

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:

- [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]

Case 11696

- [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.

Note: Statement must be completed by an individual with supervisory capacity.

JAMES BRUCE
216 MONTEZUMA
SANTA FE, NM 87501

James Bruce

Signature

Attorney

Title

11/26/96

Date

Print or Type Name:

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.

11696

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 Keel-West Waterflood Project, and the project area for the expansion is as follows:

Township 17 South, Range 31 East, N.M.P.M.

Section 3: Lots 1-4, S $\frac{1}{2}$ N $\frac{1}{2}$, and S $\frac{1}{2}$ (All)
Section 4: Lots 1-4, S $\frac{1}{2}$ N $\frac{1}{2}$, and S $\frac{1}{2}$ (All)
Section 5: Lots 1-4, S $\frac{1}{2}$ N $\frac{1}{2}$, and S $\frac{1}{2}$ (All)
Section 6: Lots 1-7, S $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$,
and SE $\frac{1}{4}$ (All)
Section 7: Lots 1-4, E $\frac{1}{2}$ W $\frac{1}{2}$, and E $\frac{1}{2}$ (All)
Section 8: All
Section 9: All
Section 10: All

containing 5051.36 acres, more or less.

A plat outlining the project area for the Keel-West Waterflood Project is attached hereto as Exhibit A. The subject pool is the Grayburg-Jackson Pool.

3. The project area is not unitized. The project area is comprised of the following federal leases:

- (a) Lease LC 029426(A) covering the N½ of Section 3 and the E½ of Section 4;
- (b) Lease LC 029426(B) covering the S½ of Section 3, the W½ of Section 4, and all of Sections 9 and 10;
- (c) Lease LC 029435(B) covering all of Sections 5, 6, and 8; and
- (d) Lease LC 029435(A) covering all of Section 7.

Devon Energy Corporation is the sole working interest owner under the above leases as to the Grayburg-Jackson Pool.

4. Secondary recovery shall be by a waterflood project. The injection formation is the Grayburg-San Andres formation of the Grayburg-Jackson Pool, with the injected water consisting of produced water from the Grayburg-Jackson Pool, and makeup water from the Keel-West fresh water system. The waterflood project was approved by Division Order No. R-2268, as amended, Order No. R-10663, as amended, and Administrative Orders WFX-585, WFX-587, WFX-687, and WFX-690.

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.

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.

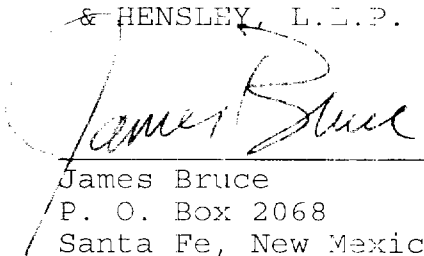
This project qualifies as an expansion which is entitled to the recovered oil tax rate because the number of injection and producing wells is being significantly increased, greatly expanding the waterflood pattern. Also, fracture stimulation and completion technology has improved significantly since 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

WHEREFORE, Applicant requests that the Division administratively qualify the expansion of the Keel-West 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

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

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 23rd day of November, 1996 by Dick Morrow.

Nida Pitts
Notary Public

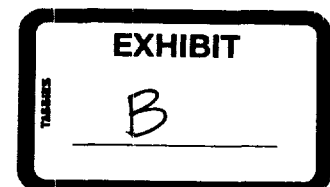
My Commission expires:

Jan. 24 1998

LARGE FORMAT
EXHIBIT HAS
BEEN REMOVED
AND IS LOCATED
IN THE NEXT FILE

**DEVON ENERGY
KEEL-WEST WATERFLOOD PROJECT**

Number of Producing Wells:	January, 1994	75
	August, 1996	152
	Full Development	105
Number of Injection Wells:	January, 1994	20
	August, 1996	55
	Full Development	128
Total Capital Cost:	Through August, 1996	\$42,920,570
	Full Development	\$43,520,570
Injection Volumes	January, 1994	3022 BWPD
	August, 1996	18,959 BWPD
	Full Development	51,200 BWPD
Anticipated injection commencement date:	Waterflood expansion began March, 1995	
Estimated net value of incremental production:	\$154,594,000	



DEVON ENERGY KEEL-WEST WATERFLOOD PROJECT

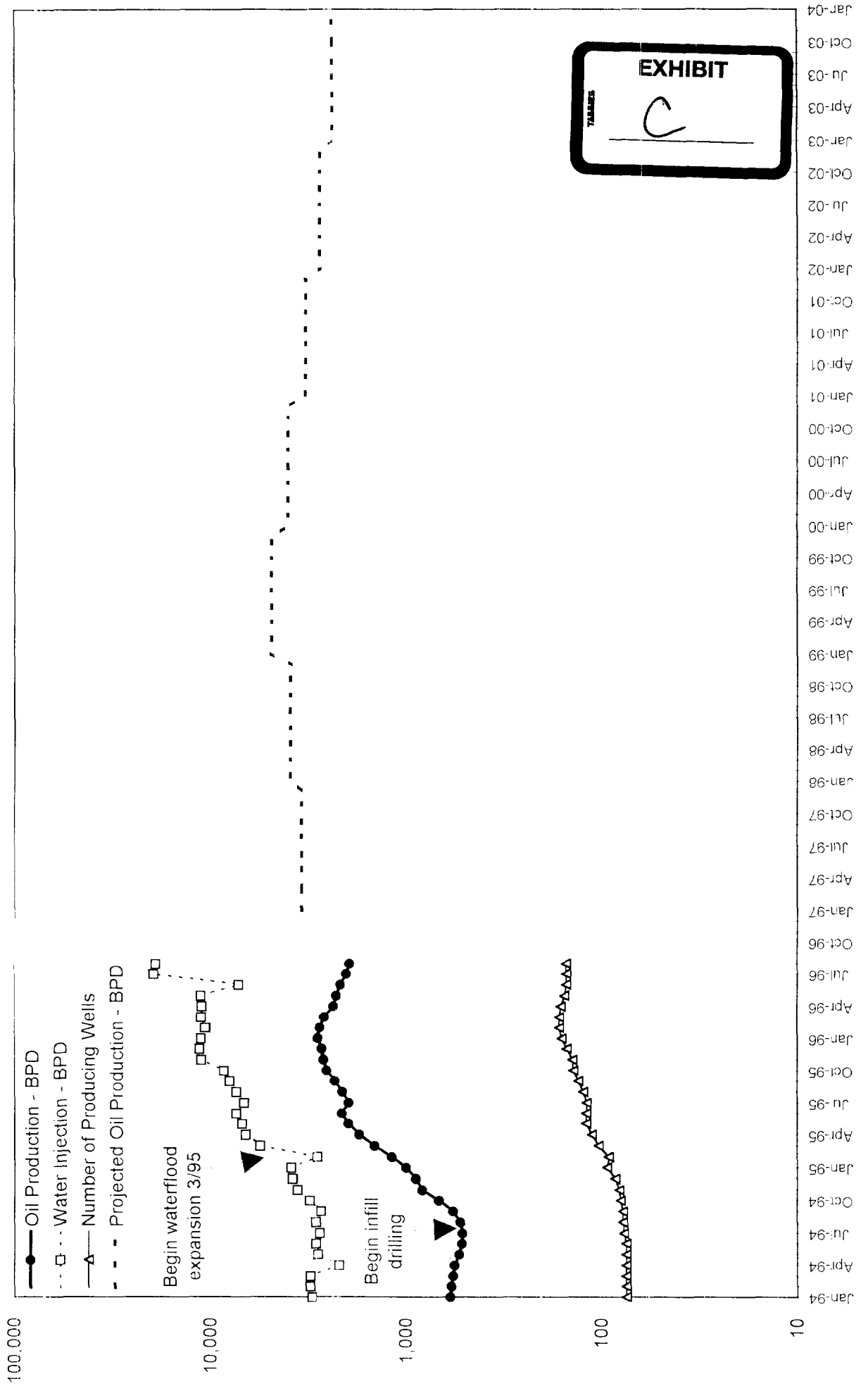


EXHIBIT
C