

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

July 18, 2006

Devon Energy Production Company, L.P.
c/o Mr. James Bruce
P.O. Box 1056
Santa Fe, NM 87501

Administrative Order NSL-5425

Dear Mr. Bruce :

Reference is made to the following:

(a) your application (**administrative application reference No. pTDS0-619530301**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on July 13, 2006, on behalf of Devon Energy Production Company, L.P. (Devon), and

(b) the Division's records pertinent to Devon's request.

Devon has requested to drill its proposed Red Bull 32 State Com. Well No. 1 at an unorthodox Morrow gas well location, 1100 feet from the North line and 2400 feet from the West line (Unit C) of Section 32, Township 23 South, Range 35 East, N.M.P.M., in Lea County, New Mexico. The W/2 of Section 32 will be dedicated to this well in order to form a standard 320-acre gas spacing unit in either the Undesignated San Simon Sink-Morrow Gas Pool (**96446**) or the Undesignated Antelope Ridge-Morrow Gas Pool (**70440**).

Your application on behalf of Devon has been duly filed under the provisions of Division Rules 104.F and 1210.A(2) [formerly Division Rule 1207.A(2), *see* Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005].

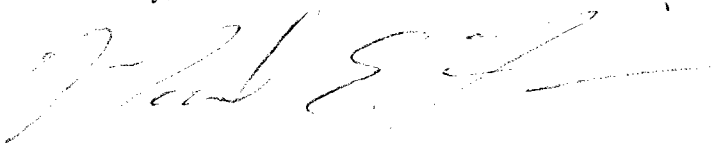
It is our understanding that Devon is seeking this location exception based on its engineering and geophysical interpretation of the Morrow formation in this area; that a well drilled at the proposed unorthodox gas well location will probably be more economic than a well drilled at a standard location.

It is also understood that all of Section 32, including both the W/2 on which the proposed well will be located, and the E/2 towards which the proposed unorthodox location encroaches, is covered by two State oil and gas leases (No. VA-2509 and VA-2510), and that all ownership interests in these leases, both working interest and royalty, are common.

By the authority granted me under the provisions of Division Rule 104.F(2), the above-described unorthodox Morrow gas well location for Devon's Red Bull State Com. Well No. 1 is hereby approved.

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

Sincerely,

A handwritten signature in dark ink, appearing to read 'Mark E. Fesmire', is written over a horizontal line.

Mark E. Fesmire, P.E.
Director

MEF/db

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