

***Proposed Pool Rules
Rio Blanco-Devonian Gas Pool***

(1) A new gas pool for Devonian production, designated the Rio Blanco-Devonian Gas Pool, is hereby created with vertical limits comprising the Devonian formation and horizontal limits described as follows:

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM
Section 4: All

(2) Temporary Special Rules and Regulations for the Rio Blanco-Devonian Gas Pool, Lea County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
RIO BLANCO-DEVONIAN GAS POOL

RULE 1. Each well completed in or recompleted in the Rio Blanco-Devonian Gas Pool or in the Devonian formation within one mile thereof, and not nearer to or within the limits of another designated Devonian gas pool shall be spaced, drilled, operated, and produced in accordance with the Special rules hereinafter set forth;

RULE 2. Each well shall be located on a standard unit containing 640 acres, more or less, substantially in the form of a square, which is a governmental section being a legal subdivision of the United States Public Lands Survey.

RULE 3. The supervisor of the Hobbs District Office of the Division shall have authority to approve non-standard units without notice when the unorthodox size or shape is due to a variation in the legal subdivision of the United States Public Lands Survey and consists of an entire governmental section and the non-standard unit is no less than 90% nor more than 110% of a standard unit.

RULE 4. The Director of the Oil Conservation Division may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit consisting of less than 640 acres and when the following facts exist and the following provisions are complied with:

(a) the non-standard unit consists of quarter-quarter sections and/or lots that are contiguous by a common bordering side;

(b) the applicant presents written consent in the form of waivers from:

(I) all offset operators to the section in which the non-standard gas unit is located; and,

(II) from all working interest owners in the section in which the non-standard unit is situated and which acreage is not included in the non-standard unit;

(d) in lieu of sub-part (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid parties to be notified were notified by registered or certified mail of his intent to form such non-standard unit, the Division Director may approve the application if no such notified party has entered an objection to the formation of such non-standard unit within 30 days after the Division Director has received the application;

RULE 5. Each well shall be located no closer than 1650 feet to the outer boundary of the proration unit nor closer than 330 feet to any governmental quarter-quarter section line or subdivision inner boundary;

RULE 6. The Division Director may grant an exception to the requirements of Rule 5 without hearing when an application has been filed for an unorthodox location necessitated by topographical conditions. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Director has received the application.

IT IS FURTHER ORDERED THAT:

(3) No allowable shall be assigned to the Devon Energy Production Company Rio Blanco "33" Federal Well No. 1 (API No. _____), currently drilling at a resulting unorthodox gas well location 1,000 feet from the South line and 1,620 feet from the West line of Section 33, Township 23 South, Range 34 East, NMPM, Lea County, or to any other well in the Rio Blanco Devonian Gas Pool or within one mile thereof, the drilling of which commenced at a resulting unorthodox location after the October 2, 2003 hearing in this matter, until the operator of said well or wells shall have obtained an order from the Division authorizing the resulting unorthodox location pursuant to the provisions of Rule 104F of the Division's Rules and Regulations.

FURTHERMORE:

(5) Any other well presently drilling to or completed in the Rio Blanco-Devonian Gas Pool or in the Devonian formation within one mile thereof are hereby approved; the operator of any well having an unorthodox location shall notify the Hobbs

District Office of the Division with the name and location of the well within 30 days from the date of this order.

(6) Pursuant to Paragraph A of NMSA 1978 Section 70-2-18, existing gas wells in the Rio Blanco-Devonian Gas Pool shall have dedicated thereto 640 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C of said Section 70-2-18, after notice and hearing, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

Failure to file new Forms C-102 with the Division dedicating 640 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to being shut-in.

(7) This case shall be reopened at an examiner hearing in _____, 2004, at which time the operators in the subject pool may appear and show cause why the Temporary Special Rules and Regulations for the Rio Blanco-Devonian Gas Pool promulgated herein should not be made permanent.