

1-12-05 DATE IN	SUSPENSE	Stogner ENGINEER	F-13-05 LOGGED IN	NSL TYPE	PSPM0501329690
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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

11/12/05

2005 JAN 12 PM 1 51

**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

January 12, 2005

Mr. Michael E. Stogner  
Administrative Judge  
Oil Conservation Division  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

**HAND DELIVERED**

Re: Administrative Application of Devon Energy Production Company, L.P.  
to further amend AMENDED Administrative Order NSL-5089 (BHL)  
to change the approved unorthodox well location from the Atoka and  
Morrow formations to the Delaware and Bone Spring formations for its  
Red Bull "31" State Well No. 1  
(API No. 30-025-36798)  
Unit N of Section 31  
T23S, R35E, Lea County, New Mexico

2005 JAN 12 PM 1 51

Dear Mr. Stogner:

By AMENDED Administrative Order NSL-5089 (BHL) dated September 16, 2004 you amended the original order dated August 2, 2004, and thereby approved Devon Energy Production Company, L.P.'s ("Devon") amended request to move the bottom hole targets for the Atoka and for the Morrow formations to less "unorthodox" locations than originally applied for the referenced Red Bull "31" State Well No. 1. Both the original and the amended order approved surface and bottom hole locations in the Atoka and Morrow formations that crowded 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 was based upon geology and geophysics.

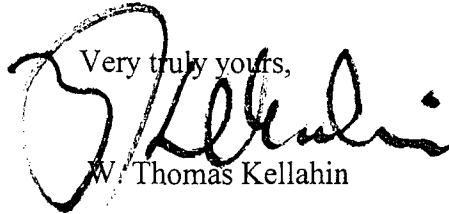
On October 22, 2004, Devon commenced drilling this well and by December 6, 2004 had penetrated the Atoka formation that was too tight to test and proceeded to drill towards the Morrow formation. On December 30, 2004, Devon encountered mechanical difficulties while drilling in the Morrow formation at 14,790 feet. The down-hole drilling assembly along with 9 joints of heavy drill pipe was stuck in the hole. Devon immediately commenced fishing operations to remove this equipment. On January 7, 2005, after numerous failed attempts to remove this fish, Devon determined that the lower section of the well bore would have to be abandoned. Log evaluation indicated that both the Bone Spring and Delaware formations might be productive and Devon has elected to complete this well in those formations.

Oil Conservation Division

January 12, 2004

-Page 2-

Now, Devon desires approval to produce these two formations and with this application seeks that approval.

Very truly yours,  
  
W. Thomas Kellahin

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

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

**ADMINISTRATIVE APPLICATION OF  
DEVON ENERGY PRODUCTION COMPANY, L.P.  
TO FURTHER AMEND ADMINISTRATIVE ORDER NSL-5089  
(BHL) TO CHANGE THE APPROVED POOLS THAT  
CAN BE PRODUCED AT THIS UNORTHODOX WELL  
LOCATION FOR THE RED BULL "31" STATE WELL NO. 1  
LEA COUNTY, NEW MEXICO**

**ADMINISTRATIVE APPLICATION**

Comes now Devon Energy Production Company, L.P. ("Devon") and by and through its attorneys, Kellahin & Kellahin, and applies to the New Mexico Oil Conservation Division ("Division") to further amend Administrative Order NSL-5089 (BHL) dated September 16, 2004 that approved a directional wellbore and unorthodox gas well surface and subsurface (Atoka and Morrow formations) locations to allow Devon to produce the Bone Springs and Delaware formations from its Red Bull "31" State Well No. 1, at an unorthodox well location 1300 feet from the South line and 2610 feet from the West line (Unit N) of Section 31, T23S, R35E, Lea County, New Mexico;

In support, Devon States:

- (1) Administrative Order NSL-5089 (BHL) dated August 2, 2004, approved:
  - a. a location of 1300 feet FSL and 2610 feet FWL (Unit N) from the surface down to the Atoka formation, then
  - b. directionally to a bottom hole location in the Morrow formation at a measured depth of 14,497 feet (14,400 feet TVD) being 1300 feet FSL and 2320 feet FEL (Unit O)
  - c. S/2 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. **See Exhibit "A" attached**

(2) AMENDED Administrative Order NSL-5089 (BHL) dated September 16, 2004, approved (**Attached as Exhibit "B"**):

- a. a surface location 1300 feet FSL and 2610 feet FWL (Unit N) from the surface down to the Atoka formation, then
- b. to directionally drill such that the top of the Atoka formation at a 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 0) of Section 31; and
- c. to a bottom hole location within the Morrow formation at a measured depth of 14,783 feet (14,130 feet TVD) being 954 feet FSL and 1126 feet FEL (Unit P) of Section 31.
- d. S/2 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. **See C-102 attached as Exhibit "C"**

(3) On October 22, 2004, Devon commenced drilling this well and by December 6, 2004 had penetrated the Atoka formation that was too tight to test and proceeded to drill towards the Morrow formation. On December 30, 2004, Devon encountered mechanical difficulties while drilling in the Morrow formation at 14,790 feet. The down-hole drilling assembly along with 9 joints of heavy drill pipe was stuck in the hole. Devon immediately commenced fishing operations to remove this equipment. On January 7, 2005, after numerous failed attempts to remove this fish, Devon determined that the lower section of the well bore would have to be abandoned. Log evaluation indicated that both the Bone Spring and Delaware formations might be productive and Devon has elected to complete this well in those formations. **See portion of daily drilling report attached as Exhibit "D"**

- (4) Devon seeks approval to complete and produce this well at an unorthodox well location within Unit N that encroaches towards both the NE/4SE/4 (Unit J) and the SW/4SE/4 (Unit O) of Section 31.
- (5) Devon is the operator of the Red Bull "31" State Well No. 1 and owns 65% of the working interest in the S/2 of Section 31, T23S, R35E, Lea County, New Mexico. The remaining 35% working interest is held by Chesapeake Exploration Limited Partnership. Chesapeake's approval to complete the well in Bone Spring and Delaware formations. Chesapeake's election to participate in this well is attached as **Exhibit "E"**
- (6) Devon's proposed unorthodox well location encroaches towards adjoining 40-acre tracts that are within the same State of New Mexico Oil and Gas Lease #VA2488, dated June 1, 2001.
- (7) Devon believes that this well is more than one mile from any Bone Springs and Delaware pools and is subject to Division Rule 104 requiring the dedication of a 40-acre unit for this production.

### **AFFECTED PARTIES**

- (8) The entire South half of Section 31 is part of the same State of New Mexico Oil & Gas Lease, VA-2488. **See Exhibit "F"** Devon and Chesapeake are the only working interests owner in the S/2 of this section and there are no overriding royalty owners.

### **NOTIFICATION**

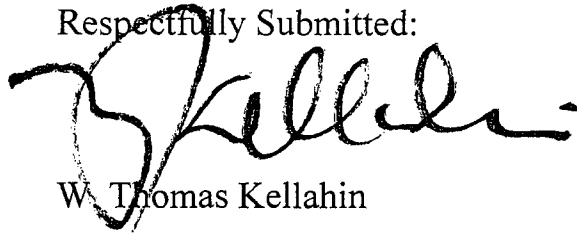
- (9) Devon believes that Division Rule 1207 does not require notice under these circumstances.

**REQUEST**

(10) Approval of this application will afford the owners and the applicant the opportunity to produce their just and equitable share of the oil in the Bone Spring and Delaware formations, 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 the typed name. The signature is fluid and cursive, with a large initial 'W'.

W. Thomas Kellahin



# 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).

September 16, 2004

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

***AMENDED 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 Tuesday, September 14, 2004 (***administrative application reference No. pSEM0-425936529***); (ii) our meeting on Thursday morning, September 16, 2004; and (iii) the Division's records in Santa Fe, including the files on Division Administrative Order NSL-5089 (BHL) and Division Case No. 13300: all concerning your application to amend Division Administrative Order NSL-5089 (BHL), dated August 2, 2004, by changing the subsurface configuration of Devon's proposed Red Bull "31: State Well No. 1 (API No. 30-025-36798) within the Atoka and Morrow formations underlying Lots 3 and 4, the E/2 SW/4, and the SE/4 (S/2 equivalent) of Section 31, Township 23 South, Range 35 East, NMPM, Lea County, New Mexico, 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).

The first paragraph on the first page of Division Administrative Order NSL-5089 (BHL) is hereby amended to read in its entirety as follows:

*"Reference is made to the following: (i) your initial 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***); (ii) your subsequent application filed with the Division on September 14, 2004 (***administrative application reference No. pSEM0-425936529***) to amend Division Administrative Order NSL-5089 (BHL), dated August 2, 2004; and (iii) the Division's records in Santa Fe: all concerning Devon's proposed Red Bull "31" State Well No. 1 (API No. 30-025-36798) 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 a measured depth of 11,987 feet, kicked-off to the west, and directionally drilled such that the:*



**Devon Energy Production Company, L.P.**  
**AMENDED Administrative Order NSL-5089 (BHL)**

**September 16, 2004**

**Page 2**

*(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."*

This order is further amended to include reference to Division Order No. R-3161-A, issued in Case No. 13300 dated September 7, 2004, which order amended the special pool rules governing the Cinta Roja-Morrow Gas Pool (75000), and was issued subsequent to the release of Division Administrative Order NSL-5089 (BHL).

All other provisions of Division Administrative Order NSL-5089 (BHL) shall remain in full force and effect until further notice.

Sincerely,

Michael E. Stogner  
Engineer/Hearing Officer

MS/mes

cc: New Mexico Oil Conservation Division - Artesia  
New Mexico State Land Office – Santa Fe  
File: Division Case No. 13300  
Division Administrative Order NSL-5089 (BHL)

DISTRICT I  
1825 N. French Dr., Hobbs, NM 58240

DISTRICT II  
811 South First, Artesia, NM 88210

DISTRICT III  
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV  
2040 South Pacheco, Santa Fe, NM 87506

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised March 17, 1999

Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

2040 South Pacheco  
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
		Wildcat; Morrow
Property Code 6137	Property Name RED BULL "31" STATE	Well Number 1
OGRID No.	Operator Name DEVON ENERGY PRODUCTION COMPANY LP	Elevation 3435'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	31	23 S	35 E		1300'	SOUTH	2610'	WEST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	31	23 S	35 E		1300'	SOUTH	2320'	EAST	LEA

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
319.32			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<p><b>OPERATOR CERTIFICATION</b></p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Linda Guthrie</i> Signature</p> <p>Linda Guthrie Printed Name</p> <p>Regulatory Specialist Title</p> <p>06/28/04 Date</p>
	<p><b>SURVEYOR CERTIFICATION</b></p> <p>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> <p>June 21, 2004</p> <p>Date Surveyed</p> <p>GARY L. JONES Signature &amp; Seal of Professional Surveyor</p> <p>W.O. No. 4376</p> <p>Certification No. Gary L. Jones 7977</p> <p>JLP BASIN SURVEYS</p>
	<p><b>EXHIBIT</b></p> <p>C</p>

DEVON

Page 19 of 21

## Operations Summary Report

Legal Well Name: RED BULL 31 STATE 1  
 Common Well Name: RED BULL 31 STATE 1  
 Event Name: ONSHORE ORIG DRLG  
 Contractor Name:  
 Rig Name:

Spud Date: 10/22/2004  
 End: 1/9/2005  
 Start: 9/9/2004  
 Rig Release:  
 Rig Number:

Date	From - To	Hours	Oper	Task	Phase	Description of Operations
12/29/2004	05:00 - 0:00 -				DRLR1	LITHOLOGY 100% SHALE BGG=28-40 CONN=65 TRIP=175 UNITS
12/30/2004	05:00 - 07:45	2.75	DRLG		DRLR1	ROTATE 14745-14758 WOB=30 RPM=72/45 PSI=2650X102 4.7'/HR
	07:45 - 08:00	0.25	DEVSUR		DRLR1	SURVEY @ 14709' 58.8 DEG. 103.7
	08:00 - 12:45	4.75	DRLG		DRLR1	ROTATE 14758-14790 WOB=30 RPM=72/45 PSI=2700X102 6.7'/HR
	12:45 - 13:00	0.25			DRLR1	SERVICE RIG
	13:00 - 13:15	0.25	DEVSUR		DRLR1	SURVEY @ 14741 58.7 DEG 104.0
	13:15 - 19:00	5.75	DRLG		DRLR1	ROTATE 14758-14790 WOB=30 RPM=72/45 PSI=2700X102 5.5'/HR
	19:00 - 02:30	7.50			DRLR1	WORK STUCK PIPE & WAIT ON WIRLINE. BIT @ 14775' STUCK WHILE WORKING PIPE FOR CONN. HOLE PACKED OFF & STUCK PIPE.HAD @ 3' TIGHT MOVEMENT. FOR A SHORT TIME THEN NO MOVEMENT. RAN FREE POINT. FREE @ 14407' 8 JTS HVY. WT ABOVE TOP NMDC. WILL BACK OFF THERE & CIRC.&COND.MUD FOR FISHING JOB.
	02:30 - 05:00	2.50			DRLR1	RUN FREE POINT
	05:00 - 0:00 -				DRLR1	
12/31/2004	05:00 - 15:00	10.00			DRLR1	LITHOLOGY 100% SHALE BGG=30-40 CONN=40-55 UNITS
					DRLR1	RUN FREE POINT & ATTEMPT BACK OFF @ 14407 RAN 2 SHOTS. TORQUE TRAPPED ABOVE BACK OFF POINT UNABLE TO BREAK CONN.
	15:00 - 19:30	4.50			DRLR1	WAIT ON CHICKSAN LINES & PERFORATING GUN & RIG UP TO PERFORATE HEAVY WT DRILL PIPE & BREAK CIRCULATION
	19:30 - 21:30	2.00			DRLR1	RUN PERFORATING GUNS & PERFORATE HEAVY WT DRILL PIPE @ 14373-14371
	21:30 - 05:00	7.50			DRLR1	BREAK CIRCULATION & CIRCULATE GAS OFF & CONDITION MUD FOR FISHING OPERATIONS
	05:00 - 0:00 -				DRLR1	
					DRLR1	CIRCULATE GAS WITH @ 8-15' FLARE @ BOTTOMS UP FLARE OUT AT REPORT TIME
1/1/2005	05:00 - 10:45	5.75	CIRC		DRLR1	CIRCULATE & CONDITION MUD RAISE VISCOSITY TO @ 100+
	10:45 - 14:00	3.25			DRLR1	JAR ON FISH
	14:00 - 15:30	1.50			DRLR1	RUN BACK OFF SHOT & BACK OFF BELOW PERFORATIONS @ 14381'
	15:30 - 16:15	0.75			DRLR1	PULL WIRELINE
	16:15 - 17:30	1.25	TRIP		DRLR1	TRIP OUT TO SHOE @ 12550'
	17:30 - 19:30	2.00	RIGSER		DRLR1	RIG DOWN WIRELINE TRUCK & REPAIR TRANSMISSION CHAIN
	19:30 - 23:30	4.00	TRIP		DRLR1	TRIP OUT OF HOLE TO PICK UP BIT TO WASH TO TOP OF FISH
	23:30 - 05:00	5.50	TRIP		DRLR1	TRIP IN HOLE
	05:00 - 0:00 -				DRLR1	
					DRLR1	LEFT IN HOLE BIT,DIRECTIONAL TOOLS 9 JTS HEAVY WEIGHT DRILL PIPE @ 394'
1/2/2005	05:00 - 06:00	1.00	TRIP		DRLR1	TRIP IN HOLE TO @ 12580
	06:00 - 10:30	4.50	RMWASH		DRLR1	WASH & REAM 12650-13890
	10:30 - 11:30	1.00	CIRC		DRLR1	CIRCULATE
	11:30 - 15:00	3.50	RMWASH		DRLR1	WASH & REAM 13890-14380 TO TOP OF FISH
	15:00 - 02:00	11.00	CIRC		DRLR1	CIRCULATE & CONDITION MUD FOR FISHING OPERATIONS
	02:00 - 04:30	2.50	TRIP		DRLR1	SHORT TRIP OUT TO SHOE @ 12550
	04:30 - 05:00	0.50			DRLR1	CUT DRILLING LINE
	05:00 -				DRLR1	
					DRLR1	TIGHT SPOTS ON SHORT TRIP 14215' 30K DRAG 14175 25K DRAG 13695 35K DRAG
1/3/2005	05:00 - 06:00	1.00	RIGSER		DRLR1	CUT DRILLING LINE
	06:00 - 10:15	4.25	RMWASH		DRLR1	TRIP IN HOLE & WASH & REAM TO TOP OF FISH TIGHT @

Printed: 1/12/2005 12:52:31 PM

EXHIBIT

D

DEVON

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## Operations Summary Report

Legal Well Name: RED BULL 31 STATE 1  
 Common Well Name: RED BULL 31 STATE 1  
 Event Name: ONSHORE ORIG DRLG  
 Contractor Name:  
 Rig Name:

Spud Date: 10/22/2004  
 End: 1/9/2005  
 Start: 9/9/2004  
 Rig Release:  
 Rig Number:  
 Group:

Date	From - To	Hours	Oper	Task	Phase	Description of Operations
1/3/2005	06:00 - 10:15	4.25	RMWASH		DRLR1	13919,14242, 14268' WASH THROUGH & WORKED UNTIL FREE
	10:15 - 14:00	3.75	CIRC		DRLR1	CIRCULATE & CONDITION HOLE FOR FISHING OPS
	14:00 - 20:00	6.00	TRIP		DRLR1	TRIP OUT OF HOLE TO PICK UP FISHING TOOLS
	20:00 - 22:00	2.00	BHA		DRLR1	PICK UP SCREW IN SUB PUMP OUT SUB , 2 BUMPER SUBS ,JARS & ACCELERATOR SUB
1/4/2005	22:00 - 04:00	6.00	TRIP		DRLR1	TRIP IN HOLE TO SHOE
	04:00 - 05:00	1.00	TRIP		DRLR1	TRIP IN HOLE WITH TOP DRIVE IDLE PUMP EVERY STAND
	05:00 - 07:00	2.00	RMWASH		DRLR1	WASH TO TOP OF FISH & SCREW IN
	07:00 - 12:30	5.50			DRLR1	ENGAGE FISH WITH BUMPER SUBS , JARS & ACCELLERATER SUB. SUSPECT PIPE PARTED JUST BELOW SHOE,6TH JOINT DOWN ON HEAVY WEIGHT.
1/5/2005	12:30 - 13:00	0.50	CIRC		DRLR1	PUMP SLUG TO TRIP OUT OF HOLE
	13:00 - 17:30	4.50	TRIP		DRLR1	TRIP OUT OF HOLE RECOVERED 8' SECTION BOX END OF HEAVY WT. LONG S SHAPED W/HOOK ON THE END.BENT @ 45 DEG. AT END. @ 5" BEND TO 45 DEGREES
	17:30 - 04:15	10.75			DRLR1	WAIT ON FISHING TOOLS & MILL
	04:15 - 05:00	0.75	TRIP		DRLR1	TRIP IN HOLE WITH MILL
1/5/2005	05:00 - 10:00	5.00	TRIP		DRLR1	TRIP IN HOLE
	10:00 - 14:30	4.50			DRLR1	WORK MILL & MILL ON FISH
	14:30 - 17:00	2.50	CIRC		DRLR1	CIRCULATE
	17:00 - 21:30	4.50	TRIP		DRLR1	TRIP OUT OF HOLE
1/6/2005	21:30 - 22:30	1.00	BHA		DRLR1	PICK UP BENT JOINT & MAKE UP MILL. NO EVIDENCE MILL WAS OVER FISH
	22:30 - 05:00	6.50	TRIP		DRLR1	TRIP IN HOLE & INSTALL ROTATING HEAD
	05:00 -				DRLR1	
	0:00 -				DRLR1	
1/6/2005	05:00 - 06:00	1.00	CIRC		DRLR1	WALL HOOK MILL ASSY.BEING MODIFIED WITH CUT RITE ADDED ABOVE HOOK INSIDE TO MILL TO WORK OVER TO MILL IN TOP OF ASSEMBLY
	06:00 - 06:15	0.25	CIRC		DRLR1	Break circ and work to bottom
	06:15 - 11:00	4.75	TRIP		DRLR1	Circulate and fill trip tank
	11:00 - 11:15	0.25	TRIP		DRLR1	Trip out of hole
1/7/2005	11:15 - 11:30	0.25			DRLR1	Break down mill
	11:30 - 11:45	0.25	TRIP		DRLR1	Rig Service
	11:45 - 19:00	7.25	TRIP		DRLR1	Make up 5 3/4" od impression block
	19:00 - 19:15	0.25	TRIP		DRLR1	TIH; Circulate every 35 stands
1/7/2005	19:15 - 21:15	2.00	CIRC		DRLR1	Circulate, set impression block on bottom with 15,000 lbs
	21:15 - 02:00	4.75	TRIP		DRLR1	Circulate bottoms up
	02:00 - 05:00	3.00			DRLR1	Trip out of hole with Impression Block. Had Deep "V" cut in outer edge of impression block that appears to match top of parted drill pipe
	05:00 - 07:45	2.75			DRLR1	Rig up Rotary Wireline and run Fish Finder. Located bottom of casing at 12,567' and top of Fish at 12,568'. Wireline TD was 12,583'
1/8/2005	07:45 - 11:15	3.50	TRIP		DRLR1	PULL WIRELINE & WAIT ON ORDERS
	11:15 - 13:00	1.75			DRLR1	PICK UP WALL HOOK & TRIP IN HOLE
	13:00 - 18:15	5.25	CIRC		DRLR1	TRY TO WORK FISH INTO MILL ASSY.
	18:15 - 23:00	4.75	TRIP		DRLR1	CIRCULATE & WAIT ON ANOTHER HOOK & RAISE MUD WT. BACK TO 12.1
1/8/2005	23:00 - 00:00	1.00	BHA		DRLR1	TRIP OUT OF HOLE
	00:00 - 05:00	5.00	TRIP		DRLR1	BREAK OUT WALL HOOK & CHANGE OUT HOOK WAS SPREAD @ 2" BUT NO EVIDENCE FISH WAS INSIDE
	05:00 - 08:30	3.50			DRLR1	TRIP IN HOLE WITH WALL HOOK
					DRLR1	WORK WALL HOOK TO @ 12586 HOOKED FISH 1 TIME THEN PULLED OFF WITH @ 15K OVER STRING WEIGHT. NEVER HOOKED IT AGAIN

DEVON

Page 21 of 21

## Operations Summary Report

Legal Well Name: RED BULL 31 STATE 1  
 Common Well Name: RED BULL 31 STATE 1  
 Event Name: ONSHORE ORIG DRLG  
 Contractor Name:  
 Rig Name:

Spud Date: 10/22/2004  
 Start: 9/9/2004 End: 1/9/2005  
 Rig Release:  
 Rig Number: Group:

Date	From - To	Hours	Oper	Task	Phase	Description of Operations
1/8/2005	08:30 - 11:00	2.50	CIRC		DRLR1	CIRCULATE & CONDITION MUD - RAISE WEIGHT TO 12.1PPG
	11:00 - 15:30	4.50	TRIP		DRLR1	TRIP OUT OF HOLE WITH FISHING TOOLS - WALL HOOK BROKE AT TOP OF HOOK
	15:30 - 19:30	4.00			DRLR1	WAIT ON ORDERS & WIRELINE TRUCK TO SET CEMENT RETAINER
	19:30 - 02:00	6.50			DRLR1	RIG UP WIRELINE TRUCK & RUN GUAGE RING TO @ 12500' & SET BAKER 10,000 PSI CEMENT RETAINER @ 12470' MIDDLE OF 1ST JOINT ABOVE FLOAT COLLAR.
	02:00 - 05:00	3.00	TRIP		DRLR1	MAKE UP STINGER & TRIP IN HOLE TO SQUEEZE CEMENT
1/9/2005	05:00 -				DRLR1	CONTACTED NEW MEXICO OCD @ 4:00 PM 1/7/2005. TALKED TO PAUL COUCH ABOUT SQUEEZING CEMENT TO PLUG BACK WELL WHICH HE AUTHORIZED. PAUL IS DISTRICT GEOLOGIST.
	05:00 - 11:30	6.50	CIRC		DRLR1	CIRCULATE HOLE CLEAN & WAIT ON BJ SERVICES
	11:30 - 12:30	1.00			DRLR1	RIG UP BJ & SAFETY MEETING
	12:30 - 13:15	0.75	CMTPRI		DRLR1	ESTABLISH INJECTION RATE @ 1.6 BBL/MIN @ 2000PSI & SQUEEZE CEMENT 75 SX BELOW RETAINER. STING OUT, LEAVE 35SX ON TOP OF RETAINER.
	13:15 - 14:15	1.00	CMTPRI		DRLR1	PULL 2 STANDS & REVERSE OUT
	14:15 - 15:30	1.25	CMTPRI		DRLR1	DISPLACE HOLE WITH FRESH WATER
	15:30 - 16:15	0.75			DRLR1	RIG DOWN BJ & MONITOR WELL NO FLOW RETAINER HOLDING.
	16:15 - 00:00	7.75	DPIPE		DRLR1	LAY DOWN DRILL PIPE
	00:00 - 00:30	0.50			DRLR1	RIG DOWN LAY DOWN MACHINE
	00:30 - 05:00	4.50	BOPS		DRLR1	NIPPLE DOWN BOPE & INSTALL TUBING HANGER & BACK PRESSURE VALVE.
	05:00 -				DRLR1	SET BAKER CEMENT RETAINER @ 12470' SOME CEMENT ON TOP @ 50'
	05:00 -				DRLR1	PLUG BACK TD @ 12420' INSTALLED TUBING HANGER W/BACK PRESSURE VALVE & PUMP IN VALVE

devon

Richard Winchester  
Land Advisor

Devon Energy Corporation  
20 North Broadway  
Oklahoma City, Oklahoma 73102-6280

Phone: (405) 228-4415  
Fax: (405) 552-8113

January 7, 2005

Ms. Lynda Townsend  
Chesapeake Exploration Limited Partnership  
P.O. Box 18496  
Oklahoma City, Oklahoma 73154-0496

Via Facsimile  
(405) 767-4251

Re: Completion Proposal  
Red Bull "31" State #1 Well  
1300' FSL & 2610' FWL of Section 31, T23S-R35E  
Lea County, New Mexico

Gentlemen:

Pursuant to the terms of the Exploration and Development Agreement dated September 1, 2004, Devon has drilled to a total measured depth of 14,818' and a total vertical depth of 14,096', penetrating the Morrow "C" Sand in the Red Bull "31" State #1 Well. Prior to obtaining logs across the Morrow interval, Devon encountered mechanical difficulties in the lower section of the well bore. Devon's attempt to retrieve a fish in the lower section of the well bore created additional mechanical difficulties up hole. As a result of these mechanical difficulties, it is Devon's opinion that a completion in the Morrow "C" Sand is no longer feasible. Therefore, Devon proposes to abandon its fishing operations, plug-off the lower section of the well bore, and attempted to complete the well in the Bone Spring and Delaware formations. Please provide your election within the forty-eight (48) hour period as provided for in the Operating Agreement and return via facsimile at your earliest convenience. Please call Bill Greenlees, Operations Engineer at (405) 552-8194, or Steve Hulke, Geologist at (405) 228-4282 should have any questions.

Sincerely,

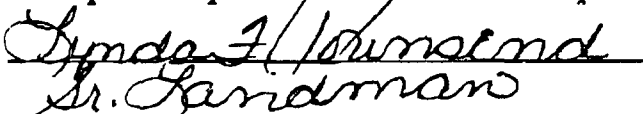


Richard C. Winchester  
Land Advisor

☒ Chesapeake Exploration Limited Partnership hereby elects to participate in Devon's proposal to attempt completions in the Bone Spring and Delaware formations.

☐ Chesapeake Exploration Limited Partnership hereby elects not to participate in Devon's proposal to attempt completions in the Bone Spring and Delaware formations.

Chesapeake Exploration Limited Partnership

  
Lynda J. Townsend  
Sr. Landman

Date: 1-7-05





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:

Subdivisions	Section	Twp	Rge	Acres	Institution
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 to 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 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.

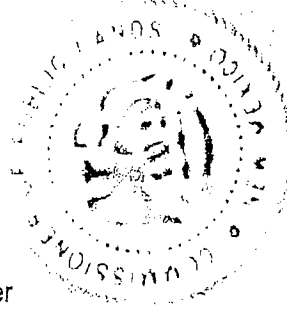
19. Lessor reserves the right to execute leases for geothermal resource development and operation thereon; the right to sell or dispose of the geothermal resources of such lands; and the right to grant rights-of-way and easements for these purposes.

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: [Signature]  
Commissioner of Public Lands, Lessor



[Signature]  
Lessee

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

[illegible]

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



KELLY W. ROBERTSON  
Oklahoma County  
Notary Public in and for  
State of Oklahoma  
Commission expires May 27, 2005.

**My commission expires May 27, 2005.**

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, Lea County Clerk  
By [Signature] Deputy

Melinda Hughes, Lea County Clerk  
By [Signature] Deputy

