



April 19, 2006

Mr. Richard L. Aguilar
Environmental Services Manager
City of Carlsbad
P.O. Box 1569
Carlsbad, NM 88221-1569

Re: Devon Energy Permit, Hackberry 31, State 2 Well 30-015-34782

Dear Mr. Aguilar:

This letter is to update you on the status of the above referenced permit application. The review has been put aside due to what appears to be new geological evidence that affects the oil and gas operator compliance with the City of Carlsbad Ordinance NO 2000-13, Wellhead and Water Protection regulations. More specifically Ordinance NO 2000-13, Section 3, paragraph P that defines the Wellhead Protection Area extending to 2,500 feet below the surface of the ground while Section 5 B 3 b 1 d requires the second string of well casing extend 100 feet below the bottom of the fresh water bearing strata. In the area of the above referenced well the subsurface geology clearly reveals the fresh water bearing strata extends to approximately 1,600 feet below the surface of the ground. Devon's drilling program proposes setting the second string of casing at approximately 1,600 feet below the surface of the ground requiring me to recommend not approving permit application.

Per our conversation, I am requesting Devon to appeal the recommendation to City Council per 2000-13 Section 4 B 2 d regulation for variance. As we have discussed, I believe the best management practice to protect the aquifer is to set intermediate casing string per Devon drilling permit.

Thank you for your attention to this matter, if you have any questions or need anything further please do not hesitate to contact me.

Sincerely,

Dave Henard
Oil and Gas Inspector

cc: Ms Stephanie Ysasaga, Devon Energy
Mr. Bryan Arrant, New Mexico Oil Conservation Division



RSI(ALO)-1520/4-06/05

April 19, 2006

Ms Stephanie Ysasaga
Devon Energy Corporation
20 North Broadway
Oklahoma City, Oklahoma 73102-8260

RE: Permit Application Denied, Devon Energy Corp., Hackberry 31, State 2 Well

Dear Ms Ysasaga,

I have been informed by Mr. Richard Aguilar with the City of Carlsbad that Devon will need to file for appeal per Ordinance 2000-13 Section 4 B 2d to request variance to set intermediate casing string at 1,600 feet below ground surface in the above referenced well. As we have discussed, the City regulation defines the area as extending to 2,500 feet below surface of the ground for the Sheep Draw Wellhead Protection Area.

The appeal needs to be filed with the City of Carlsbad within 30 days from receipt of notification of this denial. The appeal is made and submitted to the City Administrator. The City Council will then schedule a hearing within 60 days from the date of the appeal.

A request was made by you to allow some operations to proceed at this location. Due to the extended period of time that may be necessary before the permit is approved, you may start operations for surface preparations and construction, drilling mousehole and rathole.

If you have any questions or need anything further do not hesitate to contact me at 505-268-2661.

Sincerely,

Dave Henard
Oil and Gas Inspector

cc: Mr. Richard Aguilar, City of Carlsbad