

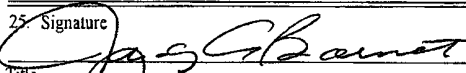
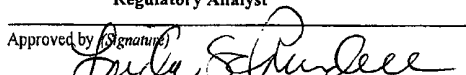
OPERATOR'S COPY

Form 3160-3
(April 2004)UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
APPLICATION FOR PERMIT TO DRILL OR REENTERFORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER			5. Lease Serial No. NM-0418220-A		
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone			6. If Indian, Allottee or Tribe Name		
2. Name of Operator Devon Energy Production Company, LP			7. If Unit or CA Agreement, Name and No.		
3a. Address 20 North Broadway Oklahoma City, Oklahoma City 73102-8260			8. Lease Name and Well No. 36314 Todd 27D Federal 4		
3b. Phone No. (include area code) 405-228-8699			9. API Well No. 30-015-35425		
4. Location of Well (Report location clearly and in accordance with any State requirements*) At surface NWNW 330' FNL & 330' FWL At proposed prod. zone NWNW 330' FNL & 330' FWL			10. Field and Pool, or Exploratory Ingle Well; Delaware		
14. Distance in miles and direction from nearest town or post office* Approximately 18 miles east of Loving, NM.			11. Sec., T. R. M. or Blk. and Survey or Area Sec 27 T23S R31E		
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drg. unit line, if any)		16. No. of acres in lease 720	17. Spacing Unit dedicated to this well 40		
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.		19. Proposed Depth 8500' MD	20. BLM/BIA Bond No. on file		
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3379' GL		22. Approximate date work will start* 02/15/2007	23. Estimated duration 45 days		
24. Attachments					

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- | | |
|---|--|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature 		Name (Printed/Typed) Judy A. Barnett	Date 12/07/2006
Title Regulatory Analyst			
Approved by (Signature) 		Name (Printed/Typed)	Date 2/12/07
Title STATE DIRECTOR		Office NM STATE OFFICE	

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

APPROVAL FOR 1 YEAR

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make:
States any false, fictitious or fraudulent statements or representation:

or agency of the United

*(Instructions on page 2)

CARLSBAD CONTROLLED WATER BASIN

If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction.

SEE ATTACHED FOR
CONDITIONS OF APPROVALAPPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
1901 W. Grand Avenue, Artesia, NM 88210

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

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised October 12, 2005

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

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-35425	Pool Code 33745	Pool Name Ingle Well; Delaware
Property Code	Property Name TODD "27D" FEDERAL	Well Number 4
OGRID No. 6137	Operator Name DEVON ENERGY PRODUCTION COMPANY LP	Elevation 3379'


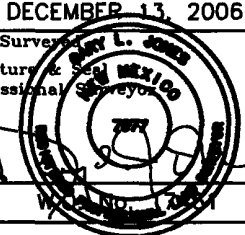
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	27	23 S	31 E		330	NORTH	330	WEST	EDDY

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
40									
Dedicated Acres		Joint or Infill		Consolidation Code		Order No.			

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>3373.6' 3378.7'</p> <p>330'</p> <p>3374.0' 3382.5'</p> <p>Lat - N32°16'54.4"</p> <p>Long - W103°46'23.3"</p> <p>(NAD-83)</p>					<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p> Signature _____ Date 12/20/06</p> <p>Judy A. Barnett Printed Name Regulatory Analyst</p>	
					<p>SURVEYOR CERTIFICATION</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>DECEMBER 13, 2006</p> <p>Date Surveyed _____</p> <p>Signature _____ Professional Surveyor</p>	
					<p></p>	
					<p>Certificate No. Gary L. Jones 7977</p> <p>Basin Surveys</p>	

Additional Operator Remarks:

Devon Energy Production Company, LP proposes to drill a Delaware well to 8,500' for commercial quantities of oil and gas. If the well is deemed noncommercial, the wellbore will be plugged and abandoned per Federal regulations. Devon Energy Production Co., LP plans to drill the well per the attached Drilling and Surface Use Plan.

Directions To Location: From the junction of State Hwy 128 and County Rd. 779 (Red Road), go north on County Rd. for approximately 2.2 miles turn west (NW) on lease road and go 1.9 miles to lease road; proceed south 0.7 miles to XX rds; turn west and proceed 0.2 miles thence turn south on lease road 0.2 miles to Devon 22M Federal #13 location; from the southwest corner of pad follow pipeline row south 0.15 miles to location.

Access Road:

Approximately 1,066' of access road will be required. Archeological survey's will be requested for the pad and access road.

H2S:

No H2S is anticipated to be encountered.

LPC Timing Stipulation Areas:

The location of this well does not fall in the LPC Timing Stipulation Area per BLM-CFO 2006 LPC Timing Stipulation Areas map.

UNITED STATES DEPARTMENT OF THE INTERIOR

Bureau of Land Management

Roswell Field Office

2909 West Second Street

Roswell, New Mexico 88201-1287

Statement Accepting Responsibility for Operations

Operator Name: **Devon Energy Production Company, LP**
Street or Box: **20 North Broadway**
City, State: **Oklahoma City, Oklahoma**
Zip Code: **73102-8260**

The undersigned accepts all applicable terms, conditions, stipulations and restrictions concerning operations conducted on the leased land or portion thereof, as described below.

Lease No.: **NM-0418220-A**

Legal Description of Land: **720 acres -T23S-R31E
Unit D (NW/4 NW/4)
330' FNL & 330' FWL**

Formation(s): **Ingle Well; Delaware**

Bond Coverage: **Nationwide**

BLM Bond File No.: **CO-1104**

Authorized Signature:


Judy A. Barnett

Title: **Regulatory Analyst**

Date: **12/19/06**

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
SUNDRY NOTICES AND REPORTS ON WELLS

OPERATOR'S COPY

FORM APPROVED
OMB NO. 1004-0135
EXPIRES: NOVEMBER 30, 2000

Do not use this form for proposals to drill or to re-enter an
abandoned well. Use Form 3160-3 (APD) for such proposals

SUBMIT IN TRIPLICATE

1a. Type of Well ☒ Oil Well ☐ Gas Well ☐ Other _____

2. Name of Operator
DEVON ENERGY PRODUCTION COMPANY, LP

3. Address and Telephone No.
20 North Broadway, Oklahoma City, OK 73102 405-228-8699

4. Location of Well (Report location clearly and in accordance with Federal requirements)*
330' FNL & 330' FWL, Sec 27 T23S R31E

5. Lease Serial No.

NM0418220-A

6. If Indian, Allottee or Tribe Name

7. Unit or CA Agreement Name and No.

8. Well Name and No.

Todd 27D Federal #4

9. API Well No.

10. Field and Pool, or Exploratory

Delaware

12. County or Parish 13. State

Eddy County, NM

CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

- ☐ Notice of Intent
☒ Subsequent Report
☐ Final Abandonment Notice

TYPE OF ACTION

- | | | | |
|---|---|--|---|
| <input type="checkbox"/> Acidize | <input type="checkbox"/> Deepen | <input type="checkbox"/> Production (Start/Resume) | <input type="checkbox"/> Water Shut-Off |
| <input type="checkbox"/> Alter Casing | <input type="checkbox"/> Fracture Treat | <input type="checkbox"/> Reclamation | <input type="checkbox"/> Well Integrity |
| <input type="checkbox"/> Casing Repair | <input type="checkbox"/> New Construction | <input type="checkbox"/> Recomplete | <input checked="" type="checkbox"/> Other <u>Change APD</u> |
| <input type="checkbox"/> Change Plans | <input type="checkbox"/> Plug and Abandon | <input type="checkbox"/> Temporarily Abandon | |
| <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Plug Back | <input type="checkbox"/> Water Disposal | |

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work and approximate duration thereof. If the proposal deepens directionally or recompletes horizontally, give subsurface location and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirement, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection)

Devon Energy plans to build the access road as per the Plan of Development agreed upon by Devon and the BLM on 1-18-2007. We will build approximately 4,800' of new road. The flowline will follow the proposed access road to the battery to be constructed at the Todd 27-11 location. Please See Attached Diagram.

14. I hereby certify that the foregoing is true and correct

Signed

Name
Title

Judy A. Barnett
Regulatory Analyst

Date

1/22/2007

(This space for Federal or State Office use)

Approved by

Title

STATE DIRECTOR

Date

2/12/07

Conditions of approval, if any:

Under U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make any department or agency of the United States any false, fictitious or fraudulent statements or representations to any matter within its jurisdiction.

*See Instruction on Reverse Side

DRILLING PROGRAM

Devon Energy Production Company, LP

Todd 27D Federal 4

Surface Location: 330' FNL & 330' FWL, Unit D, Sec 27 T23S R31E, Eddy, NM

Bottom hole Location: 330' FNL & 330' FWL, Unit D, Sec 27 T23S R31E, Eddy, NM

1. Geologic Name of Surface Formation

- a. Permian

2. Estimated tops of geological markers:

- | | |
|---------------------|-------|
| a. Rustler | 500' |
| b. Top of Salt | 830' |
| c. Base of Salt | 4070' |
| d. Bell Canyon | 4330' |
| e. Cherry Canyon | 5250' |
| f. Brushy Canyon | 6700' |
| g. Bone Spring Lime | 8000' |

3. Estimated Depths of Anticipated Fresh Water, Oil or Gas

- | | | |
|------------------|-------|-------|
| Rustler | Water | 500' |
| a. Bell Canyon | Oil | 4330' |
| b. Cherry Canyon | Oil | 5250' |
| c. Brushy Canyon | Oil | 6700' |

No other formations are expected to yield oil, gas or fresh water in measurable volumes. The surface fresh water sands will be protected by setting 13 3/8" casing at 850' and circulating cement back to surface. Fresh water sands will be protected by setting 8 5/8" casing at 4350' and circulating cement to surface. The Morrow intervals will be isolated by setting 5 1/2" casing to total depth and circulating cement above the base of the 8 5/8" casing.

4. Casing Program:

<u>Hole Size</u>	<u>Interval</u>	<u>OD Csg</u>	<u>Weight</u>	<u>Collar</u>	<u>Grade</u>
30"	0' -400'	20"	NA	NA	Conductor
17 1/2"	0' - 850'	13 3/8"	48#	ST&C	H-40
11"	0' - 4350'	8 5/8"	32#	ST&C	J-55
7 7/8"	0' - 8800' 8500'	5 1/2"	15.5# & 17#	LT&C	J-55

5. Cement Program:

- a. 20" Conductor Cement with ready mix to surface.
- b. 13 3/8" Surface Cement to surface with 500 sx Poz (35% Poz, 65% Class C, 6% gel) w/2% CaCl₂ + 1/4"/sx celloflk + 200 sx Class C w/2% CaCl₂ and 1/4"/sk celloflk.

- c. 8 5/8" Intermediate Cement to surface with 1600 sx Poz (35% Poz, 65% Class C, 6% gel, 15 % salt) w/ 1/4#/sx celloflk + 200 sx Class C w/2% CaCl2, 1/4#/sx celloflk.
- d. 5 1/2" Production Cement 1st stage w/ 525 sx Silica Lite (Class H) w/ 3% salt, 0.6% FL additive, 1/4 #/sx celloflk w/ DV tool at ~ 5500'. Cement 2nd stage w/ 225 sx Poz (35% Poz, 65% Class H, 6% gel) w/ 1/4 #/sx celloflk + 400 sx Class H w/ 4% gel, 5% salt, 1/4 #/sx celloflk.

The above cement volumes could be revised pending the caliper measurement from the open hole logs. The top of cement is designed to reach approximately 500' above the 8 5/8" casing shoe.

6. Pressure Control Equipment:

The blowout preventor equipment (BOP) shown in Exhibit #1 will consist of a (5M system) double ram type (2000 psi WP) preventor and a bag-type (Hydril) preventor (2000 psi WP) and rotating head. Both units will be hydraulically operated and the ram type preventor will be equipped with blind rams on top and 4 1/2" drill pipe rams on bottom. The drilling head will be installed on the 13 3/8" surface casing and utilized continuously until total depth is reached. All BOP's and associated equipment will be tested to 1200 psi with the rig pump before drilling out the 13 3/8" casing shoe (70% of 48#, H-40 casing). Prior to drilling out the 8 5/8" casing shoe, the BOP's and Hydril will be tested as per BLM Drilling Operations Order #2.

Pipe rams will be operated and checked each 24-hour period and each time the drill pipe is out of the hole. These functional tests will be documented on the daily drillers log. A 2" kill line and 3" choke line will be incorporated in the drilling spool below the ram-type BOP. Other accessory BOP equipment will include a Kelly cock, floor safety valve, choke lines and choke manifold having 5000 psi WP rating.

7. Proposed Mud Circulation System:

<u>Depth</u>	<u>Mud Wt.</u>	<u>Visc</u>	<u>Fluid Loss</u>	<u>Type System</u>
0' - 850'	8.8	34-36	NC	Fresh Water
850' - 4350'	10.0	28	NC	Brine Water
4350' - TD	8.8	32-36	10-20	Fresh Water Polymer

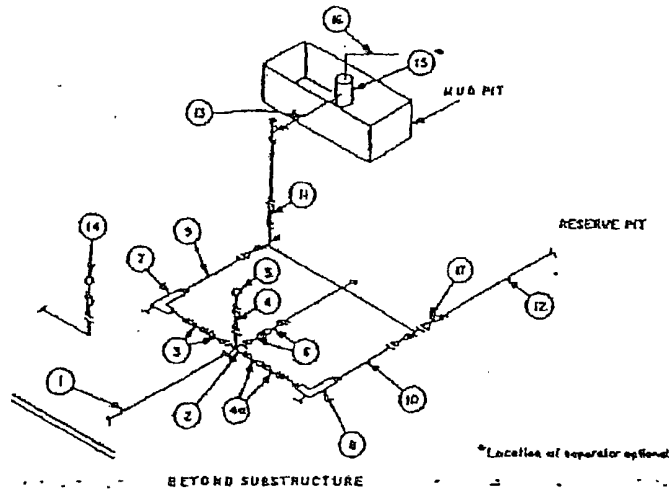
The necessary mud products for weight addition and fluid loss control will be on location at all times.

8. **Auxiliary Well Control and Monitoring Equipment:**
- a. A Kelly cock will be in the drill string at all times.
 - b. A full opening drill pipe stabbing valve having the appropriate connections will be on the rig floor at all times.
 - c. Hydrogen Sulfide detection equipment will be in operation after drilling out the 13 3/8" casing shoe until the 5 1/2" casing is cemented. Breathing equipment will be on location upon drilling the 11 3/4" shoe until total depth is reached.
9. **Logging, Coring, and Testing Program:**
- a. Drill stem tests will be based on geological sample shows.
 - b. The open hole electrical logging program will be:
 - i. Total Depth to Intermediate Casing Dual Laterolog-Micro Laterolog with SP and Gamma Ray. Compensated Neutron - Z Density log with Gamma Ray and Caliper.
 - ii. Total Depth to Surface Compensated Neutron with Gamma Ray
 - iii. No coring program is planned
 - iv. Additional testing will be initiated subsequent to setting the 5 1/2" production casing. Specific intervals will be targeted based on log evaluation, geological sample shows and drill stem tests.
10. **Potential Hazards:**
- a. No abnormal pressures or temperatures are expected. There is no known presence of H₂S in this area. If H₂S is encountered the operator will comply with the provisions of Onshore Oil and Gas Order No. 6 No lost circulation is expected to occur. All personnel will be familiar with all aspects of safe operation of equipment being used to drill this well. Estimated BHP 2900 psi and Estimated BHT 130°.
11. **Anticipated Starting Date and Duration of Operations:**
- a. Road and location construction will begin after the BLM has approved the APD. Anticipated spud date will be as soon after BLM approval and as soon as a rig will be available. Move in operations and drilling is expected to take 21 days. If production casing is run then an additional 30 days will be needed to complete well and construct surface facilities and/or lay flow lines in order to place well on production.

MINIMUM CHOKE MANIFOLD
3,000, 5,000 and 10,000 PSI Working Pressure

3 MWP - 5 MWP - 10 MWP

Exhibit E



MINIMUM REQUIREMENTS										
No.		3,000 MWP			5,000 MWP			10,000 MWP		
		L.D.	NOMINAL	RATING	L.D.	NOMINAL	RATING	L.D.	NOMINAL	RATING
1	Line from drilling spool		3"	3,000		3"	5,000		3"	10,000
2	Cross 3"x3"x3"x2"			3,000			5,000			
	Cross 3"x3"x3"x3"									10,000
3	Valves(1) Gate <input type="checkbox"/> Plug <input checked="" type="checkbox"/>	3-1/8"		3,000	3-1/8"		5,000	3-1/8"		10,000
4	Valve Gate <input type="checkbox"/> Plug <input checked="" type="checkbox"/>	1-13/16"		3,000	1-13/16"		5,000	1-13/16"		10,000
4a	Valves(1)	2-1/16"		3,000	2-1/16"		5,000	3-1/8"		10,000
5	Pressure Gauge			3,000			5,000			10,000
6	Valves Gate <input type="checkbox"/> Plug <input checked="" type="checkbox"/>	3-1/8"		3,000	3-1/8"		5,000	3-1/8"		10,000
7	Adjustable Choke(3)	2"		3,000	2"		5,000	2"		10,000
8	Adjustable Choke	1"		3,000	1"		5,000	2"		10,000
9	Line		3"	3,000		3"	5,000		3"	10,000
10	Line		2"	3,000		2"	5,000		3"	10,000
11	Valves Gate <input type="checkbox"/> Plug <input checked="" type="checkbox"/>	3-1/8"		3,000	3-1/8"		5,000	3-1/8"		10,000
12	Lines		3"	1,000		3"	1,000		3"	2,000
13	Lines		3"	1,000		3"	1,000		3"	2,000
14	Remote reading compound standpipe pressure gauge			3,000			5,000			10,000
15	Gas Separator		2'x5'			2'x5'			2'x5'	
16	Line		4"	1,000		4"	1,000		4"	2,000
17	Valves Gate <input type="checkbox"/> Plug <input checked="" type="checkbox"/>	3-1/8"		3,000	3-1/8"		5,000	3-1/8"		10,000

(1) Only one required in Class 3A.

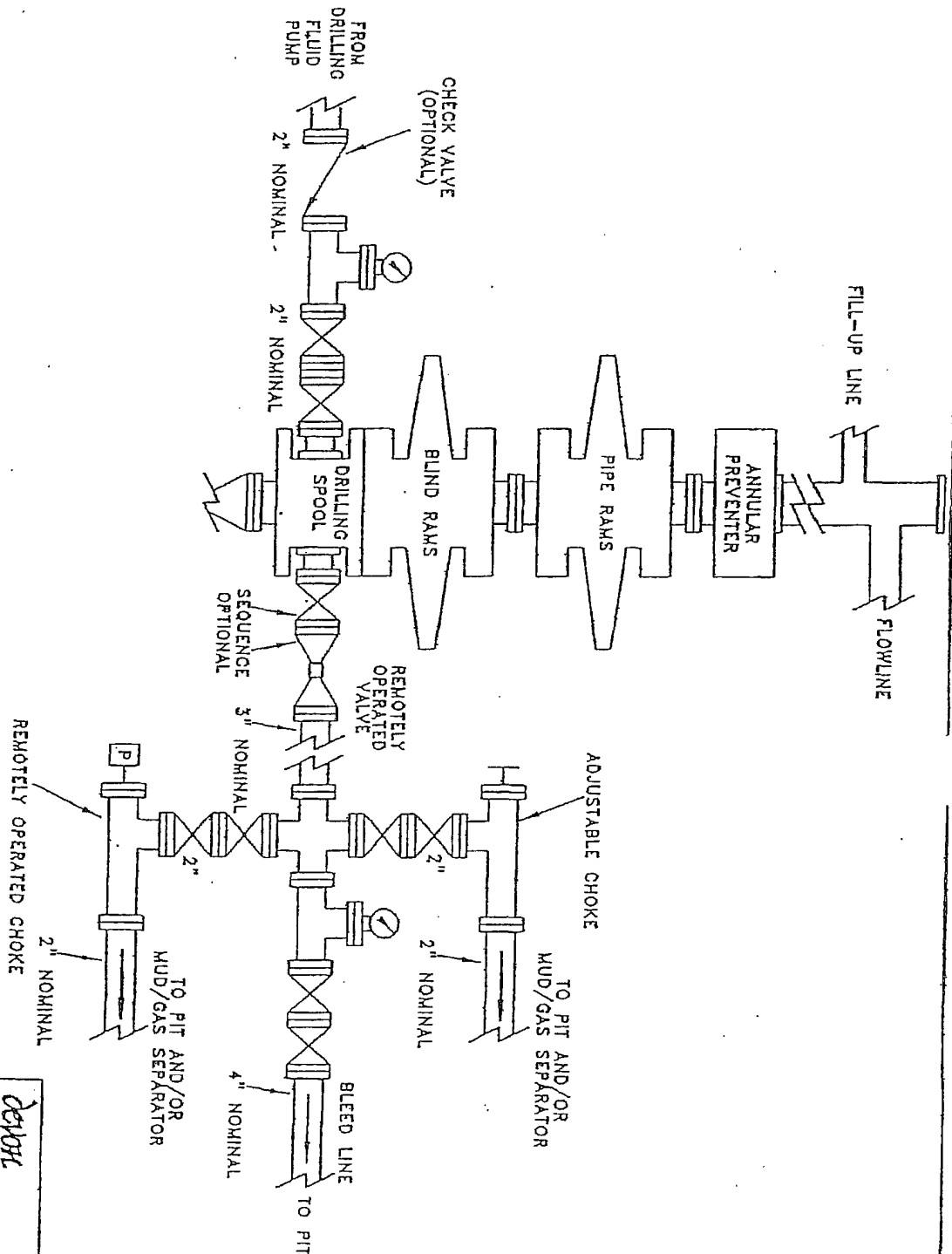
(2) Gate valves only shall be used for Class 10M.

(3) Remote operated hydraulic choke required on 5,000 psi and 10,000 psi for drilling.

EQUIPMENT SPECIFICATIONS AND INSTALLATION INSTRUCTIONS

1. All connections in choke manifold shall be welded, studded, flanged or Cameron clamp of comparable rating.
2. All flanges shall be API 6B or 6BX and ring gaskets shall be API RX or BX. Use only BX for 10 MWP.
3. All lines shall be securely anchored.
4. Chokes shall be equipped with tungsten carbide seats and needles, and replacements shall be available.
5. Choke manifold pressure and standpipe pressure gauges shall be available at the choke manifold to assist in regulating chokes. As an alternate with automatic chokes, a choke manifold pressure gauge shall be located on the rig floor in conjunction with the standpipe pressure gauge.
6. Line from drilling spool to choke manifold should be as straight as possible. Lines downstream from chokes shall make turns by large bends or 90° bends using bull plugged tees.
7. Discharge lines from chokes, choke bypass and from top of gas separator should vent as far as practical from the well.

Duke, H.



PROPOSED 5-M BOPE
AND CHOKE ARRANGEMENT

EXHIBIT 1

sl. / nm / plots
Smbodaxco

Attachment to Exhibit #1
NOTES REGARDING BLOWOUT PREVENTERS
Devon Energy Production Company, LP

Todd 27D Federal 4

Surface Location: 330' FNL & 330' FWL, Unit D, Sec 27 T23S R31E, Eddy, NM

Bottom hole Location: 330' FNL & 330' FWL, Unit D, Sec 27 T23S R31E, Eddy, NM

1. Drilling nipple will be constructed so it can be removed mechanically without the aid of a welder. The minimum internal diameter will equal BOP bore.
2. Wear ring will be properly installed in head.
3. Blowout preventer and all associated fittings will be in operable condition to withstand a minimum 3000 psi working pressure.
4. All fittings will be flanged.
5. A full bore safety valve tested to a minimum 3000 psi WP with proper thread connections will be available on the rotary rig floor at all times.
6. All choke lines will be anchored to prevent movement.
7. All BOP equipment will be equal to or larger in bore than the internal diameter of the last casing string.
8. Will maintain a kelly cock attached to the kelly.
9. Hand wheels and wrenches will be properly installed and tested for safe operation.
10. Hydraulic floor control for blowout preventer will be located as near in proximity to driller's controls as possible.
11. All BOP equipment will meet API standards and include a minimum 40 gallon accumulator having two independent means of power to initiate closing operation.

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

1. All Company and Contract personnel admitted on location must be trained by a qualified H₂S safety instructor to the following:
 - a. Characteristics of H₂S
 - b. Physical effects and hazards
 - c. Proper use of safety equipment and life support systems.
 - d. Principle and operation of H₂S detectors, warning system and briefing areas
 - e. Evacuation procedures, routes and first aid.
 - f. Proper use of 30-minute pressure demand air pack.
2. H₂S Detection and Alarm System
 - a. H₂S detectors and audio alarm system to be located at bell nipple, end of blooie line (mud pit) and on derrick floor or doghouse.
3. Windsock and/or wind streamers
 - a. Windsock at mud pit area should be high enough to be visible
 - b. Windsock at briefing area should be high enough to be visible
 - c. There should be a windsock at entrance to location
4. Condition Flags and Signs
 - a. Warning Sign on access road to location
 - b. Flags to be displayed on sign at entrance to location. Green flag, normal safe condition. Yellow flag indicates potential pressure and danger. Red flag, danger, H₂S present in dangerous concentration. Only emergency personnel admitted to location.
5. Well Control Equipment
 - a. See Exhibit "E" & "E-1"
6. Communication
 - a. While working under masks chalkboards will be used for communication.
 - b. Hand signals will be used where chalk board is inappropriate
 - c. Two way radio will be used to communicate off location in case of emergency help is required. In most cases cellular telephones will be available at most drilling foreman's trailer or living quarters.
7. Drill stem Testing
 - a. Exhausts will be watered
 - b. Flare line will be equipped with an electric igniter or a propane pilot light in case gas reaches the surface.
 - c. If the location is near to a dwelling a closed DST will be performed.
8. Drilling contractor supervisor will be required to be familiar with the effects H₂S has on tubular goods and other mechanical equipment.

If H₂S is encountered, mud system will be altered if necessary to maintain control or formation. A mud gas separator will be brought into service along with H₂S scavengers if necessary.

CONDITIONS OF APPROVAL - DRILLING

Well Name & No. 4-Todd 27D Federal
Operator's Name: Devon Energy Production Company, LP
Location: 0330FNL, 0330FWL, Section 27, T-23-S, R-31-E
Lease: NM-0418220-A

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 - for wells in Eddy County, in sufficient time for a representative to witness:

A. Spudding

B. Cementing casing: 13-3/8 inch 8-5/8 inch 5-1/2 inch

C. BOP tests

2. **Although Hydrogen Sulfide is not reported in Section 27, it is always a potential hazard.**

3 Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

4. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.

5. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

6. A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales.

7. Gamma-Ray/Neutron logs shall be run from the base of the Salado Formation to the surface; cable speed not to exceed 30 feet per minute.

II. CASING:

1. The 13-3/8 inch surface casing shall be set **a minimum of 25 feet into the Rustler Anhydrite approximately 850 feet and above the salt,** below usable water and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

Possible lost circulation in the Delaware and Bone Spring formations.

Possible water flows in Salado, Castile, Delaware, and Bone Spring formations.

2. The minimum required fill of cement behind the 8-5/8 inch salt protection casing is **circulate cement to the surface. Set between 4250' and 4370' in basal anhydrite or Lamar Limestone.**

3. The minimum required fill of cement behind the 5-1/2 inch production casing is **cement shall extend a minimum of 500 feet into the 8-5/8 inch casing per NMOCD Order No. R-12513. In addition, steps 3-5 of this order must also be met. First stage to circulate.**

4. Whenever a casing string is cemented in the R-111-P Potash Area, cement shall be allowed to stand a minimum of twelve (12) hours under pressure and a total of twenty-four (24) hours before drilling the plug or initiating tests.

III. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 13-3/8 inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) required for drilling the surface and intermediate casing shall be 2M psi. Minimum working pressure of the blowout preventer and related equipment (BOPE) required for drilling below the 8-5/8 inch casing shall be 2M psi.

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.

- A variance to test the BOP, BOPE, and 13-3/8 inch surface casing to the reduced pressure of 1200 psi with the rig pumps is approved.
- The tests shall be done by an independent service company.
- The results of the test shall be reported to the appropriate BLM office.
- Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.
- Testing must be done in a safe workman-like manner. Hard line connections shall be required.

Engineer on call phone: 505-706-2779

WWI 011707



IN REPLY REFER TO:

NM-0418220-A
3160 (52200)

United States Department of the Interior

BUREAU OF LAND MANAGEMENT
New Mexico State Office
1474 Rodeo Rd.
P.O. Box 27115
Santa Fe, New Mexico 87502-0115
www.nm.blm.gov



February 12, 2007

CERTIFIED--RETURN RECEIPT REQUESTED
7005 3110 0000 1062 3887

Devon Energy Production Company, LP
20 North Broadway
Oklahoma City, OK 73102-8260

Re: NM-0418220-A
Todd 27D Federal #4
330'/N. & 330'/W., sec. 27, T. 23 S., R. 31 E.
Eddy County, New Mexico

Gentlemen:

I have approved your application at the well location requested. A copy of the approved application with stipulations is enclosed. The drill island will include the preexisting Todd and Pure Gold Drill-islands, and the area between them that is currently classified as measured potash ore. The island includes all of Section 22, and portions of Sections 11-17, 20-24, and 26-28; T23S; R31E. The drill island's northern, eastern, and southern boundaries are defined by the measured ore boundaries. It extends to the western edge of the Pure Gold Drill-island. Please contact our Carlsbad Field Office at (505) 234-5972, should you have any questions, or if we can be of any additional help.

Sincerely,

Linda S.C. Rundell
State Director

1 Enclosure