

CTB 439 10/23/96

devon
ENERGY CORPORATION

20 North Broadway, Suite 1500
Oklahoma City, Oklahoma 73102-8260

Telephone: (405) 235-3611
Fax: (405) 552-4667

September 20, 1996

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87504-2088
Attention: Benjamin E. Stone

Re: Request for Exception to Rule 309-A
Lease Commingling
United States Oil and Gas Leases
LC-070678-A, NM-89156, NM-29273, NM-031186, NM-025604, LC-055383-A,
LC-055465-A, NM-033825, NM-29278 and NM-025530
Sections 4, 5, 8 and 9, Township 18 South, Range 27 East
Eddy County, New Mexico

*Red Lake Unit GRB SA
51300*

Gentlemen:

Devon Energy Corporation (Nevada) as Operator of the referenced leases respectfully requests that the Division Director grant an exception to Rule 309-A to permit the surface commingling of production from the referenced leases into common tank batteries, without notice and hearing.

Attached you will find a plat of the leases subject to this application, along with a schematic diagram of each of the commingling facilities to be utilized. Leases LC-070678-A, NM-89156 and NM-29273 will be commingled at the facility located in unit letter "K" of Section 8. Leases NM-031186 and NM-025604 will be commingled at the facility located in unit letter "F" of Section 9. Leases LC-055383-A, LC-055465-A, NM-033825, NM-29278 and NM-025530 will be commingled at the facility located in unit letter "G" of Section 4.

As you recall, by letter dated August 9, 1996 Devon had requested all of the above leases with the exception of NM-033825, NM-29278 and NM-025530 to be commingled into a common tank battery in the West Red Lake Unit. You have advised that the OCD would prefer not to commingle unit production with "outside leases", consequently we are re-submitting our request as set forth above.

As evidenced in our August 9th application, all parties owning an interest in the subject leases and the purchasers of the commingled production have been previously notified of our intent to commingle production.

Please feel free to contact the undersigned at 405-552-4633 if there are any questions.

Yours very truly,

DEVON ENERGY CORPORATION (NEVADA)

Ken Gray
Ken Gray
District Landman

KG:da\newmex17.lt
Enclosure

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

N.M. Oil Cons. Division
811 S. 1st Street
Artesia, NM 88210-2002

FORM APPROVED
Budget Bureau No. 1004-0135
Expires March 31, 1993

SF

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT—" for such proposals

SUBMIT IN TRIPLICATE

1. Type of Well
 Oil Well Gas Well Other

2. Name of Operator
DEVON ENERGY CORPORATION (NEVADA)

3. Address and Telephone No.
20 NORTH BROADWAY, SUITE 1500, OKLAHOMA CITY, OKLAHOMA 73102 (405) 235-3611

4. Location of Well (Footage. Sec., T., R., M., or Survey Description)
Sec. 8, T18S, R27E

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OCT - 3 1995

OIL CON. DIV.
DIST. 2

5. Lease Designation and Serial No.
 NM-89156, LC-070678-A, & NM-29273

6. If Indian, Allottee or Tribe Name
 NA

7. If Unit or CA, Agreement Designation
 NA

8. Well Name and No.
 Hawk "8" Federal

9. API Well No.

10. Field and Pool, or Exploratory Area
 Red Lake (Q-GB-SA) 51300

11. County or Parish, State
 Eddy County, NM

CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Abandonment
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompletion
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back
	<input type="checkbox"/> Casing Repair
	<input type="checkbox"/> Altering Casing
	<input checked="" type="checkbox"/> Other <u>Commingling at surface</u>
	<input type="checkbox"/> Change of Plans
	<input type="checkbox"/> New Construction
	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Conversion to Injection
	<input type="checkbox"/> Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

Devon Energy Corporation (Nevada) requests approval for surface commingling and off-lease storage and measurement of hydrocarbon production from the following wells:

- Hawk "8J" Federal #1 Hawk "8O" Federal #9
- Hawk "8J" Federal #2 Hawk "8O" Federal #10
- Hawk "8K" Federal #3 Hawk "8P" Federal #11
- Hawk "8K" Federal #4 Hawk "8P" Federal #12
- Hawk "8L" Federal #5
- Hawk "8L" Federal #6
- Hawk "8N" Federal #7
- Hawk "8N" Federal #8

RECEIVED
 SEP 27 1 47 PM '95
 OIL CON. DIV.

14. I hereby certify that the foregoing is true and correct

Signed E. L. Buttross, Jr. Title District Engineer Date 9/25/96
 (This space for Federal or State office use)

Approved by (ORIG. SGD.) DAVID R. GLASS Title PETROLEUM ENGINEER Date SEP 30 1996

Conditions of approval, if any:

SEE ATTACHED FOR
 CONDITIONS OF APPROVAL

RECEIVED
 SEP 30 1996
 OIL CON. DIV.

APPLICATION FOR SURFACE COMMINGLING, OFF LEASE STORAGE AND MEASUREMENT APPROVAL

To: Bureau of Land Management
620 E. Greene Street
Carlsbad, New Mexico 88220

Devon Energy Corporation requests approval for surface commingling and off lease storage and measurement of hydrocarbon production from the following wells on Federal Lease No. NM-89156;

Lease Name: Hawk "8" Federal:

<u>Well No.</u>	<u>UL</u>	<u>Sec.</u>	<u>Twp</u>	<u>Rng</u>	<u>Formation</u>
1	J	8	18S	27E	Grayburg-San Andres
2	J	8	18S	27E	Grayburg-San Andres
7	N	8	18S	27E	Grayburg-San Andres
8	N	8	18S	27E	Grayburg-San Andres

with hydrocarbon production from the following wells on Federal Lease No. LC-070678-A;

Lease Name: Hawk "8" Federal:

<u>Well No.</u>	<u>UL</u>	<u>Sec.</u>	<u>Twp</u>	<u>Rng</u>	<u>Formation</u>
3	K	8	18S	27E	Grayburg-San Andres
5	L	8	18S	27E	Grayburg-San Andres
6	L	8	18S	27E	Grayburg-San Andres
9	O	8	18S	27E	Grayburg-San Andres
10	O	8	18S	27E	Grayburg-San Andres

with hydrocarbon production from the following wells on Federal Lease No. NM-29273;

Lease Name: Hawk "8" Federal:

<u>Well No.</u>	<u>UL</u>	<u>Sec.</u>	<u>Twp</u>	<u>Rng</u>	<u>Formation</u>
11	P	8	18S	27E	Grayburg-San Andres
12	P	8	18S	27E	Grayburg-San Andres

Production from the wells involved is as follows:

<u>Well</u>	<u>BOPD</u>	<u>Oil Gravity</u>	<u>MCFPD</u>
Hawk "8J" Federal #1	16	31	175
Hawk "8J" Federal #2	COMPLETING. TEST TO FOLLOW.		
Hawk "8K" Federal #3	48	41	847
Hawk "8K" Federal #4	76	37	900
Hawk "8L" Federal #5	69	40	300
Hawk "8L" Federal #6	TO BE DRILLED. TEST TO FOLLOW.		
Hawk "8N" Federal #7	TO BE DRILLED. TEST TO FOLLOW.		
Hawk "8N" Federal #8	TO BE DRILLED. TEST TO FOLLOW.		
Hawk "8O" Federal #9	TO BE DRILLED. TEST TO FOLLOW.		
Hawk "8O" Federal #10	TO BE DRILLED. TEST TO FOLLOW.		

Hawk "8P" Federal #11
Hawk "8P" Federal #12

141 35 280
COMPLETING. TEST TO FOLLOW.

Exhibit I is a schematic which shows the equipment that will be utilized to determine well production from each lease. A map (Exhibit II) is enclosed that shows the lease numbers and location of all leases and wells that will contribute production to the proposed commingled facility.

The storage and measuring facility will be located in UL K in NW/4 SE/4 Sec. 8, T18S, R27E on lease No. LC-070678-A, Eddy County, New Mexico. The BLM will be notified if there is any future change in the facility location.

Process and Flow Description: Under the proposed flow system, gas will be flowed out the casing from each well and will be tested at the well using an orifice well tester. Oil and water will be pumped out the tubing and will go through a flowline to a header at the battery. Wells will be tested by switching into the test treater which will separate the oil and water and allow the oil to be measured in a test tank and the water by means of a meter.

Production Allocation: Production allocation will be based on periodic well tests as described above. Allocation of total gas recorded by the Sales Gas Meter will be based on these tests.

The overriding royalty owners, working interest owners, and NMOCD have been notified of this proposal.

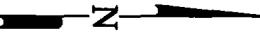
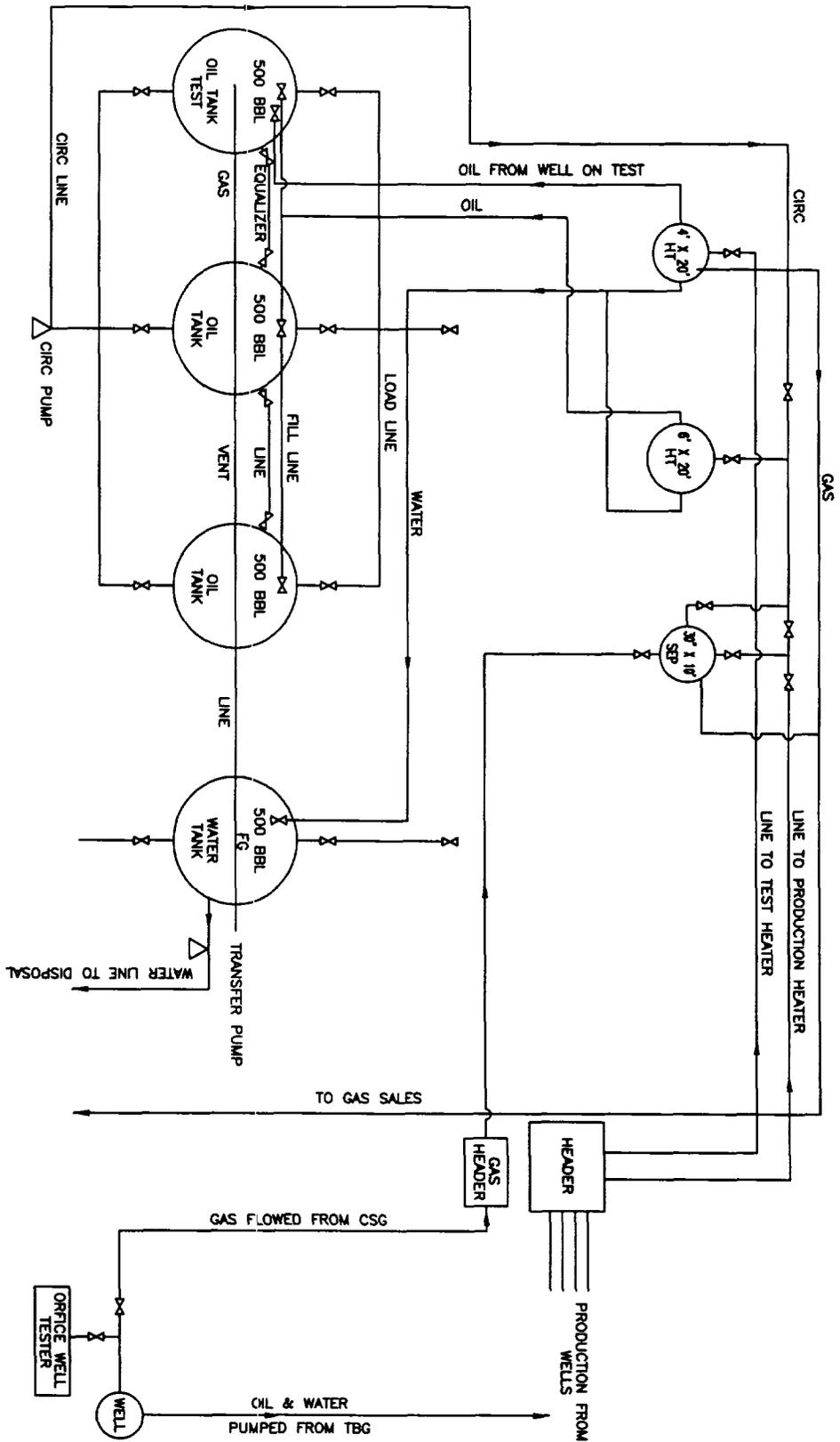
The proposed commingling of production is in the interest of conservation and will not result in reduced royalty or improper measurement of production.

The proposed commingling is necessary for hydrocarbon development and operation on the above referenced Federal leases.

We understand that the requested approval will not constitute the granting of any right-of-way or construction rights not granted by the lease instrument. We have submitted an application for the necessary right-of-way approvals to the BLM's Realty Section.

Signed: E. L. Buttross Jr.
Name: E. L. Buttross, Jr.
Title: District Engineer
Date: September 25, 1996

Devon Energy Corporation (Nevada)
20 N. Broadway, Suite 1500
Oklahoma City, OK 73102



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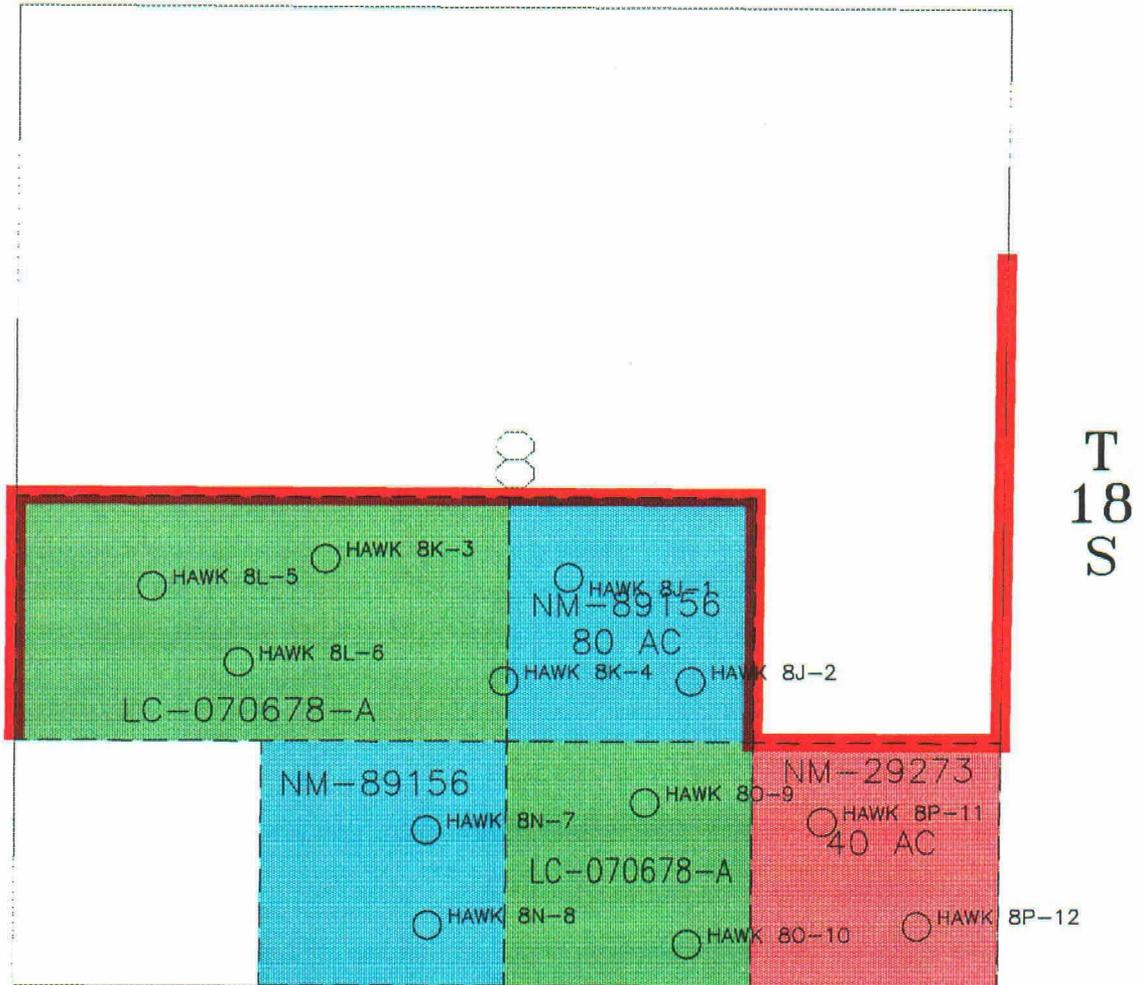
denon
RED LAKE AREA
 EDDY COUNTY, NEW MEXICO

EXHIBIT # 1

HAWK "8" FEDERAL BATTERY
 FLOW DIAGRAM
 UK, SEC. 8, T18S, R27E

F. CORNELL

R 27 E



HWK3FED	



RED LAKE FIELD
EDDY COUNTY, NEW MEXICO

LEASE MAP
HAWK 8 FEDERAL
EXHIBIT II



E BUTTROSS

7/96

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

N.M. Oil Cons. Division
811 S. 1st Street
Artesia, NM 88210

FORM APPROVED
Budget Bureau No. 1004-0135
Expires March 31, 1993

SF

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT—" for such proposals.

RECEIVED

SUBMIT IN TRIPLICATE

OCT 3 1996

1. Type of Well
 Oil Well Gas Well Other

2. Name of Operator
DEVON ENERGY CORPORATION (NEVADA)

3. Address and Telephone No.
20 NORTH BROADWAY, SUITE 1500, OKLAHOMA CITY, OKLAHOMA 73102 (405) 235-3611

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
Sec. 9, T18S, R27E

5. Designation and Serial No.
 NM-031186 & NM-025604

6. If Indian, Allottee or Tribe Name
 NA

7. If Unit or CA, Agreement Designation
 NA

8. Well Name and No.
 Hawk "9" Federal

9. API Well No.

10. Field and Pool, or Exploratory Area
 Red Lake (Q-GB-SA)

11. County or Parish, State
 Eddy County, NM

CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION	
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Abandonment	<input type="checkbox"/> Change of Plans
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompletion	<input type="checkbox"/> New Construction
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Altering Casing	<input type="checkbox"/> Conversion to Injection
	<input checked="" type="checkbox"/> Other <u>Commingling at surface</u>	<input type="checkbox"/> Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13 Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

Devon Energy Corporation (Nevada) requests approval for surface commingling and off-lease storage and measurement of hydrocarbon production from the following wells:

- Hawk "9A" Federal #1
- Hawk "9B" Federal #3
- Hawk "9E" Federal #5
- Hawk "9E" Federal #6
- Hawk "9F" Federal #7
- Hawk "9F" Federal #8
- Hawk "9G" Federal #9
- Hawk "9H" Federal #11

RECEIVED
SEP 27 1 45 PM '96
OIL CON. DIV.
ARTESIA, NM

14. I hereby certify that the foregoing is true and correct

Signed E. L. Buttross, Jr. Title District Engineer Date 9/25/96
 (This space for Federal or State office use)

Approved by DAVID R. GLASS Title PETROLEUM ENGINEER Date SEP 30 1996
 Conditions of approval, if any:

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

SUBJECT TO
LINE APPROVAL
BY STATE

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

APPLICATION FOR SURFACE COMMINGLING, OFF LEASE STORAGE AND MEASUREMENT APPROVAL

To: Bureau of Land Management
620 E. Greene Street
Carlsbad, New Mexico 88220

Devon Energy Corporation requests approval for surface commingling and off lease storage and measurement of hydrocarbon production from the following wells on Federal Lease No. NM-031186;

Lease Name: Hawk "9" Federal:

<u>Well No.</u>	<u>UL</u>	<u>Sec.</u>	<u>Twp</u>	<u>Rng</u>	<u>Formation</u>
5	E	9	18S	27E	Grayburg-San Andres
6	E	9	18S	27E	Grayburg-San Andres
7	F	9	18S	27E	Grayburg-San Andres
8	F	9	18S	27E	Grayburg-San Andres

with hydrocarbon production from the following wells on Federal Lease No. NM-025604;

Lease Name: Hawk "9" Federal:

<u>Well No.</u>	<u>UL</u>	<u>Sec.</u>	<u>Twp</u>	<u>Rng</u>	<u>Formation</u>
1	A	9	18S	27E	Grayburg-San Andres
3	B	9	18S	27E	Grayburg-San Andres
9	G	9	18S	27E	Grayburg-San Andres
11	H	9	18S	27E	Grayburg-San Andres

Production from the wells involved is as follows:

<u>Well</u>	<u>BOPD</u>	<u>Oil Gravity</u>	<u>MCFPD</u>
Hawk "9A" Federal #1	TO BE DRILLED. TEST TO FOLLOW.		
Hawk "9B" Federal #3	TO BE DRILLED. TEST TO FOLLOW.		
Hawk "9E" Federal #5	68	38	76
Hawk "9E" Federal #6	BEING COMPLETED. TEST TO FOLLOW.		
Hawk "9F" Federal #7	41	38	82
Hawk "9F" Federal #8	TO BE DRILLED. TEST TO FOLLOW.		
Hawk "9G" Federal #9	TO BE DRILLED. TEST TO FOLLOW.		
Hawk "9H" Federal #11	TO BE DRILLED. TEST TO FOLLOW.		

Exhibit I is a schematic which shows the equipment that will be utilized to determine well production from each lease. A map (Exhibit II) is enclosed that shows the lease numbers and location of all leases and wells that will contribute production to the proposed commingled facility.

The storage and measuring facility will be located in UL F in SE/4 NW/4 Sec. 9, T18S, R27E on lease No. NM-031186, Eddy County, New Mexico. The BLM will be notified if there is any future change in the facility location.

Process and Flow Description: Under the proposed flow system, gas will be flowed out the casing from each well and will be tested at the well using an orifice well tester. Oil and water will be pumped out the tubing and will go through a flowline to a header at the battery. Wells will be tested by switching into the test treater which will separate the oil and water and allow the oil to be measured in a test tank and the water by means of a meter.

Production Allocation: Production allocation will be based on periodic well tests as described above. Allocation of total gas recorded by the Sales Gas Meter will be based on these tests.

The overriding royalty owners, working interest owners, and NMOCD have been notified of this proposal.

The proposed commingling of production is in the interest of conservation and will not result in reduced royalty or improper measurement of production.

The proposed commingling is necessary for hydrocarbon development and operation on the above referenced Federal leases.

We understand that the requested approval will not constitute the granting of any right-of-way or construction rights not granted by the lease instrument. We have submitted an application for the necessary right-of-way approvals to the BLM's Realty Section.

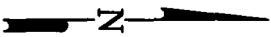
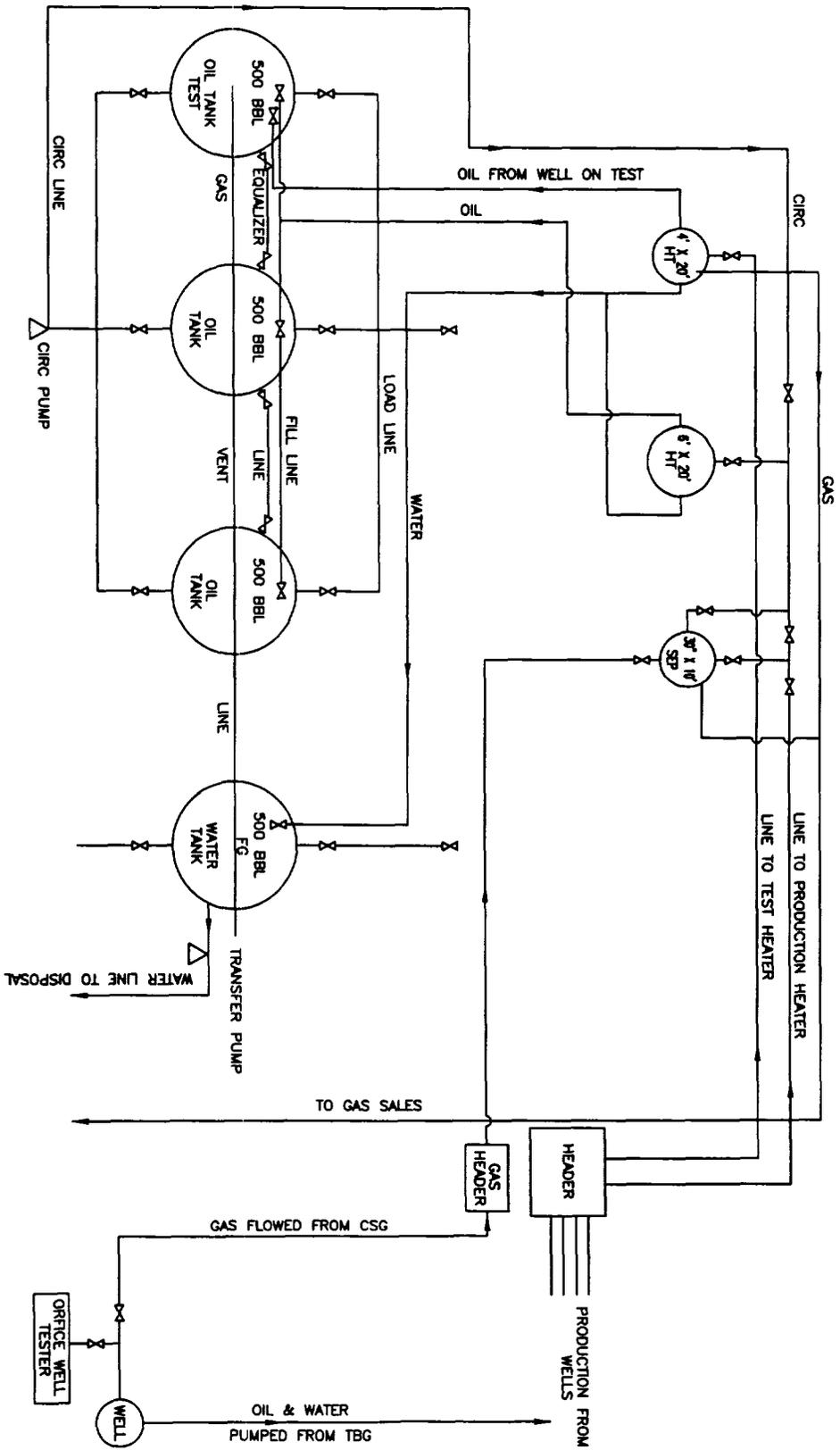
Signed: E. L. Buttross Jr.

Name: E. L. Buttross, Jr.

Title: District Engineer

Date: September 25, 1996

Devon Energy Corporation (Nevada)
20 N. Broadway, Suite 1500
Oklahoma City, OK 73102



HORD-BITS

denon
RED LAKE AREA
 EDDY COUNTY, NEW MEXICO

EXHIBIT # 1

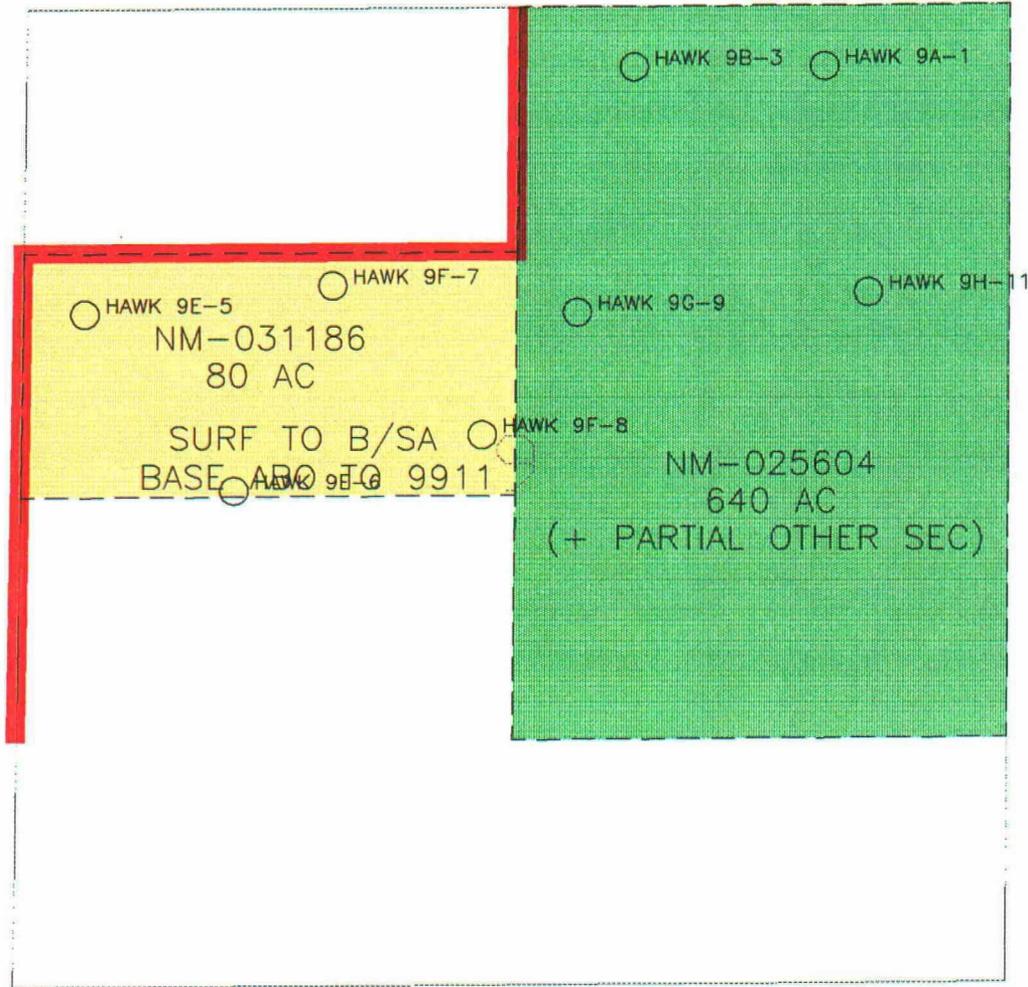
HAWK "9" FEDERAL BATTERY

FLOW DIAGRAM
 U.F. SEC. 9, T18S, R27E

F CORNELL

9/86

R 27 E



T
18
S



HWK9FED	



RED LAKE FIELD
EDDY COUNTY, NEW MEXICO

LEASE MAP
HAWK 9 FEDERAL
EXHIBIT II



E BUTTROSS

7/96

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

N.M. Oil Cons. Division **FORM APPROVED**
811 S. 1st Street
Budget Bureau No. 1004-0135
Expires March 31, 1993

SF

SUNDRY NOTICES AND REPORTS ON WELLS Artesia, NM 88210-2834

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT—" for such proposals

SUBMIT IN TRIPLICATE

1. Type of Well
 Oil Well Gas Well Other

2. Name of Operator
DEVON ENERGY CORPORATION (NEVADA)

3. Address and Telephone No.
20 NORTH BROADWAY, SUITE 1500, OKLAHOMA CITY, OKLAHOMA 73102 (405) 235-3611

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
Sec. 4, T18S, R27E

RECEIVED

OCT - 3 1996

OIL CON. DIV.

DIST. 2

5. Lease Designation and Serial No.
 NM-033825, NM-025530, NM-29278, LC-055465, & LC-055383-A

6. If Indian, Allottee or Tribe Name
 NA

7. If Unit or CA, Agreement Designation
 NA

8. Well Name and No.
 Hondo Federal

9. API Well No.

10. Field and Pool, or Exploratory Area
 Red Lake (Q-GB-SA)

11. County or Parish, State
 Eddy County, NM

CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Abandonment
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompletion
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back
	<input type="checkbox"/> Casing Repair
	<input type="checkbox"/> Altering Casing
	<input checked="" type="checkbox"/> Other <u>Commingling at surface</u>
	<input type="checkbox"/> Change of Plans
	<input type="checkbox"/> New Construction
	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Conversion to Injection
	<input type="checkbox"/> Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13 Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

Devon Energy Corporation (Nevada) requests approval for surface commingling and off-lease storage and measurement of hydrocarbon production from the following wells:

- Hondo Federal #1 Kite "4E" Federal #1
- Hondo Federal #2 Kite "4E" Federal #2
- Hondo Federal #3 Kite "4F" Federal #3
- Hondo Federal #4 Kite "4F" Federal #4
- Hondo Federal #5 Kite "5I" Federal #1
- Hondo Federal #6 Kite "5B" Federal #2
- Hondo "B" Federal #1
- Hondo "B" Federal #2

CARBONATE AREA PERMS
 SEP 27 1 49 PM '96
 RECEIVED

14. I hereby certify that the foregoing is true and correct

Signed E.L. Buttross, Jr. Title District Engineer Date 9/26/96

Approved by (ORIG. SGD.) DAVID E. GLASS Title PETROLEUM ENGINEER Date SEP 30 1996

Conditions of approval, if any:

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

SUBJECT TO
LIKE APPROVAL
BY STATE

APPLICATION FOR SURFACE COMMINGLING, OFF LEASE STORAGE AND MEASUREMENT APPROVAL

To: Bureau of Land Management
620 E. Greene Street
Carlsbad, New Mexico 88220

Devon Energy Corporation requests approval for surface commingling and off lease storage and measurement of hydrocarbon production from the following wells on Federal Lease No. NM-033825;

Lease Name: Hondo Federal:

<u>Well No.</u>	<u>UL</u>	<u>Sec.</u>	<u>Twp</u>	<u>Rng</u>	<u>Formation</u>
2	A	4	18S	27E	Grayburg-San Andres
3	A	4	18S	27E	Grayburg-San Andres
4	B	4	18S	27E	Grayburg-San Andres
5	B	4	18S	27E	Grayburg-San Andres

with hydrocarbon production from the following wells on Federal Lease No. NM-025530;

Lease Name: Hondo "B" Federal:

<u>Well No.</u>	<u>UL</u>	<u>Sec.</u>	<u>Twp</u>	<u>Rng</u>	<u>Formation</u>
1	H	4	18S	27E	Grayburg-San Andres
2	H	4	18S	27E	Grayburg-San Andres

with hydrocarbon production from the following wells on Federal Lease No. NM-29278;

Lease Name: Hondo Federal:

<u>Well No.</u>	<u>UL</u>	<u>Sec.</u>	<u>Twp</u>	<u>Rng</u>	<u>Formation</u>
1	G	4	18S	27E	Grayburg-San Andres
6	G	4	18S	27E	Grayburg-San Andres

with hydrocarbon production from the following wells on Federal Lease No. LC-055465-A;

Lease Name: Kite "4" Federal:

<u>Well No.</u>	<u>UL</u>	<u>Sec.</u>	<u>Twp</u>	<u>Rng</u>	<u>Formation</u>
1	E	4	18S	27E	Grayburg-San Andres
2	E	4	18S	27E	Grayburg-San Andres
3	F	4	18S	27E	Grayburg-San Andres
4	F	4	18S	27E	Grayburg-San Andres

with hydrocarbon production from the following wells on Federal Lease No. LC-055383-A;

Lease Name: Kite "5" Federal:

<u>Well No.</u>	<u>UL</u>	<u>Sec.</u>	<u>Twp</u>	<u>Rng</u>	<u>Formation</u>
1	I	5	18S	27E	Grayburg-San Andres
2	I	5	18S	27E	Grayburg-San Andres

Production from the wells involved is as follows:

<u>Well</u>	<u>BOPD</u>	<u>Oil Gravity</u>	<u>MCFPD</u>
Hondo Federal #1	5	38	10
Hondo Federal #2	4	38	10
Hondo Federal #3	TO BE DRILLED. TEST TO FOLLOW.		
Hondo Federal #4	TO BE DRILLED. TEST TO FOLLOW.		
Hondo Federal #5	TO BE DRILLED. TEST TO FOLLOW.		
Hondo Federal #6	COMPLETING. TEST TO FOLLOW.		
Hondo "B" Federal #1	4	38	10
Hondo "B" Federal #2	TO BE DRILLED. TEST TO FOLLOW.		
Kite "4E" Federal #1	TO BE DRILLED. TEST TO FOLLOW.		
Kite "4E" Federal #2	COMPLETING. TEST TO FOLLOW.		
Kite "4E" Federal #3	TO BE DRILLED. TEST TO FOLLOW.		
Kite "4E" Federal #4	COMPLETING. TEST TO FOLLOW.		
Kite "5I" Federal #1	COMPLETING. TEST TO FOLLOW.		
Kite "5I" Federal #2	COMPLETING. TEST TO FOLLOW.		

Exhibit I is a schematic which shows the equipment that will be utilized to determine well production from each lease. A map (Exhibit II) is enclosed that shows the lease numbers and location of all leases and wells that will contribute production to the proposed commingled facility.

The storage and measuring facility will be located in UL G in SW/4 NE/4 Sec. 4, T18S, R27E on lease No. NM-29278, Eddy County, New Mexico. The BLM will be notified if there is any future change in the facility location.

Process and Flow Description: Under the proposed flow system, gas will be flowed out the casing from each well and will be tested at the well using an orifice well tester. Oil and water will be pumped out the tubing and will go through a flowline to a header at the battery. Wells will be tested by switching into the test treater which will separate the oil and water, and allow the oil to be measured in a test tank and the water by means of a meter.

Production Allocation: Production allocation will be based on periodic well tests as described above. Allocation of total gas recorded by the Sales Gas Meter will be based on these tests.

The overriding royalty owners, working interest owners, and NMOCD have been notified of this proposal.

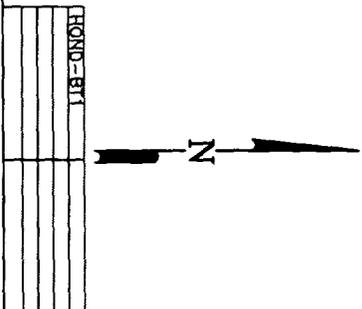
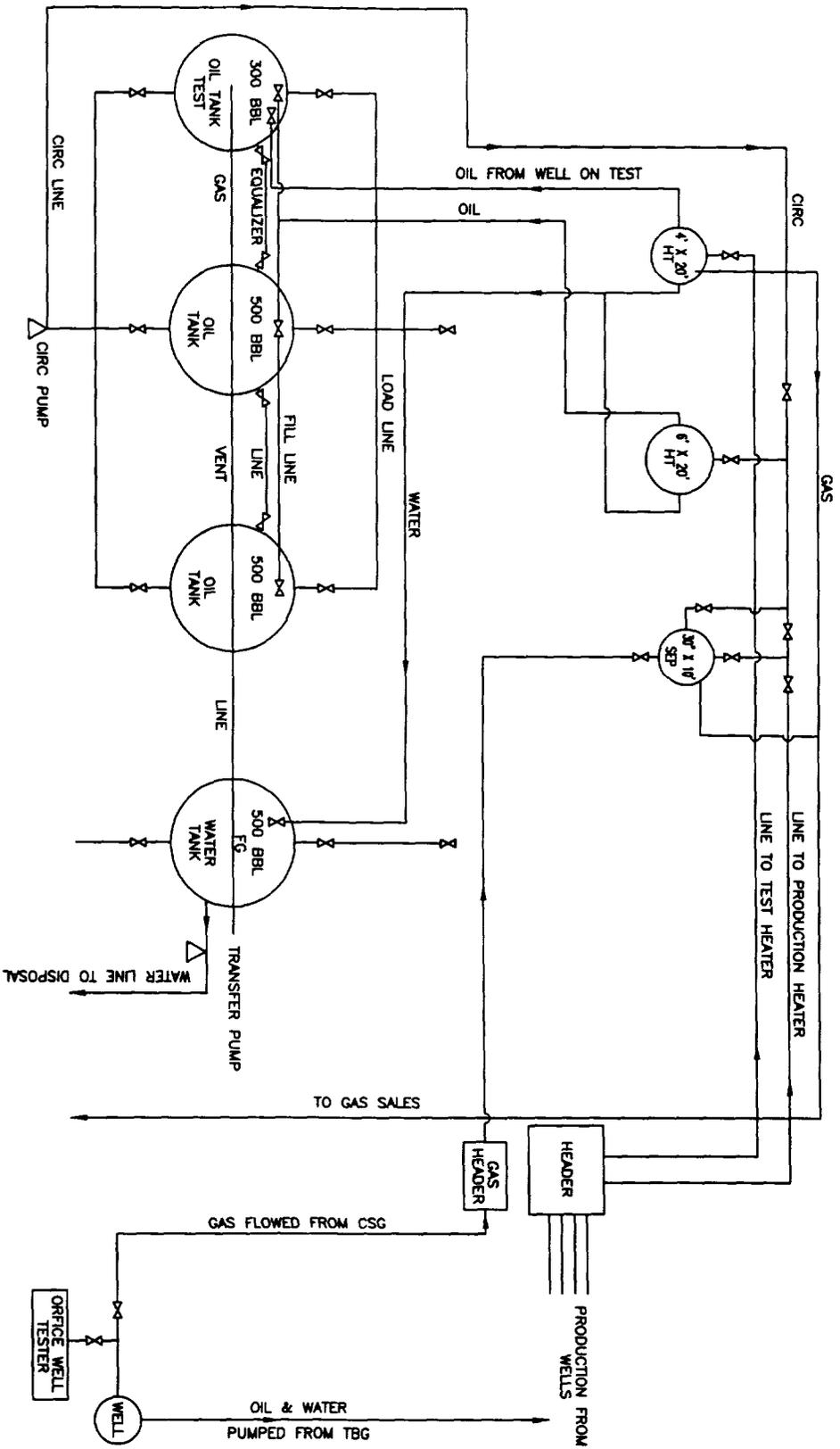
The proposed commingling of production is in the interest of conservation and will not result in reduced royalty or improper measurement of production.

The proposed commingling is necessary for hydrocarbon development and operation on the above referenced Federal leases.

We understand that the requested approval will not constitute the granting of any right-of-way or construction rights not granted by the lease instrument. We have submitted an application for the necessary right-of-way approvals to the BLM's Realty Section.

Signed: E. L. Buttross Jr.
Name: E. L. Buttross, Jr.
Title: District Engineer
Date: September 26, 1996

Devon Energy Corporation (Nevada)
20 N. Broadway, Suite 1500
Oklahoma City, OK 73102



denon

RED LAKE AREA
EDDY COUNTY, NEW MEXICO

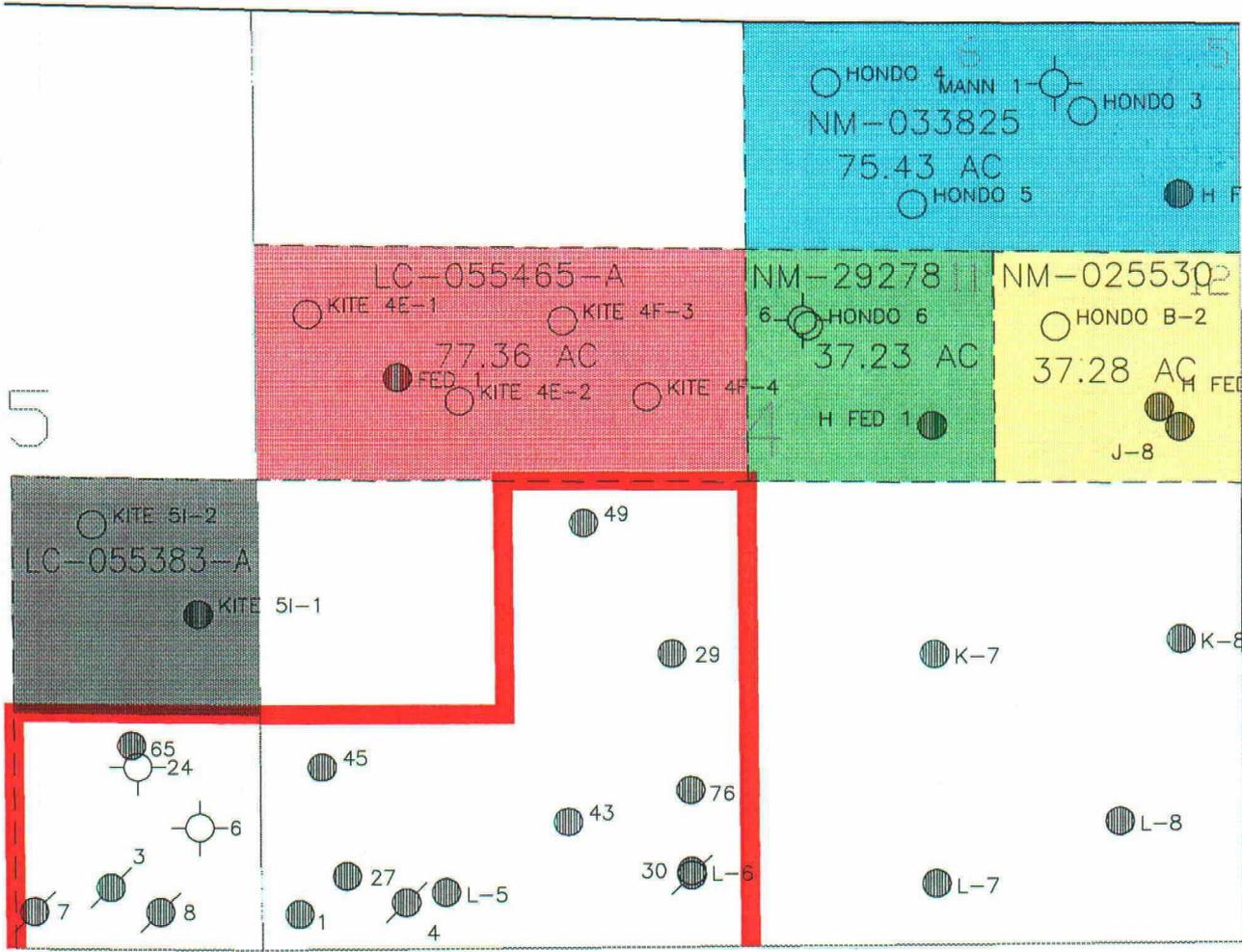
EXHIBIT # 1

HONDO FEDERAL BATTERY
FLOW DIAGRAM
U.G. SEC. 4, T18S, R27E

F. CORNELL

9/96

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devon
ENERGY CORPORATION

RED LAKE FIELD
EDDY COUNTY, NEW MEXICO

LEASE MAP
HONDO FEDERAL,
HONDO "B" FEDERAL & KITE FEDERAL
EXHIBIT II

Scale in Feet
500 0 500 1000 1500 2000

E BUTTROSS 9/96

R 27 E

T 18 S

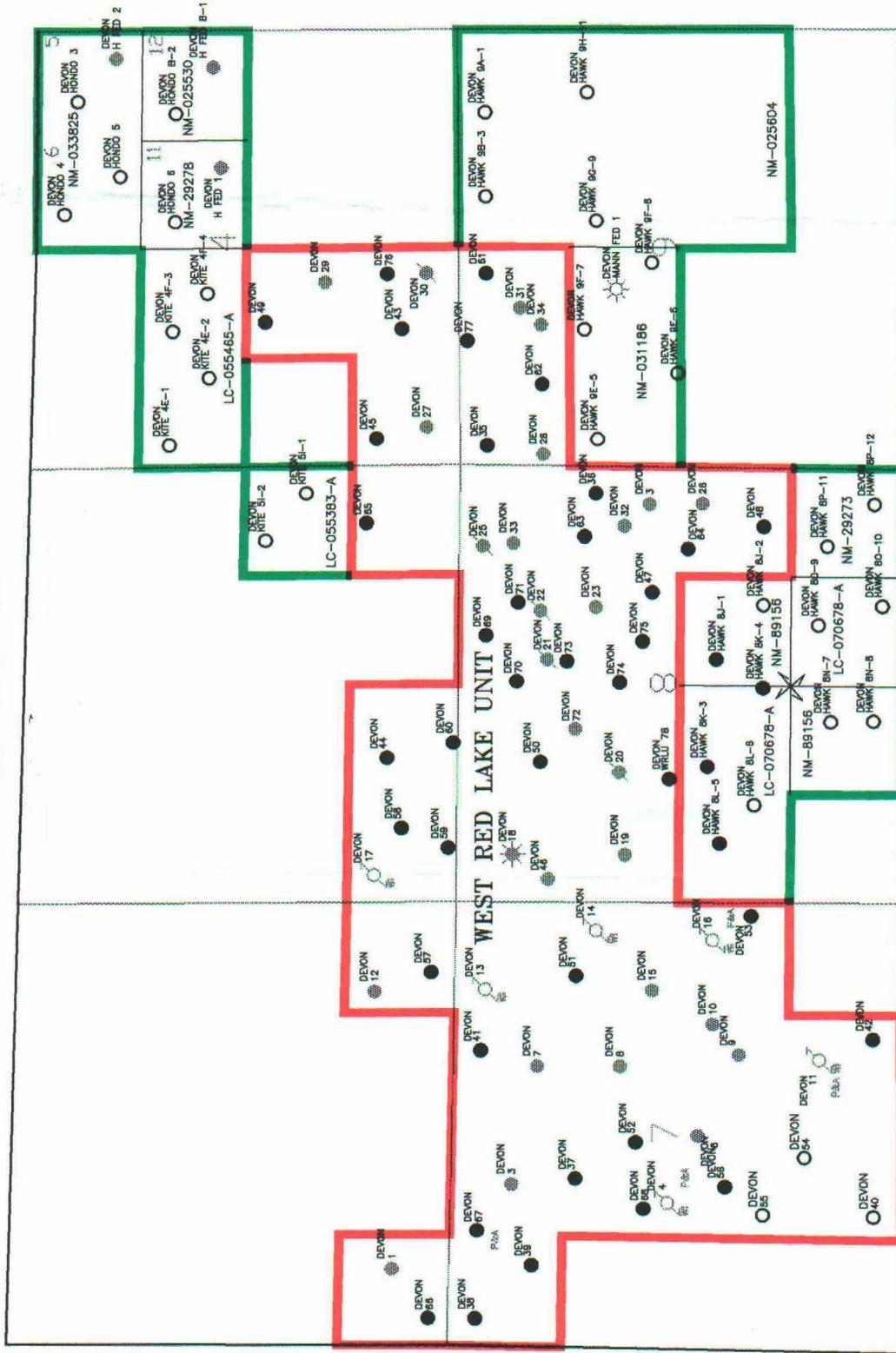


EXHIBIT II

WEST RED LAKE UNIT

EDDY COUNTY, NEW MEXICO

LEASES TO COMMINGLE

NM01514C

