

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



August 26, 2008

Devon Energy Production Company, L.P.
Attn: Mr. Ken Gray
20 North Broadway
Oklahoma City, OK 73102-8260

SEP - 5 2008
OCD-ARTESIA

Administrative Order NSL-5903

Re: Algerita 32 State Well No. 1
API No. 30-015-35339
660 feet FSL and 1160 feet FWL
Unit M, Section 32-22S-26E
Eddy County, New Mexico

Dear Mr. Gray:

Reference is made to the following:

- (a) your application (**administrative application reference No. pDKB08-21338056**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on July 31, 2008, and
- (b) the Division's records pertinent to this request.

Devon Energy Production Company (Devon) has requested to drill the above-referenced well at an unorthodox oil well location, described above in the caption of this letter. The SW/4 SW/4 of Section 32 will be dedicated to this well in order to form a standard 40-acre spacing unit in the undesignated Happy Valley-Delaware Pool (29665). This pool is governed by statewide Rule 104.B(1), which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is less than 330 feet from the eastern unit boundary.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

It is our understanding that you are seeking this location for topographic reasons.



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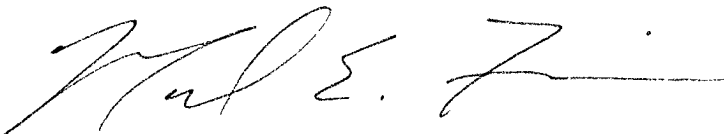
It is also understood that notice of this application to offsetting operators or owners is unnecessary because you have furnished signed consents from all affected owners in the offsetting unit towards which this location encroaches.

Pursuant to the authority conferred by Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 40.

Jurisdiction of this case 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 horizontal line.

Mark E. Fesmire, P.E.
Director

MEF/db

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