



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

August 2, 2004

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

**Devon Energy Production Company, L.P.
c/o W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504**

Administrative Order NSL-5089 (BHL)

Dear Mr. Kellahin:

Reference is made to the following: (i) your application on behalf of the operator, Devon Energy Production Company, L.P. ("Devon"), that was submitted to the New Mexico Oil Conservation Division ("Division") on June 29, 2004 (*administrative application reference No. pSEM0-418231425*); and (ii) the Division's records in Santa Fe: all concerning Devon's proposed Red Bull "31" State Well No. 1 to be drilled vertically from an unorthodox gas well location 1300 feet from the South line and 2610 feet from the West line (Unit N) of Section 31, Township 23 South, Range 35 East, NMPM, Lea County, New Mexico, down to the Atoka formation, kicked-off to the west, and directionally drilled to a targeted bottomhole location in the Morrow formation at a measured depth of 14,497 feet (14,400 TVD) feet 1300 feet from the South line and 2320 feet from the East line (Unit O) of Section 31.

It is the Division's understanding that Devon intends to test both the Atoka and Morrow formations for gas production underlying Lots 3 and 4, the E/2 SW/4, and the SE/4 (S/2 equivalent) of Section 31, being a standard 319.32-acre lay-down gas spacing unit, pursuant to Division Rule 104.C (2), for the Undesignated Antelope Ridge-Atoka Gas Pool (70360), Undesignated Antelope Ridge-Morrow Gas Pool (70440), and Undesignated West Cinta Roja-Morrow Gas Pool (96602).

It is further understood from the information provided that the two proposed subsurface locations will allow Devon to penetrate: (i) a small structural feature within the Atoka formation; and (ii) a Morrow sand stringer, that may not otherwise be accessible from a single wellbore drilled at the closest location considered to be standard for deep gas within southeast New Mexico [see Division Rule 104.C (2) (a)].

In accordance with Division Rules 111.A (7), 111.C (2), and 104.F (2), the planned directional drilling to the above-described subsurface Atoka and Morrow gas well locations for Devon's proposed Red Bull "31" State Well No. 1 underlying the S/2 equivalent of Section 31 is hereby approved.

Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Michael E. Stogner
Engineer/Hearing Officer

MS/mes

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office – Santa Fe

REMARKS: Should a successful Morrow completion within this well result in that production being placed in the Cinta Roja-Morrow Gas Pool (75000), the operator of this well shall make an application with the Division for an amendment of this order pursuant to the “*Special Rules and Regulations for the Cinta Roja-Morrow Gas Pool,*” pursuant to Division Order No. R-3161, issued in Case No. 3492 on December 6, 1966, and the applicable provisions of Division Rules 104.F and 1207.A (2).