

**RAILROAD COMMISSION OF TEXAS  
OFFICE OF GENERAL COUNSEL  
HEARINGS SECTION**

**RULE 37 CASE NO. 0257324  
DISTRICT 8A**

**APPLICATION OF DEVON ENERGY  
PRODUCTION COMPANY FOR A RULE 37  
EXCEPTION FOR THE REEVES UNIT, WELL  
NO. 268H, REEVES (SAN ANDRES) FIELD,  
YOAKUM COUNTY, TEXAS.**

**ORDER GRANTING MOTION FOR REHEARING  
FOR THE LIMITED PURPOSE OF ENTERING  
AMENDED FINAL ORDER**

The Commission finds that, after statutory notice in the above-numbered docket, heard on August 21, 2008, the examiners have made and filed a report and proposal for decision containing findings of fact and conclusions of law, which was served on all parties of record, and that this proceeding was duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas.

A Final Order in the captioned Rule 37 case was signed October 22, 2009. A Motion for Rehearing was received November 16, 2009 and a reply was received November 20, 2009. The Motion for Rehearing is hereby **GRANTED** for the limited purpose of entering this Amended Final Order and the Commission, hereby adopts as its own the following Order, including Findings of Fact and Conclusions of Law, in place of the Final Order previously entered in this docket:

**Findings of Fact:**

1. At least 10 days notice of this hearing was given to the designated operator, all offset operators, all lessees of record for tracts that have no designated operator, and all owners of record of unleased mineral interests for each affected adjacent tract.
2. Devon Energy Production Company ("Devon" or "Applicant"), seeks an exception to Statewide Rule 37 to drill its proposed Reeves Unit, Well No. 268H, in the Reeves (San Andres) Field, in Yoakum County. Field rules for the Reeves (San Andres) Field are 330 foot lease line spacing and 933 foot between-well spacing on 40 acre density.
3. Devon seeks a permit to re-enter the regularly located Reeves Unit Well No. 268, directionally deviate WNW to a point 180 feet south of the north unit line, and proceed thence in a westerly direction parallel to the unit line, terminating 150 feet from the westerly unit line.
4. The Devon Reeves Unit is a secondary recovery waterflood operation containing 6,840 acres.
5. Initial pressure in the Reeves (San Andres) Field was 2,000 psi at discovery in 1957 and a secondary recovery waterflood program on the Reeves Unit began in 1965, maintaining the original pressure. There is currently no pressure maintenance support coming from off the unit.

6. Devon calculates Original Oil in Place in the "Pink Area" of its unit, from just south of the horizontal injector well No. 243H to the north unit line to be 849,932 BO. Multiplied by a recovery factor of 35%, this yields 297,476 barrels of recoverable oil.
7. The total cumulative production as of July, 2008 from the "Pink Area" was 145,500 BO., or a 17.1% recovery. This exceeds expected primary recovery of 10%, indicating that all primary oil has been recovered from this area, leaving only secondary oil to be recovered.
8. A well drilled as a horizontal producer from Well No. 268 at a regular location will cause Devon to lose 87,493 barrels of oil that will be swept by its waterflood onto the Yucca Oberholtzer Lease to the north.
9. A well drilled at Devon's proposed Rule 37 location from Well No. 268 will recover 48,000 BO that no other Devon well could produce and would otherwise be swept onto the Yucca Oberholtzer Lease to the north. Approximately 39,372 BO will be swept onto the Yucca Oberholtzer lease.
10. During flush production, the pressure sink created by Devon's proposed Well No. 268H may recover a maximum of 11,355 BO from north of its location. If so, Devon would recover 59,355BO that would otherwise be swept onto the Yucca Oberholtzer Lease and only 28,017 BO would be swept onto the Yucca Oberholtzer Lease.
11. A well at Devon's proposed Rule 37 exception location will not interfere with the Yucca Oberholtzer Well No. 1 and is reasonable.

**Conclusions of Law:**

1. Proper notice of hearing was timely given to all persons legally entitled to notice.
2. All things have occurred to give the Commission jurisdiction to decide this matter.
3. An exception pursuant to Statewide Rule 37 to the Reeves (San Andres) Field rules regarding lease line spacing is necessary to permit drilling the applied-for well.
4. An exception to Statewide Rule 37 at Devon's applied-for location for its Well No. 268H is necessary to prevent confiscation of oil currently in place under the Reeves Unit in the Reeves (San Andres) Field.

Therefore, it is **ORDERED** by the Railroad Commission of Texas that the application of Devon Energy production Company for an exception to Statewide Rule 37 to drill its Reeves Unit, Well No. 268H, in the Reeves (San Andres) Field be and is hereby **APPROVED** at the following location in Yoakum County, Texas:

**SURFACE :** 333' from the north line and 2309' from the west line of the unit and 2303' from the south line and 330" from the east line of the Gibson, J.H./Davies, J. Survey, A-1443, Yoakum County, Texas;

**PP:** 283" from the north line and 2259' from the west line of the unit;

**TL:** 180' from the north line and 150' from the west line of the unit and 2460' from the south line and 2490' from the west line of the Gibson, J.H./Davies, J. Survey, A-1443, Yoakum County, Texas.

**CONDITIONS**

1. **Fresh Water Sand Protection.** The operator must set and cement sufficient surface casing to protect all usable-quality water as defined by the Texas Commission On Environmental Quality. Before drilling a well, the operator must obtain a letter from the Texas Commission On Environmental Quality stating the depth to which water needs protection. Write: Texas Commission On Environmental Quality, Surface Casing, P. O. Box 13087, Capitol Station, Austin, Texas 78711-3087. File a copy of the Texas Commission On Environmental Quality letter with the appropriate district office.
2. **Permit at Drilling Site.** A copy of the Form W-1 (Drilling Permit Application), the location plat, a copy of Statewide Rule 13 alternate surface casing setting depth approval from the district office, if applicable, and this drilling permit must be kept at the permitted well site throughout the drilling operations.
3. **Notification of Setting Casing.** The operator **MUST** call in notification to the appropriate district office a minimum of eight (8) hours prior to the setting of surface casing, intermediate casing, AND production casing. The individual giving notification **MUST** be able to advise the district office of the docket number.
4. **Producing Well.** Statewide Rule 16 requires that the operator submit a Form W-2 (oil well) or Form G-1 (gas well) to the appropriate Commission district office within thirty (30) days after completion of such well. Completion of the well in a field authorized by this order voids the order for all other fields included in the order unless the operator indicates on the initial completion report that the well is to be a dual or multiple completion and promptly submits an application for multiple completion. All zones are required to be completed before the expiration date of this order.
5. **Dry or Noncommercial Hole.** Statewide Rule 14(b)(2) prohibits suspension of operations on each dry or noncommercial well without plugging unless the hole is cased and the casing is cemented in compliance with Commission rules. If properly cased, Statewide Rule 14(b)(2) requires that plugging operations must begin within a period of one (1) year after drilling or operations have ceased. Plugging operations must proceed with due diligence until completed. An extension to the one year plugging requirement may be granted under the provisions stated in Statewide Rule 14(b)(2).
6. **Intention to Plug.** The operator must file a Form W-3A (Notice of Intention to Plug and Abandon) with the district office at least five (5) days prior to beginning plugging operations. If, however, a drilling rig is already at work on location and ready to begin plugging operations, the district director or the director's delegate may waive this requirement upon request, and verbally approve the proposed plugging procedures.
7. **Notification of Plugging a Dry Hole.** The operator **MUST** call to notify the appropriate district office a minimum of four (4) hours prior to beginning plugging operations. The individual giving

notification MUST be able to advise the district office of the docket number and all water protection depths for that location as stated in the Texas Commission On Environmental Quality letter.

8. **Plugged Wells.** Should this well ever be plugged and abandoned, the Commission will consider such plugging and abandonment as prima facie evidence that production from said well is no longer necessary to prevent confiscation of applicant's property or to prevent waste; and upon such plugging and abandonment, the authority for such well as granted under this permit shall cease.
9. **Permit Expiration.** This permit expires two (2) years from the date this order becomes administratively final, unless actual drilling operations have begun. The permit period will not be extended.

Each exception to the examiners' proposal for decision not expressly granted herein is overruled. All requested findings of fact and conclusions of law which are not expressly adopted herein are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

It is further **ORDERED** by the Commission that this order shall not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a timely motion for rehearing is filed by any party at interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to TEX. GOV'T CODE §2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the parties are notified of the order.

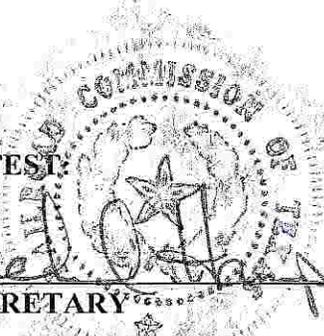
Done this 15th day of December, 2009.

RAILROAD COMMISSION OF TEXAS

  
CHAIRMAN VICTOR G. CARRILLO

  
COMMISSIONER ELIZABETH A. JONES

COMMISSIONER MICHAEL L. WILLIAMS

ATTEST:  
  
  
SECRETARY