

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:

Case 11695

- [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.

James Bruce
Signature

Attorney
Title

11/26/96
Date

Print or Type Name

Signature

Title

Date

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.

Case 11695

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 East Shugart Unit Waterflood Project, and the project area for the expansion is as follows:

Township 18 South, Range 31 East, N.M.P.M.

Section 27: SE $\frac{1}{4}$ SE $\frac{1}{4}$
Section 34: E $\frac{1}{2}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$, and SE $\frac{1}{4}$ SW $\frac{1}{4}$
Section 35: N $\frac{1}{2}$, SW $\frac{1}{4}$, and W $\frac{1}{2}$ SE $\frac{1}{4}$

Township 19 South, Range 31 East, N.M.P.M.

Section 3: Lots 3, 4, SW $\frac{1}{4}$ NE $\frac{1}{4}$, and SE $\frac{1}{4}$ NW $\frac{1}{4}$
containing 1239.40 acres, more or less.

A plat outlining the project area for the East Shugart Unit Waterflood Project is attached hereto as Exhibit A. The subject pool is the Shugart Pool.

3. The project area was unitized by Division Order No. R-3765, as amended. Devon Energy Corporation (Nevada) is the sole working interest owner in the Unit as to the Shugart Pool.

4. Secondary recovery shall be by a waterflood project. The injection formations are the Yates and Queen formations of the Shugart Pool, with the injected water consisting of produced water from the Shugart Pool, and makeup water (if necessary) from the Double Eagle fresh water system. The waterflood project was approved by Division Order No. R-3769.

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 project expansion is shown on Exhibit C attached hereto.²

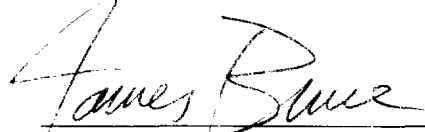
¹The injection and producing wells in the project area are shown on Exhibit A. The number of producing wells in August 1996 is greater than the number of producing wells at full development because certain wells will initially be producers, but will later be converted to injection.

²The initial increase in production is due to drilling new wells in the project area, which are being produced before being converted to injection.

WHEREFORE, Applicant requests that the Division administratively qualify the expansion of the East Shugart Unit 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.



James Bruce
P. O. Box 2068
Santa Fe, New Mexico 87504
(505) 982-4554

Attorneys for Devon Energy
Corporation (Nevada)

cc: Artesia District Office

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

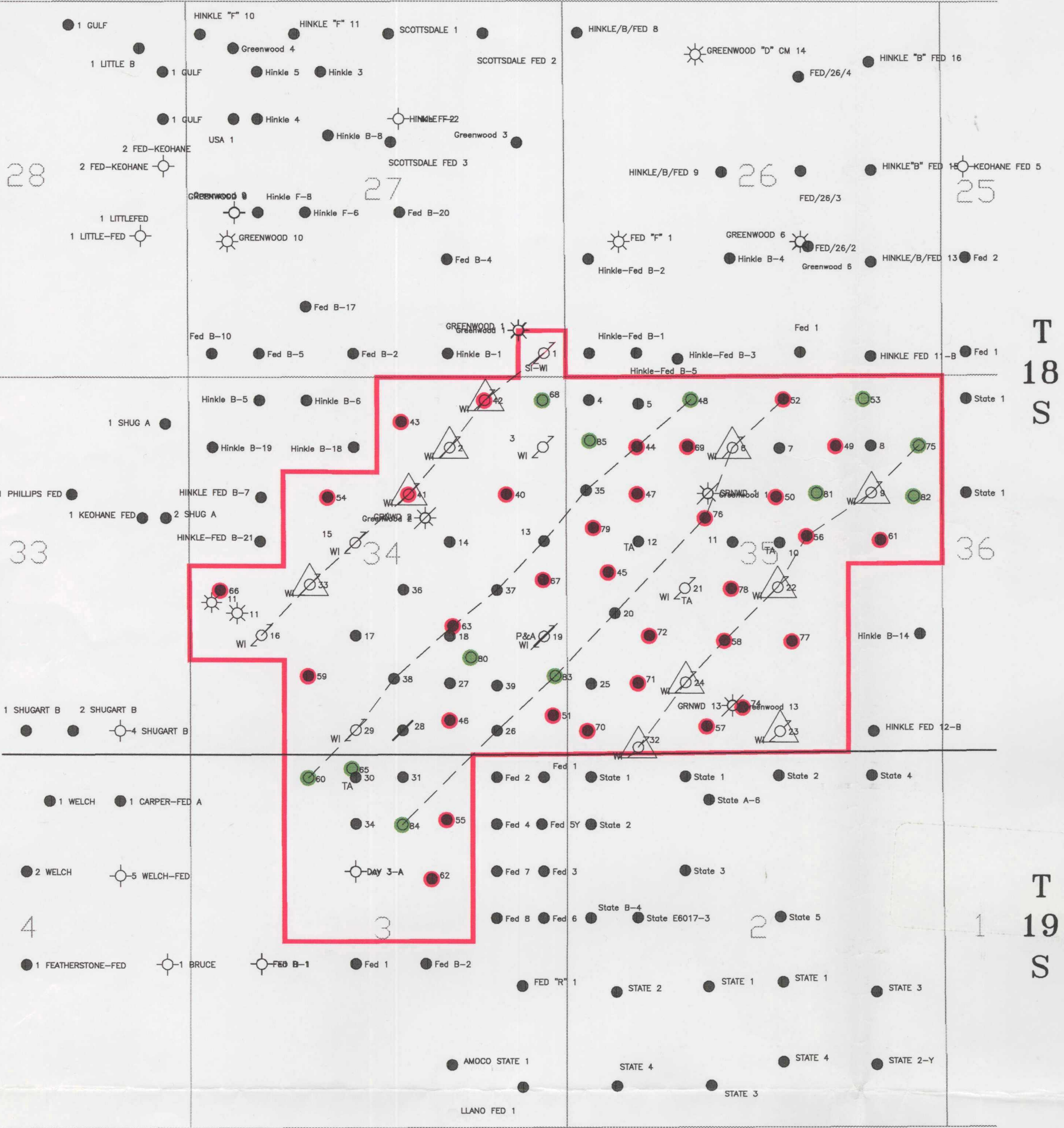
SUBSCRIBED AND SWORN TO before me this _____ day of November, 1996 by Dick Morrow.

Alida J. [Signature]
Notary Public

My Commission expires:

Jan. 24, 1998

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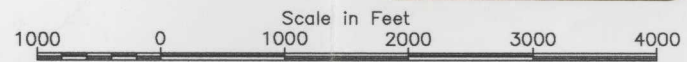
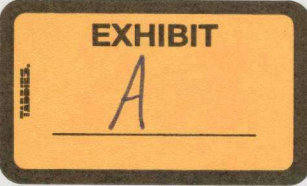
- INFILL WELLS DRILLED AFTER 1/1/94
- PROPOSED INFILL WELLS
- ▲ INJECTION CONVERSIONS OR REACTIVATIONS AFTER 1/1/94
- PROPOSED LINE DRIVE INJECTION PATTERNS



devon
ENERGY CORPORATION

EAST SHUGART UNIT

EDDY COUNTY, NEW MEXICO



**DEVON ENERGY
EAST SHUGART UNIT**

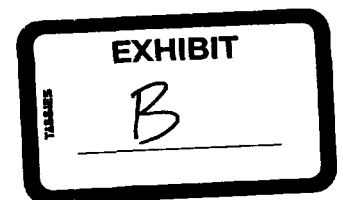
Number of Producing Wells:	January, 1994	20
	August, 1996	50
	Full Development	46

Number of Injection Wells	January, 1994	5
	August, 1996	15
	Full Development	31

Total Capital Cost:	Through August, 1996	\$10,452,285
	Full Development	\$13,752,285

Injection Volumes:	January, 1994	36,068 BWPM
	August, 1996	141,624 BWPM
	Full Development	290,000 BWPM

Anticipated injection commencement date:	Waterflood expansion began August, 1995
Estimated net value of incremental production:	Infill drilling began mid-1993 \$13,642,151



EAST SHUGART UNIT

