



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

March 8, 2005

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

Administrative Order NSL-5089-A (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 initially submitted to the New Mexico Oil Conservation Division ("Division") on January 12, 2005 (*administrative application reference No. pSEM0-501329690*); (ii) the Division's first response from Mr. Michael E. Stogner, Engineer/Hearing Officer in Santa Fe by letter dated January 25, 2005 requesting additional information to support this application; (iii) your e-mail response of Wednesday, February 23, 2005 with additional data; (iv) Mr. Stogner's second request for information by e-mail dated March 3, 2005; (v) your response by letter dated March 7, 2005 with the necessary data attached in order to complete this application; and (vi) the Division's records in Santa Fe, including the files on Division Administrative Order NSL-5089 (BHL), dated August 2, 2004, and AMENDED Administrative Order NSL-5089 (BHL), dated September 16, 2004: all concerning Devon's request to further amend Division Administrative Order NSL-5089 (BHL) by changing the approved unorthodox subsurface location from the Atoka and Morrow formations to the Delaware and Bone Spring formations for Devon's Red Bull "31" State Well No. 1 (API No. 30-025-36798), recently drilled from a surface 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.

Your application has been duly filed under the provisions of Division Rules 104.F and 111.C (2).

By Division Administrative Order NSL-5089 (BHL), as amended, Devon was granted authorization to directionally drill its above-described Red Bull "31" State Well No. 1 within a standard 319.32-acre lay-down gas spacing unit 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), comprising Lots 3 and 4, the E/2 SW/4, and the SE/4 (S/2 equivalent) of Section 31, "such that the:

(a) top of the Atoka formation at an estimated measured depth of 12,677 feet (12,662 feet TVD) is penetrated at a subsurface location 1272 feet from the South line and 2550 feet from the East line (Unit O) of Section 31;

(b) top of the Morrow "C" interval of the Morrow formation at an estimated measured depth of 14,470 feet (13,942 feet TVD) is penetrated at a subsurface location 1000 feet from the South line and 1370 feet from the East line (Unit O) of Section 31; and

(c) targeted bottomhole location within the Morrow formation at a measured depth of 14,783 feet (14,130 TVD) feet 954 feet from the South line and 1126 feet from the East line (Unit P) of Section 31."

It is the Division's understanding that Devon commenced drilling its Red Bull "31" State Well No. 1 on October 22, 2004 and on December 30, 2004 encountered mechanical difficulties while drilling in the Morrow formation at 14,790 feet. On January 7, 2005, after several failed fishing attempts, Devon abandoned the lower section of the well bore and dually complete in both the oil bearing Bone Spring and Delaware intervals. Pursuant to Division Rule 104.B (1), this oil location in both formations is considered to be "unorthodox".

From the information provided, the actual lower-most subsurface location of this well bore is 14,863 feet (MD), or 14,130 feet (TVD) and is located approximately 934 feet from the South line and 1073 feet from the East line (Unit P) of Section 31. Further, this well's subsurface locations within the:

(a) shallower Delaware formation within either the Undesignated Antelope Draw-Delaware Pool (96230) or the Undesignated Cinta Roja- Delaware Pool (96341) are as follows: **(i)** the top, at an approximate depth of 5,268 feet is approximately 1309 feet from the South line and 2588 feet from the West line (Unit N) of Section 31; and **(ii)** the bottom, at an approximate depth of 8,780 feet is approximately 1261 feet from the South line and 2567 feet from the West line (Unit N) of Section 31; and

(b) deeper Bone Spring formation, with the nearest pool being the Antelope Ridge-Bone Spring Pool (2207) comprising the SW/4 of Section 24 and the W/2 of Section 25, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico: **(i)** the top, which corresponds to the base of the Delaware interval at an approximate depth of 8,780 feet is approximately 1261 feet from the South line and 2567 feet from the West line (Unit N) of Section 31; and **(ii)** the bottom, at an approximate depth of 11,646 feet is approximately 1259 feet from the South line and 2514 feet from the West line (Unit N) of Section 31.

The SE/4 SW/4 (Unit N) of Section 31, being a standard 40-acre oil spacing and proration unit in both oil-bearing intervals, is to be dedicated to this well.

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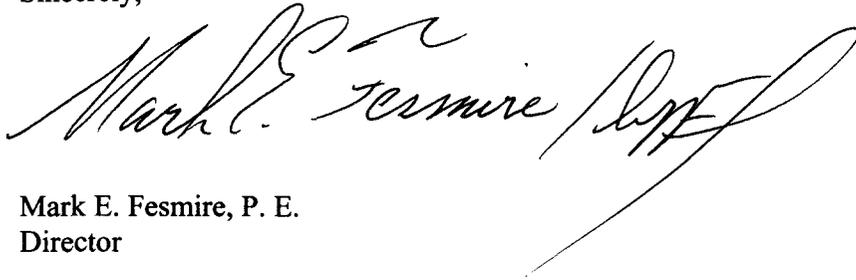
Division Administrative Order NSL-5089-A (BHL)

It is further understood that the S/2 of Section 31 comprises a single State lease issued by the New Mexico State Land Office (State lease No. VA-2488) with common mineral interests throughout; therefore, there are no adversely effected offsets to the subject 40-acre tract.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described non-standard Delaware and Bone Spring subsurface oil well locations within the SE/4 SW/4 (Unit N) of Section 31 and well bore path of Devon's Red Bull "31" State Well No. 1 are hereby approved.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Mark E. Fesmire" followed by a stylized flourish.

Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Hobbs
New Mexico State Land Office – Santa Fe
File: NSL-5089 (BHL)
AMENDED NSL-5089 (BHL)