ 45,000 to commingle producer

CASE 1 : Separate pools would require the drilling of 16 new producing wells and 16 new injection wells for a total capital cost of $5,664,000.

Rate of Return	12%
Payout	4.5 years
Development Cost	$7.84/net barrel

CASE 2 : Commingling the Seven Rivers with the Grayburg Jackson would still require the drilling of 16 new injection wells for proper injection control but would allow the commingling of 16 existing production wells for a total capital cost of $3,360,000.

Rate of Return	36%
Payout	2.7 years
Development Cost	$4.65/net barrel