

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

NMOCD--07- 180

IN THE MATTER OF DEVON ENERGY PRODUCTION COMPANY, LP

Respondent.

**AGREED ORDER DIRECTING COMPLIANCE
AND ASSESSING CIVIL PENALTY**

Pursuant to the New Mexico Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, as amended ("Act"), and the regulations promulgated under the Act, the Director of the Oil Conservation Division of the Energy Minerals and Natural Resources Department of the State of New Mexico ("OCD") issues this Order to **DEVON ENERGY PRODUCTION COMPANY LP ("Devon")** directing compliance with the Act and OCD Rules, and assessing a penalty for violations of the Act and OCD rules.

I. FINDINGS

1. The OCD is the state division charged with administration and enforcement of the Act and OCD Rules.
2. Devon is a limited partnership doing business in New Mexico, registered with Secretary of State as a foreign limited partnership under number LPF2000021601. Devon is an active entity with a principal and mailing address at 1500 Mid-America Tower 10 N. Broadway, Oklahoma City, OK 73102. Its registered agent for service of process in New Mexico is Corporation Service Company, 125 Lincoln Ave - Suite 223, Santa Fe, New Mexico 87501. Devon has been assigned OGRID # 6137.
3. Devon is the operator of record for the following wells;
 - a) Northeast Blanco Unit #2M, API 30-045-33820, S20, T31N, R07W. San Juan County, New Mexico
 - b) Northeast Blanco Unit #13M, API 30-039-29748, S20, T30N, R07W Rio Arriba County, New Mexico
 - c) Northeast Blanco Unit #63M, API 30-045-33476, S01, T31N, R07W San Juan County, New Mexico
 - d) Northeast Blanco Unit #240, API 30-045-33495, S18, T31N, R06W San Juan County, New Mexico

4. OCD Rule 1104 [19.15.13.1104 NMAC], *Request for Allowable and Authorization to Transport Oil and Natural Gas*, provides:
- A. The division may assign an allowable to a newly completed or re-completed well or a well completed in an additional pool, or issue an operator authorization to transport oil or natural gas from such a well if the operator:
 - 1. has filed a complete form C-104;
 - 2. has provided a sworn and notarized tabulation of all deviation tests run on the well ...;
 - B. The allowable the division assigns to an oil well shall be effective at 7:00 a.m. on the date of completion, provided the division receives form C-104 during the month of completion. Date of completion shall be that date when new oil is delivered into the stock tanks. Unless otherwise specified by special pool rules, the allowable the division assigns to a gas well shall be effective at 7:00 a.m. on the date of connection to a gas transportation facility, as evidenced by an affidavit of connection from the transporter to the division, or the date of receipt of form C-104 by the division, whichever date is later.
5. The OCD received C-104s (*Request for Allowable and Authorization to Transport*) and 3160-4s (*Completion Report*) from Devon, showing the above wells were producing prior to Devon receiving an approved C-104:
- a) Form C-104s (Request for Allowable and Authorization to Transport) were received on the below listed wells, on the following dates:
 - (i) Northeast Blanco Unit #2M: 01-26-2007
 - (ii) Northeast Blanco Unit #13M: 12-04-2006
 - (iii) Northeast Blanco Unit #63M: 10-18-2006, revised 11-03-2006
 - (iv) Northeast Blanco Unit # 240: 10-12-2006
 - b) Received 3160-4s (Completion Report) show first production dates of:
 - (i) Northeast Blanco Unit 2M: first production on 12-14-2006
 - (ii) Northeast Blanco Unit 13M: first production on 09-29-2006
 - (iii) Northeast Blanco Unit 63M: first production on 10-06-2006
 - (iv) Northeast Blanco Unit 240: first production on 09-29-2006
 - c) The Northeast Blanco Units 2M, 13M and 63M deviations were received on Friday, February 9. The Northeast Blanco Unit 240 deviation report was received on February 8, 2007.
 - d) No Form C-115s reporting production have been received on any of the above listed wells.

6. As a result of its investigation, the OCD issued *Notice of Violation (3-07-05)* to Devon, alleging that the submitted 3160-4s (Completion Reports) and C-104s (Request for Allowable and Authorization to Transport) show that Devon knowingly and willfully violated OCD Rule 1104 by producing the Northeast Blanco Units #2M, 13M, 63M and 240 without an allowable being assigned by the OCD pursuant to an approved C-104.
7. During the administrative conference held on March 8, 2007 and by letter dated March 15, 2007 Devon presented the following:
 - a) The Northeast Blanco Unit 13M well could not have been producing between September 29, 2006 and January 10, 2007 as it was shut in from 9-27-06 thru 1-10-07, due to a fishing job.
 - b) The C-104 for the Northeast Blanco Unit #240 was held as it was believed that the well was in a Non-Standard Location ("NSL"). Devon presented for review a gyro that was run on March 2, 2007.
 - c) Devon then stated that it was delayed in determining the NSL. It purchased the tool to run the survey, but had to wait for the tool to be delivered. It then had unexpected mechanical issues that had to be resolved before the survey could be run.
 - d) New people and processes contributed to the time issue.
 - e) Devon has instituted a process where a spreadsheet has been implemented to track critical regulatory paperwork on each well drilled. This spreadsheet will be updated and distributed weekly to all key team members.
 - f) On the well first delivery checklist, an additional item has been added, "C-104 Approved," which will aid in preventing future problems of producing a well prior to receiving an OCD approved C-104.
 - g) After the C-104 has been approved by OCD, Devon will scan and distribute it to all key team members.

II. CONCLUSIONS

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. Devon is a person as defined by NMSA 1978, Section 70-2-33(A) and subject to civil penalties under NMSA 1978, Section 70-2-31(A) for knowing and willful violations of the Oil and Gas Act or OCD Rules.
3. NMSA 1978 Section 70-2-31(A) provides, in relevant part, that "[a]ny person who knowingly and willfully violates any provision of the Oil and Gas Act or any provision of any rule or order issued pursuant to that act shall be subject to a civil penalty of not more than one thousand dollars (\$1,000) for each violation." NMSA 1978, section 70-2-33(A)

defines "person" in relevant part as "any individual, estate, trust, receiver, cooperative association, club, corporation, company, firm, partnership, joint venture, syndicate or other entity..."

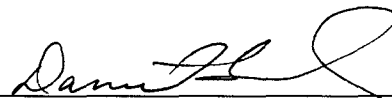
4. Devon is subject to civil penalties under NMSA 1978, Section 70-2-31(A) by failing to submit required C-104s on each of the four subject wells, in violation of OCD Rule 1104.
5. Devon knowingly and willfully violated OCD Rule 1104 by producing the Northeast Blanco Units #2M, 63M and 240 without an allowable being assigned by the OCD, pursuant to an approved C-104.

III. ORDER AND CIVIL PENALTY

1. Taking into account both aggravating and mitigating factors, the OCD hereby assesses a civil penalty totaling **Twenty-three Thousand Five Hundred Dollars (\$23,500.00)** against Devon.
2. The civil penalty is based on violations of OCD Rule 1104 by producing Northeast Blanco Units #2M, #63M, and #240 prior to receiving an approved C-104. The OCD has determined that Devon did not produce Unit 13M without an approved C-104 during the period alleged, as the well was shut-in. For the three wells in violation, Devon was late a total of forty-seven (47) weeks in submitting the C-104s. Each two-week period, or part thereof, is treated as a separate violation, for a total penalty of \$23,500.00 (47 weeks divided by 2 equals \$23,500.00).
3. The civil penalty shall be paid within sixty days of receipt of this Order. Payment shall be made by certified or cashier's check made payable to the "New Mexico Oil Conservation Division," and mailed or hand-delivered to the New Mexico Oil Conservation Division, Attention: Director, 1220 South Saint Francis Drive, Santa Fe, New Mexico, 87505.
4. By signing this Order, Devon expressly:
 - a. acknowledges the correctness of the Findings and Conclusions set forth in this order;
 - b. agrees to comply with Ordering paragraph 3;
 - c. waives any right, pursuant to the Oil and Gas Act or otherwise, to a hearing either prior or subsequent to the entry of this Order or to an appeal from this Order;
 - d. agrees that if it fails to comply with this Order, the Order may be enforced by suit or otherwise to the same extent and with the same effect as a final Order of the Division entered after notice and hearing in accordance with all terms and provisions of the Oil and Gas Act;

- e. agrees that if it fails to pay penalties assessed pursuant to this order, upon application by the OCD the district court may enter judgment against Devon in the amount of the penalties assessed and, in the discretion of the court, may impose additional penalties for Devon's violation of the penalty provisions of this Order.
5. Nothing in this Order relieves Devon of its liability should its operations fail to adequately investigate and remediate contamination that poses a threat to ground water, surface water, human health or the environment. In addition, nothing in this Order relieves Devon of its responsibility for compliance with any other federal, state or local laws and/or regulations.

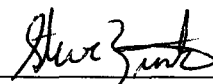
Done at Santa Fe, New Mexico, this 11th day of ~~March~~^{MAY} 2007.

By: 
for Mark Fesmire, PE, Director
Oil Conservation Division

ACCEPTANCE

Devon Energy Production Company, LP hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in the order.

Devon Energy Production Company, LP

By: 
Title: Production Superintendent
Date 5/4/7