

DATE IN 6-29-04	SUSPENSE 7/20/04	ENGINEER STOGNER	LOGGED IN 6-30-04	TYPE NSL	APP NO. RSEM0418231425
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS **MANDATORY** FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] ☒ Location - Spacing Unit - Simultaneous Dedication

☒ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]:

[B] ☐ Commingling - Storage - Measurement

☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] ☐ Injection - Disposal - Pressure Increase - Enhanced Oil Recovery

☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] ☐ Other: Specify _____

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

[A] ☐ Working, Royalty or Overriding Royalty Interest Owners

[B] ☒ Offset Operators, Leaseholders or Surface Owner

[C] ☐ Application is One Which Requires Published Legal Notice

[D] ☐ Notification and/or Concurrent Approval by BLM or SLO
 U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] ☐ Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate and complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Print or Type Name

Signature

KELLAHIN & KELLAHIN

Attorneys At Law

P.O. Box 2265

Santa Fe, NM 87504-2265

Date

6/29/04

2004 JUN 29 PM 4 11

~ 10:00 AM 7/29/04
 Karin Sharp w/ files
 OGD called to check on
 this application

KELLAHIN & KELLAHIN
Attorney at Law

W. Thomas Kellahin

Recognized Specialist in the Area of
Natural Resources-oil and gas law-
New Mexico Board of Legal Specialization

P.O. Box 2265
Santa Fe, New Mexico 87504
117 North Guadalupe
Santa Fe, New Mexico 87501

Telephone 505-982-4285
Facsimile 505-982-2047
kellahin@earthlink.net

June 29, 2004

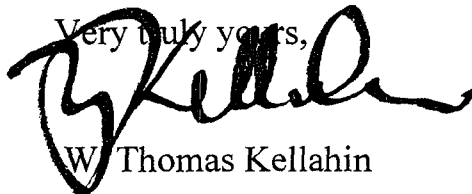
HAND DELIVERED

Mr. Mark E. Fesmire, Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Administrative Application of Devon Energy
Production Company, L.P. for approval of a
Directional Wellbore from unorthodox well
surface location (Unit N) to an unorthodox subsurface
location (Unit O) for its Red Bull "31" State Well No. 1
S/2 dedication, Section 31
T23S, R35E, Lea County, New Mexico
Morrow and Atoka formation wildcat well

Dear Mr. Fesmire:

On behalf of Devon Energy Production Company, L.P., please find enclosed our referenced administrative application that is being filed in accordance with Division Rule 104.F and Rule 111. Both the surface and bottom hole locations crowd the interior line between the SW/4 and the SE/4 of this spacing unit consisting of the S/2 of Section. This is a single State of New Mexico oil & gas lease and the location is based upon geology.

Very truly yours,

W. Thomas Kellahin

CC: Devon Energy Production Company, L.P.
Attn: Richard Winchester

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

<div style="border: 1px dashed black; height: 400px; position: relative;"> <!-- Grid lines --> <div style="position: absolute; top: 0; left: 0; right: 0; border-top: 1px dashed black;"></div> <div style="position: absolute; top: 50%; left: 0; right: 0; border-top: 1px dashed black;"></div> <div style="position: absolute; left: 0; top: 0; bottom: 0; border-left: 1px dashed black;"></div> <div style="position: absolute; right: 0; top: 0; bottom: 0; border-right: 1px dashed black;"></div> <!-- Well location data --> <div style="position: absolute; top: 15%; left: 35%;"> <p>Lat.: N32°15'26.5"</p> <p>Long.: W103°24'24.4"</p> </div> <!-- Dimensions --> <div style="position: absolute; top: 30%; left: 25%;"> <p>3435.6'</p> <p>3439.9'</p> <p>3428.1'</p> <p>3437.7'</p> </div> <div style="position: absolute; top: 30%; left: 34%;"> <p>1300'</p> </div> <div style="position: absolute; top: 25%; left: 5%;"> <p>1305</p> <p>2610'</p> </div> <!-- Exhibit A stamp --> <div style="position: absolute; bottom: 10%; right: 10%; border: 2px solid black; padding: 5px; transform: rotate(-5deg);"> <p style="text-align: center; font-weight: bold;">EXHIBIT</p> <p style="font-size: 2em; text-align: center;">A</p> </div> </div>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <p style="text-align: center; font-weight: bold;">OPERATOR CERTIFICATION</p> <p style="font-size: 0.8em;">I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> </div> <div style="border-bottom: 1px solid black; margin-bottom: 5px;">Signature</div> <div style="border-bottom: 1px solid black; margin-bottom: 5px;">Printed Name</div> <div style="border-bottom: 1px solid black; margin-bottom: 5px;">Title</div> <div style="border-bottom: 1px solid black; margin-bottom: 5px;">Date</div>
Empty space for additional notes or drawings	<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <p style="text-align: center; font-weight: bold;">SURVEYOR CERTIFICATION</p> <p style="font-size: 0.8em;">I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.</p> </div> <div style="text-align: center; font-weight: bold; margin-bottom: 10px;">June 21, 2004</div> <div style="border-bottom: 1px solid black; margin-bottom: 5px;">Date Surveyed</div> <div style="border-bottom: 1px solid black; margin-bottom: 5px;">Signature & Seal</div> <div style="border-bottom: 1px solid black; margin-bottom: 5px;">Professional Surveyor</div> <div style="border-bottom: 1px solid black; margin-bottom: 5px;">W.O. No. 4376</div> <div style="border-bottom: 1px solid black; margin-bottom: 5px;">Certificate No. Gary L. Jones 7977</div> <div style="border-bottom: 1px solid black; margin-bottom: 5px;">JLP</div>

DEVON ENERGY

Created by adryanm
Date plotted : 25-Jun-2004

Plot Reference is plan1.

Coordinates are in feet reference structure.
True Vertical Depths are reference structure.

Structure : Red Bull 31 State

Slot : slot #1

Field :

Location : LEA COUNTY, NEW MEXICO

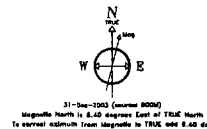
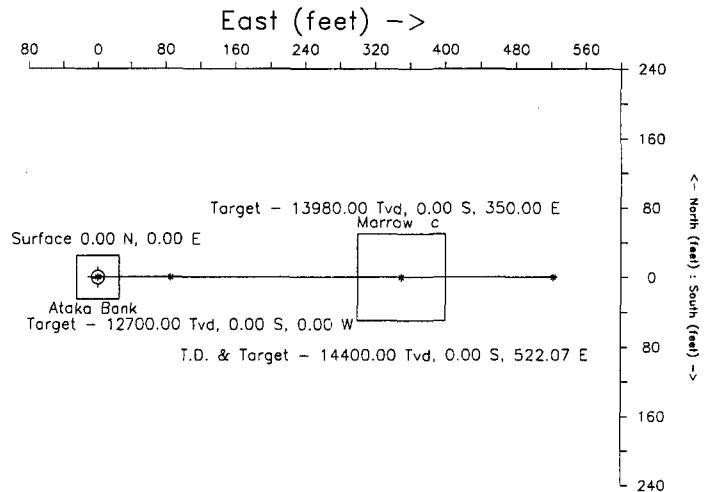
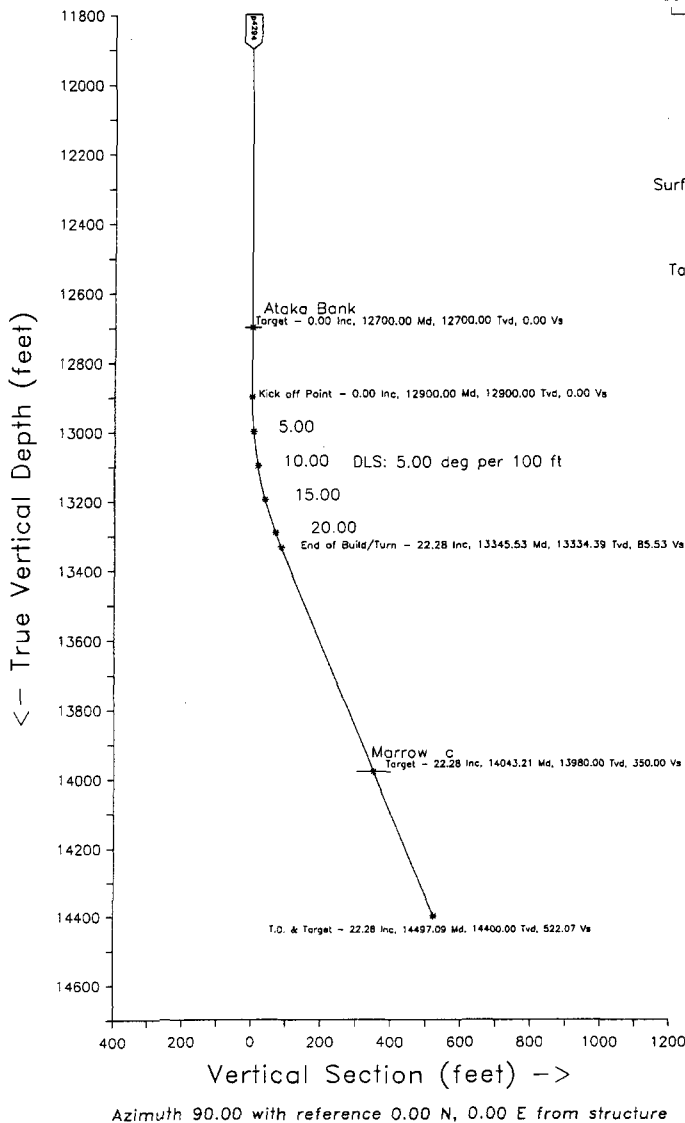
--- Baker Hughes INTEQ ---

WELL PROFILE DATA

Point	MD	Inc	Dir	TVD	North	East	V. Sect	Deg/100
KOP	0.00	0.00	270.00	0.00	0.00	0.00	0.00	0.00
Target Ataka Bank	12700.00	0.00	270.00	12700.00	0.00	0.00	0.00	0.00
KOP	12900.00	0.00	270.00	12900.00	0.00	0.00	0.00	0.00
End of Build/Turn	13345.53	22.28	90.00	13334.39	0.00	85.53	85.53	5.00
Target Marrow c	14043.21	22.28	90.00	13980.00	0.00	350.00	350.00	0.00
T.D. & Target	14497.09	22.28	90.00	14400.00	0.00	522.07	522.07	0.00

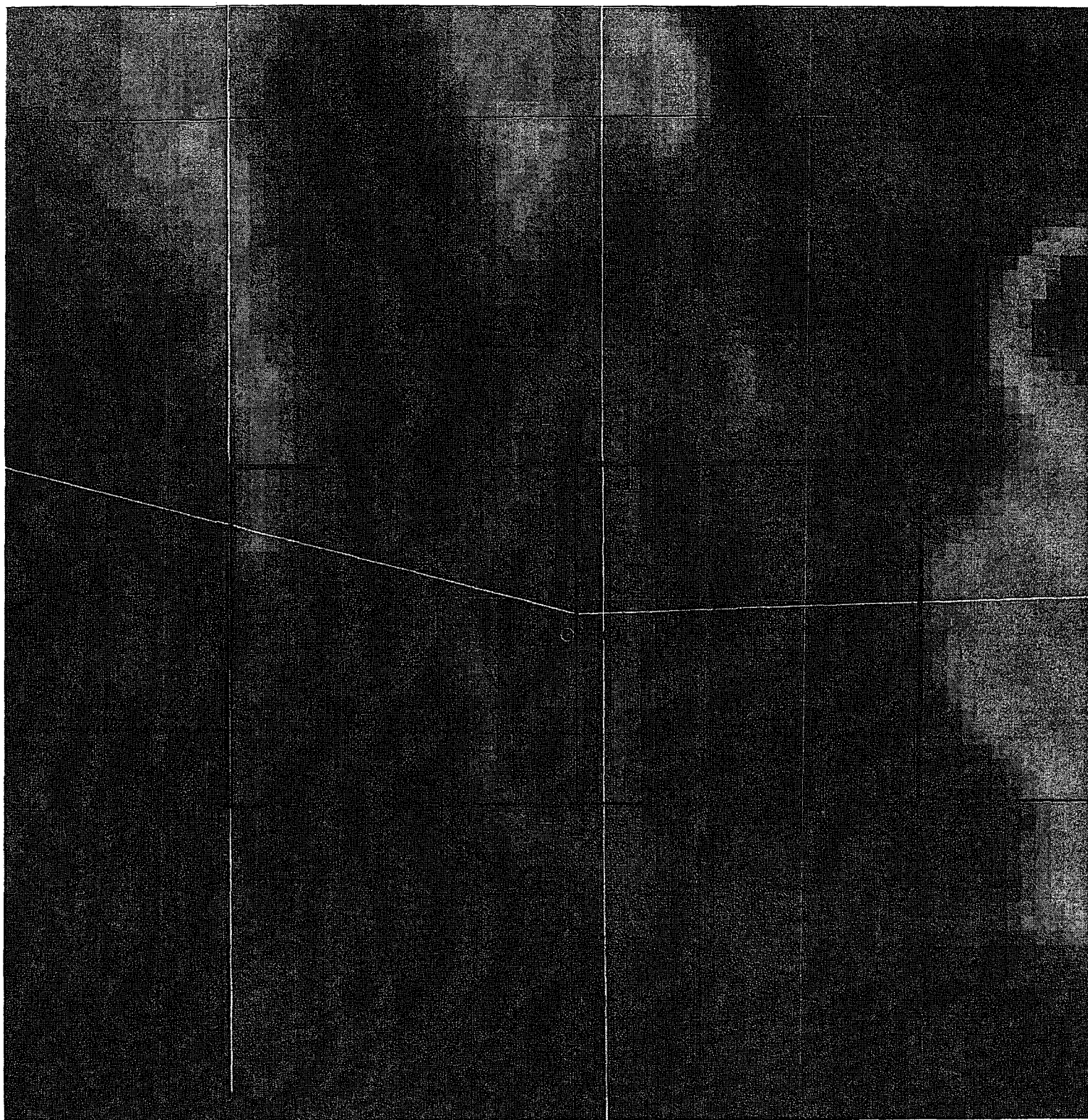


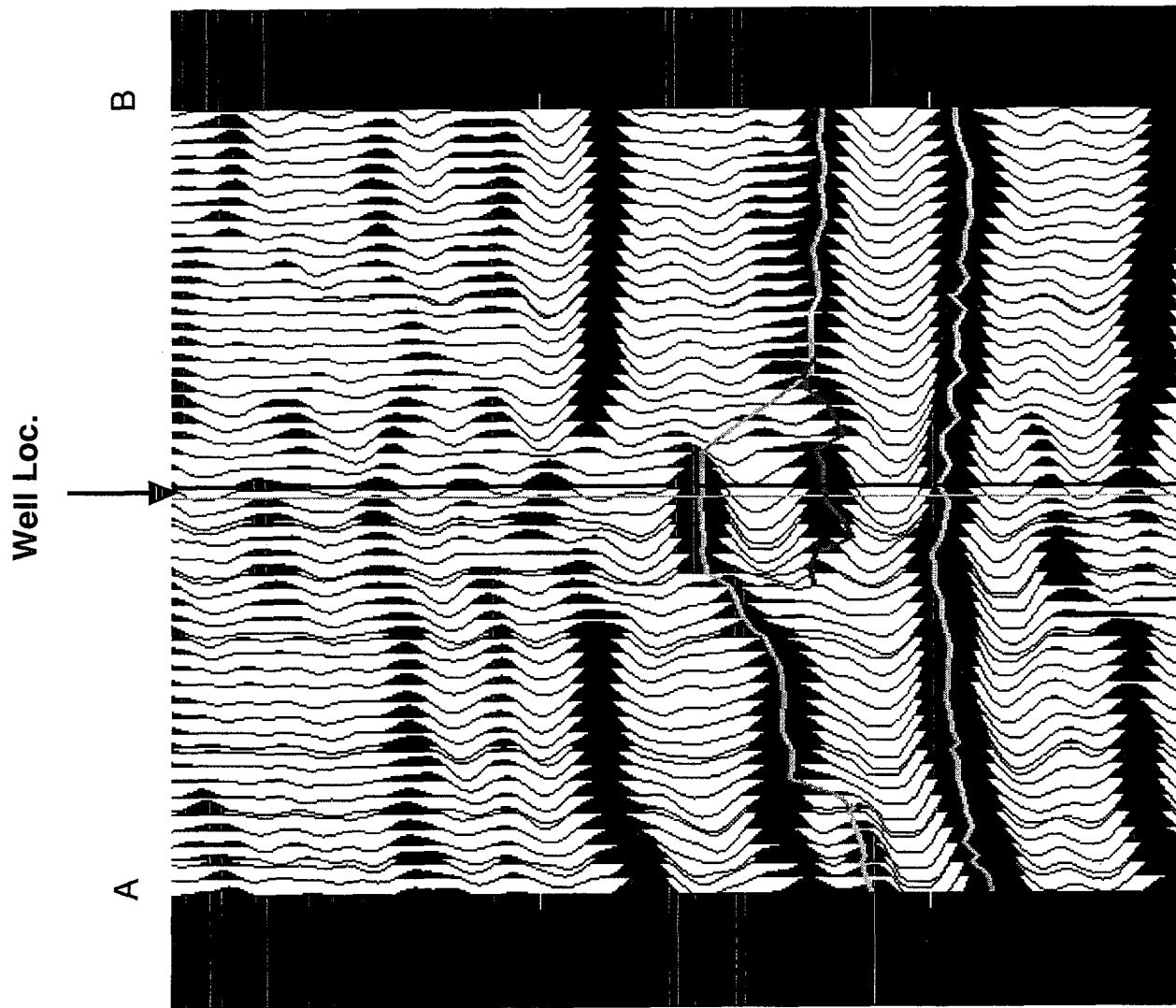
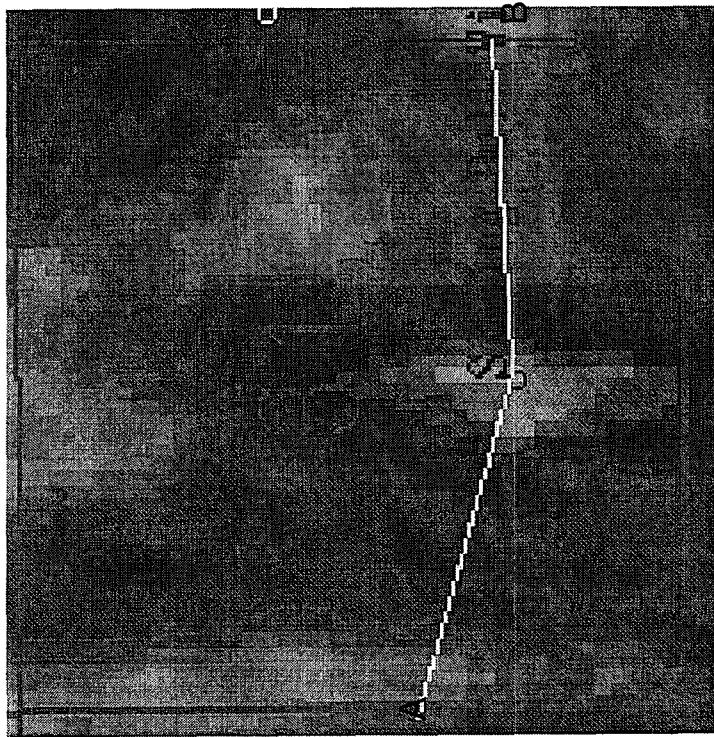
INTEQ



Approved By: _____
Title: _____
Date: _____







LEASE NO: VA2488 0000

08056

Application No:

**OIL AND GAS LEASE
(Five Year Exploratory Form)**

THIS AGREEMENT, dated **June 01, 2001**, between the state of New Mexico, acting by and through its commissioner of public lands, hereinafter called the "lessor", and

DEVON ENERGY PRODUCTION COMPANY, LP
20 N BROADWAY
STE 1500
OKLAHOMA CITY, OK 73102
hereinafter called the "lessee",

WITNESSETH:

WHEREAS, the lessee has filed in the office of the commissioner of public lands an application for an oil and gas lease covering the lands hereinafter described and has tendered therewith the required first payment; and

WHEREAS, all of the requirements of law relative to the application and tender have been duly complied with;

THEREFORE, in consideration of the premises as well as the sum of **SEVENTY-SEVEN THOUSAND and 00/100 dollars (\$77,000.00)**, the same being the amount of the tender above mentioned, and the further sum of \$30.00 filing fee, and of the covenants and agreements hereinafter contained, the lessor does hereby grant, demise, lease and let unto the said lessee, exclusively, for the sole and only purpose of exploration, development and production of oil or gas (including carbon dioxide and helium), or both thereon and therefrom with the right to own all oil and gas so produced and saved therefrom and not reserved as royalty by the lessor under the terms of this lease, together with rights-of-way, easements and servitudes for pipelines, telephone lines, tanks, power houses, stations, gasoline plants and fixtures for producing, treating and caring for such products, and housing and boarding employees, and any and all rights and privileges necessary, incident to or convenient for the economical operation of said land, for oil and gas, with right for such purposes to the free use of oil, gas, casing-head gas or water from said lands, but not from lessor's water wells, and with the rights of removing either during or after the term hereof, all and any improvements placed or erected on the premises by the lessee, including the right to pull all casing, subject, however, to the covenants and conditions hereinafter set out, the following described land situated in the count(y)(ies) of **Lea**, state of New Mexico, and more particularly described as follows:

<u>Subdivisions</u>	<u>Section</u>	<u>Twp</u>	<u>Rge</u>	<u>Acres</u>	<u>Institution</u>
LOT(S) 3(39.64), 4(39.68), E2SW4, SE4	31	23S	35E	319.32	CS

Said lands having been awarded to lessee and designated as Tract No. **VA-O-0010** at public sale held by the commissioner of public lands on **May 15, 2001**.

To have and to hold said land, and all the rights and privileges granted hereunder, to and unto the lessee for a primary term of five years from the date hereof, and as long thereafter as oil and gas, or either of them, is produced in paying quantities from said land by lessee, subject to all of the terms and conditions as hereinafter set forth.

In consideration of the premises the parties covenant and agree as follows:

1. Subject to the free use without royalty, as hereinbefore provided, the lessee shall pay the lessor as royalty one-eighth part of the oil produced and saved from the leased premises or the cash value thereof, at the option of the lessor, such value to be the price prevailing the day oil is run into a pipeline, if the oil be run into a pipeline, or into storage tanks, if the oil is stored.

2. Subject to the free use without royalty, as hereinbefore provided, at the option of the lessor at any time and from time to time, the lessee shall pay the lessor as royalty one-eighth part of the gas produced and saved from the leased premises, including casing-head gas. Unless said option is exercised by lessor, the lessee shall pay the lessor as royalty one-eighth of the cash value of the gas, including casing-head gas, produced and saved from the leased premises and marketed or utilized, such value to be equal to the net proceeds derived from the sale of such gas in the field; provided, however, the cash value for royalty purposes of carbon dioxide gas and of hydrocarbon gas delivered to a gasoline plant for extraction of liquid hydrocarbons shall be equal to the net proceeds derived from the sale of such gas, including any liquid hydrocarbons recovered therefrom.

Notwithstanding the foregoing provisions, the lessor may require the payment of royalty for all or any part of the gas produced and saved under this lease and marketed or utilized at a price per m.c.f. equal to the maximum price being paid for gas of like kind and quality and under like conditions in the same field or area or may reduce the royalty value of any such gas (to any amount not less than the net proceeds of sale thereof, in the field) if the commissioner of public lands shall



determine such action to be necessary to the successful operation of the lands for oil or gas purposes or to encouragement of the greatest ultimate recovery of oil or gas or to the promotion of conservation of oil or gas or in the public interest.

This lease shall not expire at the end of the primary term hereof if there is a well capable of producing gas in paying quantities located upon some part of the lands embraced herein, or upon lands pooled or communitized herewith, where such well is shut-in due to the inability of the lessee to obtain a pipeline connection or to market the gas therefrom and if the lessee timely pays an annual royalty on or before the annual rental paying date next ensuing after the expiration of ninety days from the date said well was shut-in and on or before said rental date thereafter. The payment of said annual royalty shall be considered for all purposes the same as if gas were being produced in paying quantities and upon the commencement of marketing of gas from said well or wells the royalty paid for the lease year in which the gas is first marketed shall be credited upon the royalty payable hereunder to the lessor for such year. The provisions of this section shall also apply where gas is being marketed from said leasehold premises and through no fault of the lessee, the pipeline connection or market is lost or ceases, in which case this lease shall not expire so long as said annual royalty is paid as herein provided. The amount of any annual royalty payable under this section shall equal twice the annual rental due by the lessee under the terms of this lease but not less than three hundred twenty dollars (\$320) per well per year, provided, however, that any such annual royalty for any year beginning on or after ten years from the date hereof shall equal four times the annual rental due by the lessee under the terms of this lease but not less than two thousand dollars (\$2,000) per well per year; provided further that no annual royalty shall be payable under this section if equivalent amounts are timely paid pursuant to another lease issued by lessor and if such other lease includes lands communitized with lands granted hereunder for the purpose of prorationally sharing the shut-in well. Notwithstanding the provisions of this section to the contrary, this lease shall not be continued after five years from the date hereof for any period of more than ten years by the payment of said annual royalty unless, for good cause shown, the commissioner of public lands, in his discretion, grants such a continuance.

3. Lessee agrees to make full settlement on the twentieth day of each month for all royalties due to the lessor for the preceding month, under this lease, and to permit the lessor or its agents, at all reasonable hours, to examine lessee's books relating to the production and disposition of oil and gas produced. Lessee further agrees to submit to lessor annually upon forms furnished by lessor, verified reports showing lessee's operations for the preceding year.

4. An annual rental at the rate of **\$1.00** per acre shall become due and payable to the lessor by the lessee upon each acre of the land above described and then claimed by such lessee, and the same shall be due and payable in advance to the lessor on successive anniversary dates of this lease, but the annual rental on any assignment shall in no event be less than forty dollars (\$40.00).

In the event the lessee shall elect to surrender any or all of said acreage, he shall deliver to the lessor a duly executed release thereof and in event said lease has been recorded then he shall upon request furnish and deliver to the lessor a certified copy of a duly recorded release.

5. The lessee may at any time by paying to the lessor all amounts then due as provided herein and the further sum of forty dollars (\$40.00), surrender and cancel this lease insofar as the same covers all or any portion of the lands herein leased and be relieved from further obligations or liability hereunder, in the manner as hereinbefore provided. Provided, this surrender clause and the option herein reserved to the lessee shall cease and become absolutely inoperative immediately and concurrently with the institution of any suit in any court of law or equity by the lessee, lessor or any assignee, to enforce this lease, or any of its terms expressed or implied.

6. All payments due hereunder shall be made on or before the day such payment is due, at the office of the commissioner of public lands in Santa Fe, New Mexico.

7. The lessee with the consent of the lessor shall have the rights to assign this lease in whole or in part. Provided, however, that no assignment of an undivided interest in the lease or in any part thereof nor any assignment of less than a legal subdivision shall be recognized or approved by the lessor. Upon approval in writing by the lessor of an assignment, the assignor shall stand relieved from all obligations to the lessor with respect to the lands embraced in the assignment and the lessor shall likewise be relieved from all obligations to the assignor as to such tracts, and the assignee shall succeed to all of the rights and privileges of the assignor with respect to such tracts and shall be held to have assumed all of the duties and obligations of the assignor to the lessor as to such tracts.

8. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land which is draining the leased premises, lessee shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances, provided that no such offset well shall be required if compensatory royalties are paid pursuant to an agreement between the lessor and the lessee.

9. The lessee agrees to notify the lessor of the location of each well before commencing drilling thereon, to keep a complete and accurate log of each well drilled and to furnish a copy thereof, verified by some person having actual knowledge of the facts, to the lessor upon the completion of any well, and to furnish the log of any unfinished well at any time when requested to do so by the lessor.

If any lands embraced in this lease shall be included in any deed or contract of purchase outstanding and subsisting issued pursuant to any sale made of the surface of such lands prior to the date of this lease, it is agreed and understood that no drilling operation shall be commenced on any such lands so sold unless and until the lessee shall have filed a good and sufficient bond with the lessor as required by law, to secure the payment for such damage to the livestock, range, water, crops or tangible improvements on such lands as may be suffered by the purchaser holding such deed or contract of purchase, or his successors, by reason of the developments, use and occupation of such lands by such lessee. Provided, however, that no such bond shall be required if such purchaser shall waive the right to require such bond to be given in the manner provided by law.

10. In drilling wells all water-bearing strata shall be noted in the log, and the lessor reserves the right to require that all or any part of the casing shall be left in any nonproductive well when lessor deems it to be in the interest of the beneficiaries of the lands granted hereunder to maintain said well or wells for water. For such casing so left in wells the lessor shall pay to the lessee the reasonable value thereof.

11. Lessee shall be liable and agree to pay of all damages to the range, livestock, growing crops or improvements caused by lessee's operations on said lands. When requested by the lessor the lessee shall bury pipelines below plow depth.

12. The lessee shall not remove any machinery or fixtures placed on said premises, nor draw the casing from any well unless and until all payments and obligations due the lessor under the terms of this agreement shall have been paid or satisfied. The lessee's right to remove the casing is subject to the provision of Paragraph 10 above.

13. Upon failure or default of the lessee to comply with any of the provisions or covenants hereof, the lessor is hereby authorized to cancel this lease and such cancellation shall extend to and include all rights hereunder as to the whole of the tract so claimed, or possessed by the lessee, but shall not extend to, nor affect the rights of any other lessee or assignee claiming any portion of the lands upon which no default has been made; provided, however, that before any such cancellation shall be made, the lessor shall mail to the lessee so defaulting, by registered or certified mail, addressed to the post-office address of such lessee as shown by the records of the state land office, a notice of intention of cancellation specifying the default for which cancellation is to be made, and if within thirty days from the date of mailing said notice the said lessee shall remedy the default specified in said notice, cancellation shall not be made.

14. If this lease shall have been maintained in accordance with the provisions hereof and if at the expiration of the primary term provided for herein oil or gas is not being produced on said land but lessee is then engaged in bona fide drilling or reworking operations thereon, this lease shall remain in full force and effect so long as such operations are diligently prosecuted and, if they result in the production of oil or gas, so long thereafter as oil and gas in paying quantities, or either of them, is produced from said land; provided, however, such operations extending beyond the primary term shall be approved by the lessor upon written application filed with the lessor on or before the expiration of said term, and a report of the status of all such operations shall be made by the lessee to the lessor every thirty days and a cessation of such operations for more than twenty consecutive days shall be considered as an abandonment of such operations and this lease shall thereupon terminate.

If during the drilling or reworking of any well under this section, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations, then within twenty days after the abandonment of said operations, lessee may commence another well within three hundred thirty feet of the lost or junked hole or well and drill the same with due diligence.

Operations commenced and continued as herein provided shall extend this lease as to all lands as to which the same is in full force and effect as of the time said drilling operations are commenced; provided, however, this lease shall be subject to cancellation in accordance with Paragraph 13 hereof for failure to pay rentals or file reports which may become due while operations are being conducted hereunder.

15. Should production of oil and gas or either of them in paying quantities be obtained while this lease is in force and effect and should thereafter cease from any cause after the expiration of five years from the date hereof this lease shall not terminate if lessee commences additional drilling or reworking operations within sixty days after the cessation of such production and shall remain in full force and effect so long as such operations are prosecuted in good faith with no cessation of more than twenty consecutive days, and if such operations result in the production of oil or gas in paying quantities, so long thereafter as oil or gas in paying quantities is produced from said land; provided, however, written notice of intention to commence such operations shall be filed with the lessor within thirty days after the cessation of such production, and a report of the status of such operations shall be made by the lessee to the lessor every thirty days, and the cessation of such operations for more than twenty consecutive days shall be considered as an abandonment of such operations and this lease shall thereupon terminate.

16. Lessee, including their heirs, assigns, agents and contractors shall at their own expense fully comply with all laws, regulations, rules, ordinances and requirements of the city, county, state, federal authorities and agencies, in all matters and things affecting the premises and operations thereon which may be enacted or promulgated under the governmental police powers pertaining to public health and welfare, including but not limited to conservation, sanitation, aesthetics, pollution, cultural properties, fire and ecology. Such agencies are not to be deemed third party beneficiaries hereunder, however, this clause is enforceable by the lessor in any manner provided in this lease or by law.

17. Should lessor desire to exercise its rights to take in-kind its royalty share of oil, gas or associated substances or purchase all or any part of the oil, gas or associated substances produced from the lands covered by this lease, the lessee hereby irrevocably consents to the lessor exercising its right. Such consent is a consent to the termination of any supplier/purchaser relationship between the lessor and the lessee deemed to exist under federal regulations. Lessee further agrees that it will require any purchaser of oil, gas or associated substance to likewise waive any such rights.

18. Lessor reserves a continuing option to purchase at any time and from time to time, at the market price prevailing in the area on the date of purchase, all or any part of the minerals (oil and gas) that will be produced from the lands covered by this lease.

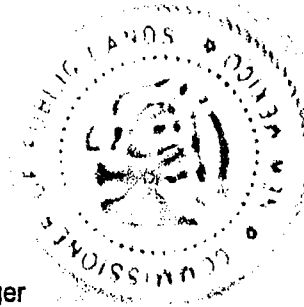
19. Lessor reserves the right to execute leases for geothermal resource development and operation thereon; the right to sell or dispose of the geothermal resources of such lands; and the right to grant rights-of-way and easements for these purposes.

20. All terms of this agreement shall extend to and bind the heirs, executors, administrator, successors and assigns of the parties hereto.

In witness whereof, the party of the first part has hereunto signed and caused its name to be signed by its commissioner of public lands thereunto duly authorized, with the seal of his office affixed, and the lessee has signed this agreement the day and year first above written.

STATE OF NEW MEXICO

By: R. D. Clark
Commissioner of Public Lands, Lessor



R. D. Clark
Lessee (Seal)

R.D. Clark
Vice-President and General Manager

(PERSONAL ACKNOWLEDGMENT)

STATE OF _____ ss.

COUNTY OF _____ ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 20____, by

My commission expires: _____
Notary Public

(ACKNOWLEDGMENT BY ATTORNEY-IN-FACT)

STATE OF _____ ss.

COUNTY OF _____ ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 20____, by

_____ as attorney-in-fact in behalf of

My commission expires: _____
Notary Public

(ACKNOWLEDGMENT BY CORPORATION)

STATE OF _____ ss.

COUNTY OF _____ ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 20____,

by _____ of _____
(Name) (Title) (Corporation)
a _____ corporation, on behalf of said corporation.

My commission expires: _____
Notary Public

O - 25 08/18/87

)

) SS

COUNTY OF OKLAHOMA)

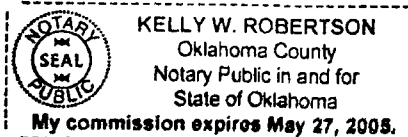
The foregoing instrument was acknowledged before me this 4th day of June, 2001, by R. D. Clark, Vice President of Devon Energy Management Company, L.L.C., an Oklahoma limited liability company, General Partner of Devon Energy Production Company, L.P., an Oklahoma limited partnership, on behalf of the company and partnership.

My Commission Expires:

5/27/2005

Kelly W. Robertson

Notary Public in and for
Oklahoma County, Oklahoma



STATE OF NEW MEXICO
COUNTY OF LEA
FILED

JUN 29 2001

at 10:22 o'clock A.M

and recorded in Book 1087

Page 754

Melinda Hughes, Lee County Clerk

By T. G. Kephart Deputy



08056

**ENERGY, MINERALS AND NATURAL RESOURCES
DEPARTMENT
OIL CONSERVATION DIVISION**

**ADMINISTRATIVE APPLICATION OF
DEVON ENERGY PRODUCTION
COMPANY, L.P. FOR APPROVAL OF AN
DIRECTIONAL WELLBORE AND AN
UNORTHODOX SURFACE AND SUBSURFACE
GAS WELL LOCATION
LEA COUNTY, NEW MEXICO**

ADMINISTRATIVE APPLICATION

Comes now Devon Energy Production Company, L.P. ("Devon") and by and through its attorneys, Kellahin & Kellahin, and in accordance with Division General Rule 104.F and Rule 111, applies to the New Mexico Oil Conservation Division ("Division") for approval for a directional wellbore and an unorthodox gas well surface and subsurface location for its Red Bull "31" State Well No. 1 with a surface location of 1300 feet FSL and 2610 feet FWL (Unit N) and a bottom hole location of 1300 feet FSL and 2320 feet FEL (Unit O) of Section 31, T23S, R35E, Lea County, New Mexico to be dedicated to a standard 320-acre gas spacing unit ("GPU") consisting of the S/2 of this section to be drilled to test the Morrow formation and the Atoka formations.

In support, Devon states:

1. Devon is the only proposed operator of the Red Bull "31" State Well No. 1 and owns 100% of the working interest in the S/2 of Section 31, T23S, R35E, Lea County, New Mexico

2. The well is proposed to be drilled from an unorthodox surface location to a proposed bottom hole location within a 75 feet radius of a point at the top of the Morrow formation at 1300 feet FSL and 2320 feet FEL (Unit O) Section 31, T23S, R35E, at an unorthodox gas well location. **See Exhibit "A" Division Form C-102 attached and Exhibit "B" vertical well diagram attached.**

3. Devon's proposed unorthodox well location encroached on an internal boundary of the GPU (bottom hole location 20 feet off north line and 320 feet off west line instead of 660 feet from the quarter section line).

4. Effective August 31, 1999, the Division amended Rule 104 to require well to be no closer than 660 feet to the side boundaries of the quarter section in which the well was located.

TECHNICAL EVIDENCE

5. Devon's 3-D Seismic data demonstrates that the proposed unorthodox gas well location may test an Atoka formation structural feature and a Morrow formation sand with the same wellbore at the proposed unorthodox location that may not be accessible from a single wellbore at the closest standard location. **See Exhibit "C" Devon's seismic structure map and Exhibit "D" Devon seismic vertical cross-section attached.**

AFFECTED PARTIES

6. All of the South half of Section 31 is part of the same State of New Mexico Oil & Gas Lease, VA-2488. **See Exhibit "E" attached.** Devon is the only working interest owner in the S/2 of this section and there are no overriding royalty owners.

NOTIFICATION

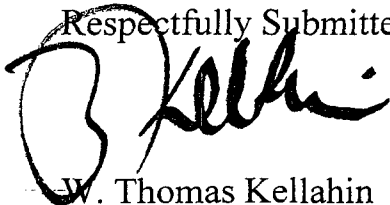
7. Division Rule 1207 does not require notice under these circumstances.

REQUEST

8. Approval of this application will afford the owners and the applicant the opportunity to produce their just and equitable share of the gas in the Atoka and Morrow formation, will promote the orderly development in this area, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

WHEREFORE, Applicant requests that this application be approve by the Division.

Respectfully Submitted:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over a circular stamp or seal.

W. Thomas Kellahin