



## NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**GARY E. JOHNSON** Governor **BETTY RIVERA Cabinet Secretary** 



**20 North Broadway** Oklahoma City, Oklahoma 73102-8260

Ken Gray Attention:

Administrative application for Devon Energy Production Company, L. P.'s proposed Bad RE: Axe "23" Federal Com. Well No. 1 to be drilled at an unorthodox gas well location within the Indian Basin-Upper Pennsylvanian Gas Pool (33685) 660 feet from the North line and 2110 feet from the West line (Unit C) of Section 23, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico.

Dear Mr. Gray:

Reference is made to your application (administration application reference No. pKRV0-233730283) filed with the New Mexico Oil Conservation Division ("Division") on December 2, 2002. The Division recognizes Devon Energy Production Company, L. P.'s ("Devon") concern about potential drainage within the Cisco/Canyon interval on the boundary common to both the Indian Basin-Upper Pennsylvanian Gas Pool and South Dagger Draw-Upper Pennsylvanian Associated Pool (33685) where the two pools are governed under two different sets of spacing and well location rules:

> 320-acre spacing with wells to be no closer than 660 feet to (i) the outer boundary of such unit for the South Dagger Draw-Upper Pennsylvanian Associated Pool as set forth by special pool rules promulgated by Division Order No. R-5353, as amended; and

> 640-acre spacing with wells to be no closer than 1650-feet to **(ii)** the outer boundary of such unit for the Indian Basin-Upper Pennsylvanian Gas Pool as set forth by special pool rules promulgated by Division Order No. R-8170, as amended.

However, from your application it appears that Devon's main reason for the justification for this unorthodox Upper-Pennsylvanian well location is to accommodate the deeper Indian Basin-Morrow Gas Pool (78960) Morrow gas production that this well, which pool is governed by the "Special Rules and Regulations for the Indian Basin-Morrow Gas Pool," as promulgated by Division Orders No. R-8170-O-1/R-2441-B, issued in Case No. 11512 and dated July 31, 1996, and R-8170-O-2/R-2441-C, dated August 15, 1996, which includes provisions: (i) for 640-acre spacing; (ii) requiring wells to be located no closer than 660 feet to the outer boundary of a unit nor closer than 330 feet to any Devon Energy Production Company, L. P. December 15, 2002 Page 2

governmental quarter-quarter section or subdivision inner boundary; (iii) that allows for one infill well per 640-acre unit; and (iv) that confines these special pool rules to those lands that are within the pool's horizontal limits. The Division's records indicate that Marathon Oil Company's Indian Basin Gas Com. Well No. 1 (API No. 30-015-00037), located 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 23 is currently producing from the Indian Basin-Morrow Gas Pool and is therefore holding all of Section 23, being a standard 640-acre gas spacing unit for this pool. Since a spacing unit can only have one operator, which is Marathon Oil Company, in this case for the deeper Morrow gas production, Devon is not entitled to complete in this zone. Therefore, Devon's reasoning is invalid.

In order to complete this application, please provide further explanation with respect to the Cisco/Canyon's drainage characteristics and how this location is needed to protect Devon's correlative rights and waste will be protected.

Should you have any questions concerning this matter, please contact your legal counsel in Santa Fe at (505) 982-2043 or me at (505) 476-3465.

Sincerely,

Michael E. Stogner Chief Hearing Officer/Engineer

MES/kv

cc: New Mexico Oil Conservation Division - Artesia
 U. S. Bureau of Land Management - Carlsbad
 James Bruce, Legal Counsel for Devon Energy Production Company, L. P. - Santa Fe

233730283 N5L



Devon Energy Corporation 20 North Broadway Oklahoma City, Oklahoma 73102-8260 Fax 405-552-8113

12/22/02

November 26, 2002

New Mexico Oil Conservation Division 1220 South St. Francis Drive Santa Fe, NM 87505 Attn: Michael Stogner

Re: Bad Axe 23 Federal Com #1 660' FNL & 2110' FWL Section 23-T21S-R23E Eddy County, New Mexico DEC - 2 2002

Gentlemen:

Devon Energy Production Company, L.P. (Devon) as Operator, intends to drill the referenced well to a depth of approximately 9,500' to test the Morrow formation although the Cisco Canyon (Upper Penn) formation is of equal importance in the drilling of this well because of its proximity to the South Dagger Draw Upper Penn Associated Pool. The permitted location is an orthodox location under the existing Indian Basin Morrow Gas Pool Rules, but is an unorthodox location with respect to the existing Indian Basin Upper Penn Gas Pool Rules.

Inasmuch as this well will be producing from an unorthodox location from that permitted by the Indian Basin Upper Penn Gas Pool Rules, Devon respectfully requests that the Commission administratively approve this application for an unorthodox location in accordance with Division Rule 104(F)(3). The location of choice is an excellent location to test both the Morrow and the Cisco Canyon without the additional expense of drilling two (2) separate wells. Additionally, Devon should be allowed to produce the well at this location (as to the Cisco Canyon) in order to protect from potential drainage from offsetting wells in Section 14 which are drilled under different pool rules, tighter spacing and closer set backs. Our records reflect that Marathon Oil Company, Southwest Royalties, Inc., Encore Operating, L.P., and Nortex Corporation are the offsetting interest owners affected by this application.

Attached you will find a land plat reflecting Marathon, etal as the affected parties, a net Cisco Canyon Isopach map and a State of New Mexico form C-102.

Feel free to call me at (405) 552-4633 if there are any questions or concerns regarding this application.

Yours very truly, DEVON ENERGY PRODUCTION COMPANY, L.P.

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Ken Gray Senior Land Advisor Kg/Bad Axe 23 UL

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P. O. Box 1980 Hobbs, IM 88241-1980

<u>DISTRICT II</u> P. O. Drower DD Autesia, NM 88211-0719

<u>DISTRICT III</u> 1000 Rio Brazos Rd. Aztec, NM 87410

DISTRICT IV P. O. Box 2088 Sonto Fe, NM 87507-2088 WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number

· Property Code

State of New Mexico Energy, Minerals, and Natural Resources Department Form C-102 Revised 02-10-94

Instructions on back

Submit to the Appropriate District Office State Lease — 4 copies Fee Lease — 3 copies

\* AMENDED' REPORT

Well Number

1

| OIL | CONS   | SERVATION    | DIVISION   |
|-----|--------|--------------|------------|
|     |        | P. 0. Box 20 | 88         |
| Sa  | nta Fe | New Mexico   | 87504-2088 |

> Pool Name

BAD AXE '23' FEDERAL COM

Indian Basin (Morrow)

-Dagger-Draw-South (Upper-Penn)

2 Pool Code

Froperty Name

\* Elevation **DEVON-SFS OPERATING, INC.** · Operator Name OCRID No. SANTA FE-SNYDER CORPORATION 3817 20305 \* SURFACE LOCATION Lot Ida Feet from the North/South line Feet from the East/West line County UL or lot no. Section Tewnship Range EDDY WEST 660' NORTH 2110' 23 EAST, N.M.P.M. 21 SOUTH С 23 "BOTTOM HOLE LOCATION IF DIFFERENT FROM SURFACE Lot Ida Feet from the North/South line Feet from the East/West line County Range UL or lot no. Section Township 13 Order No. " Consolidation Cods 12 Dedicated Acres 13 Joint or Infill 320 NO ALLOWABLE WELL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION OPERATOR CERTIFICATION I hereby certify that the information 660 contained herein is true and complete to the best of my knowledge and belief. 2110 Stenature Phil Hinson Printed Name James P.\_ "Phil" Stinson Tille <u>Agent for Santa Fe Snyder</u> Date 6.27.2000 SURVEYOR CERTIFICATION 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. Date of Survey



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\* Candace R. Fraham

Candace R. Graham, Engr. Tech, Devon-SFS Operating, Inc. resubmitting due to expiration of original APD 10/3/2002



Devon Energy Corporation 20 North Broadway Oklahoma City, Oklahoma 73102-8260 Fax 405-552-8113

November 26, 2002

To Offset Owners See Address List Attached

Re: Bad Axe 23 Federal Com #1 Section 23-T21S-R23E Eddy County, New Mexico

Gentlemen:

Devon Energy Production Company, L.P. ("Devon"), as Operator, has filed with New Mexico Oil Conservation Division, an Application for Administrative approval for an Unorthodox Well Location covering the referenced well for the reasons cited in the Application which is attached hereto. Our records reflect that, as an interest owner in Sections 15 & 22-T21S-R23E, you are an affected owner.

In that regard, Devon respectfully requests that you waive any objection you may have to these Application by signing and returning one (1) copy of this letter to the undersigned at your earliest convenience.

Yours very truly,

DEVON ENERGY PRODUCTION COMPANY, L.P.

Ken Gray // Senior Land Advisor

KG/dh:badaxe1&2loc.ltr Enclosures

Agree to waive objection to Devon's Application for Administrative approval of an Unorthodox Well Location covering the Bad Axe 23 Federal Com #1.

Company:\_\_\_\_\_

| By: |  |
|-----|--|
|-----|--|

Name:\_\_\_\_\_

Title:\_\_\_\_\_

Date:\_\_\_\_\_

OFFSET OWNERS Bad Axe 23 Federal Com #1 Section 23-T21S-R23E Eddy County, New Mexico

Marathon Oil Company P. O. Box 552 Midland, TX 79702 Attn: Joe Rusnak

÷.

Southwest Royalties, Inc. P. O. Box 11390 Midland, TX 79702 Attn: Marty Bloodworth

Encore Operating, L.P. 777 Main Street, Suite 1400 Fort Worth, TX 76102 Attn: Mark A. Carter

Nortex Corporation 1415 Louisiana Street, Suite 3100 Houston, TX 77002 Attn: Robert Kent

| CMD :     INQUIRE WELL COMPLETIONS     12/13/02 13:36:51       OGGENOM     INQUIRE WELL COMPLETIONS     OGOMES -TFPED       API Well No : 30 15     37     Eff Date : 11-01-2001     WC Status : A       Pool Idn :     14050     INDIAN BASIN,MORROW (PRO GAS)     WC Status : A       OGRED Idn :     14050     INDIAN BASIN,MORROW (PRO GAS)     WC Status : A       Well No :     001     1401     Kostatus : A       Well No :     001     1401     Kostatus : A       U/L Sec     Township Range North/South     East/West Prop/Act(P/A)       Lot Identifier:     120     23E     FTG 1980 F N FTG 660 F W     P       Lot Identifier:     15     23     21S     23E     FTG 1980 F N FTG 660 F W     P       Lot Identifier:     15     23     21S     23E     FTG 1980 F N FTG 660 F W     P       Lot Identifier:     1     140.00     140.00     140.00     140.00     140.00       Lease Type i F     F     P     23     23S     FTG 1980 F N FTG 660 F W     P       Type of consolidation (Comm, Unit, Forced Pooling - C/U/F/O) :     FTG     PF05     PF06     PF05       PF01 HELP     PF02     PF03     PF10 NEXT-WC PF11 HISTORY PF12 NXTREC |
|---|
| Well No: 30 15       37       Eff Date : 11-01-2001       WC Status : A         Jidn       : 78960 INDIAN BASIN,MORROW (PRO GAS)       WC Status : A         No       : 6403 INDIAN BASIN GAS COM         No       : 001         Levation:       3832         U/L Sec       Township Range North/South       East/West         Locn       : E       23       21S       23E       FTG 1980 F N FTG 660 F W         Identifier:       : G40.00       : Forced Pooling - C/U/F/O) :       :       :         of consolidation (Comm, Unit, Forced Pooling - C/U/F/O) :       :       :       #F03       #F03       #F04       #F05       #F05       #         HELP       PF02       PF03       EXIT       PF04       GoTo       #F11       HISTORY E  |
| ation: 3832<br>U/L Sec Township Range North/South East/West<br>   |
| U/L       Sec       Township       Range       North/South       East/West                  Locn       E       23       21S       23E       FTG 1980 F N FTG 660 F W       FTG 660 F W         Identifier:                cated Acre:       640.00                of consolidation       (Comm, Unit, Forced Pooling - C/U/F/O) :               M0025:       Enter PF keys to scroll       PF03 EXIT       PF04 GoTo       PF05       F       F         PF08       PF09       PF10 NEXT-WC       PF11 HISTORY       F   |
| Locm : E 23 21S 23E FTG 1980 F N FTG 660 F W<br>Identifier:<br>cated Acre: 640.00<br>e Type : F<br>of consolidation (Comm, Unit, Forced Pooling - C/U/F/O) :<br>M0025: Enter PF keys to scroll<br>HELP PF02 PF03 EXIT PF04 GoTo PF05 PF05 PF06<br>PF08 PF09 PF10 NEXT-WC PF11 HISTORY PF12  |
| of consolidation (Comm, Unit, Forced Pooling - C/U/F/O) :<br>M0025: Enter PF keys to scroll<br>HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06<br>PF08 PF09 PF10 NEXT-WC PF11 HISTORY PF12  |
| M0025: Enter PF keys to scroll<br>PF02 PF03 EXIT PF04 GOTO PF05 PF05 PF06<br>PF08 PF09 PF10 NEXT-WC PF11 HISTORY PF12   |
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|--|---------------------------------------|
| :<br>WCM   | 12/13/02 13:37:46<br>OGOMES -TPEB     |
| API Well No : 30 15 37 Eff Date : 11-01-2001<br>Pool Idn : 96101 SWD;DEVONIAN<br>OGRID Idn : 14021 MARATHON OIL CO<br>Prop Idn : 6403 INDIAN BASIN GAS COM | WC Status : P                         |
| Well No : 001<br>L Elevation: 3832   |                                       |
| U/L Sec Township Range North/South   | East/West Prop/Act(P/A)               |
| 23 21S 23E FTG 1980 F  | NFTG 660 FW A                         |
| Lease Type : F<br>Type of consolidation (Comm, Unit, Forced Pooling -  | C/U/F/O) :                            |
| PF01HELPPF02PF03EXITPF04GOTOPF07PF08PF09PF09PF10NEXT-WC  | PF05 PF06<br>PF11 HISTORY PF12 NXTREC |
|  |                                       |

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| PF06 CONFIRM<br>PF12 RECONF | FD<br>NXTSEC    | N<br>SCroll<br>PF05<br>PF11 | 40.00<br>keys to s<br>4 GoTo<br>0 LAND | 1S 23E<br>or PF<br>PFC<br>PF1 | 23 2<br>modify<br>)3 EXIT<br>)9 | н<br>т<br>т<br>т<br>т<br>т<br>т | Enter data<br>02<br>08 FWD | E0005: En<br>P PF02<br>D PF08 | HEL<br>BKW                   | PF01<br>PF07 |
|-----------------------------|-----------------|-----------------------------|--|-------------------------------|---------------------------------|---------------------------------|----------------------------|-------------------------------|------------------------------|--------------|
|                             | FD<br>FD        | n n                         | 40.00<br>40.00                         | 1S 23E                        | 23<br>23<br>2                   | нΩ                              |                            |                               |                              |              |
|                             | FD              | N                           | •                                      | 1S 23                         | ω                               | Ъ                               |                            |                               |                              |              |
|                             | FD              | n n                         | 40.00<br>40.00                         | 1S 23E                        | 23<br>23<br>2                   | нυ                              |                            |                               |                              |              |
|                             | $_{\rm FD}$     | N                           | 40.00                                  | 1S 23E                        | 23 2                            | D                               |                            |                               |                              |              |
|                             | FD              | N                           | 40.00                                  | 1S 23E                        | 23 2                            | В                               |                            |                               |                              |              |
|                             | FD              | N                           | 40.00                                  | 1S 23E                        | 23 2                            | A                               |                            |                               |                              |              |
| p Lot Idn                   | Ownership       | L/W                         | Acreage                                | Twp Rng <i>i</i>              |                                 | 3e U/L                          | . С.<br>. Ва<br>           | 1 1                           |                              |              |
| (N/Y) :                     | 2d C102? (Y/N)  | Revised                     | 640.00                                 | : 64(                         | Acreage                         | 23E A                           | 23 21S                     | Rng :<br>Land:                | Sect/Twp/Rng<br>Dedicated La | Sec.<br>Ded  |
| Dedication:                 | Simultaneous De | Simult                      |  |                               | Order :                         | OCD O1                          | 55728                      | Unit :                        | ing                          | Spac         |
| Well No : 001               |                 |                             | 7                                      | GAS COM                       | INDIAN BASIN                    | INDIA                           | 6403                       |                               | p Idn                        | Prop         |
|                             |                 | )<br>Г                      | (PRO GAS)                              |                               | INDIAN BASIN; MORROW            | NDIAN                           | 28960 I                    | NC<br>                        | np.<br>Tqu                   | AP1<br>Pool  |
| Page No : 1                 | Η               | <del>ر</del><br>0           | 2<br>2<br>2                            |                               | 1<br>h<br>h                     | )<br>]                          | 7                          | i                             |                              | 4<br>1<br>1  |
| OGOMES - TPEB               |                 |                             | ACREAGE                                |                               | C102-DEDICATE                   | C                               |                            |                               | CRE                          | OG6ACRE      |
| 12/13/02 13:38:01           | 12/1            |                             |  | ONGARD                        | ON                              |                                 |                            |                               |                              | CMD          |
|                             |                 |                             |  |                               |                                 |                                 |                            |                               |                              |              |

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| PF01 HELP<br>PF07 BKWD        | CMD :<br>OG6ACRE<br>API Well No :<br>Pool Idn :<br>Spacing Unit :<br>Sect/Twp/Rng :<br>Dedicated Land:  |
|-------------------------------|---|
| <b>PF02</b><br>PF08 FWD       | : 30 15<br>: 78960<br>: 6403<br>: 23 218<br>nd:<br><br>S Ba   |
| PF03 EXIT<br>PF09             | Clo2-DED<br>37 Eff<br>DIAN BASIN;<br>NDIAN BASIN;<br>MDIAN BASIN;<br>MULAN BASIN<br>J 23<br>L 23<br>L 23<br>M 23<br>N 23<br>P 23  |
| PF04 GoTo<br>PF10 LAND        | ONGARD<br>EDICATE ACREAGE<br>f Date : 11-01-2001<br>N;MORROW (PRO GAS)<br>IN GAS COM<br>: 640.00 Re<br>: 640.00 Re<br>215 23E 40.00<br>215 23E 40.00 |
| PF05<br>PF11 NXTSEC           | multaneou<br>vised C10<br>//W Owner<br>N FI<br>N FI<br>N FI<br>N FI<br>N FI   |
| PF06 CONFIRM<br>C PF12 RECONF | 12/13/02 13:38:04<br>OGOMES -TPEB<br>Page No : 2<br>Well No : 001<br>is Dedication:<br>)2? (Y/N) :<br>:::::::::::::::::::::::::::::::::::   |

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| ц<br>ц<br>с | DF(                                    |                     | 30<br>0            |        | ω μ<br>Ο Ο  |            | ω<br>3<br>1 | <br>API           | OGRID<br>Pool<br>API W                    | CMD<br>OG6                                 | Page:    |
|-------------|--|---------------------|--------------------|--------|-------------|------------|-------------|-------------------|---|--|----------|
|             | 01 HELP                                |                     | 15<br>15           | 1<br>5 | н н<br>л л  |            | 15          | <br>Well          | U I U U U U U U U U U U U U U U U U U U   | CMD :<br>OG6IPRD                           | Ч        |
| ť           | Repo<br>M0025<br>JP                    | ł                   | 37<br>37           |        | 37<br>37    |            | 37          | No                | Identif:<br>Identifi¢<br>ell No           |  | Document |
|             | Reporting<br>0025: Ent<br>PF02<br>PF08 | -                   | INDIAN             | INDIAN | INDIAN      | INDIAN     | INDIAN      | Pro               | ег .                                      |  | ıt Name  |
| ,<br>i      | Perioa<br>er PF k<br>FWD               |                     | N BASIN<br>N BASIN |        | N BASIN     |            | U BASIN     |                   | 1402:<br>78960<br>30 1                    | н  | ••       |
|             | ba iolai<br>keys to<br>PF03<br>PF09    |                     | IN GAS             |        | IN GAS      |            | N GAS       | ame               | 0 P                                       | INQUIRE                                    | untitled |
|             | ਸ਼ੁੱ                                   |                     | COM                |        | COM         |            | COM         |                   | MARATHON OIL<br>NDIAN BASIN;<br>37 Report |  |          |
|             | o11                                    |                     | 05 0               | ω      | 02 02       | 0 0<br>0 1 |             | Prodn<br>MM/YY    | . 3                                       | ONGARD<br>PRODUCTION                       |          |
|             | 40                                     |                     | 2<br>3<br>1        | ω      | 2 L<br>80 F | ა ს        | ω           | . Da<br>Pr        | CO<br>ORROW<br>Period                     | ВҮ   |          |
|             | <br>GoTo<br>NXTPOOL                    | <br> <br> <br>      |                    |        |             |            |             | י (בי מ<br>י<br>י | (PRO (<br>- Fro                           | POOL/WELL                                  |          |
|             | <br>PF05<br>DL PF11                    | <br> <br> <br> <br> | 2508               | 04     | 04          | 365./      | ıω          | Produ<br>Gas      | O GAS)<br>From : 0                        | VELL                                       | 1        |
|             | 5<br>1 NXTO                            |                     | 1<br>1<br>1<br>1   |        |             |            |             |                   | 01 1996                                   |  |          |
|             |  |                     | <br> <br> <br>     |        |             |            |             | ı Volumes<br>Oil  | 6 To                                      | 12/1                                       |          |
|             | <br>PF06 (<br>PF12                     |                     | 1<br>1<br>1<br>1   |        |             |            |             |                   | : 12                                      | 12/13/02 13:3<br>OGOMES -<br>Page No:      |          |
|             | <br>CONFIRM                            |                     | ŧ<br>1             |        |             |            |             | Water S           | 2002                                      | /02 13:38:15<br>OGOMES -TPEB<br>Page No: 1 |          |
|             | εM                                     |                     | Ч                  | ז, נו  | דין         | י די       | 다 더         | Well<br>Stat      | 1<br>1                                    | 9日B<br>1 日日                                |          |

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| OGRID Identifier : 14021 MARATHON OIL CO  |
|---|
| Identifier : 78960 I<br>ell No : 30 15  |
| r po  |
| 30       15       37       INDIAN BASIN GAS COM       06       02       30       2206       F         30       15       37       INDIAN BASIN GAS COM       07       02       31       2101       F         30       15       37       INDIAN BASIN GAS COM       07       02       31       1938         30       15       37       INDIAN BASIN GAS COM       08       02       31       1938         30       15       37       INDIAN BASIN GAS COM       09       02       30       1771 |
| 29976   |
| PF06 CON<br>NXTOGD PF12   |

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| OGGIPRD INQUIRE PRODUCTION BY POOL/WELL OGOMES -TPEB Page No: 2 OGRID Identifier : 14021 MARATHON OIL CO |
|--|
| Identifier : 14021 MARATHON OIL CO   |
| er : 7<br>: 3  |
| Production<br>Gas  |
| 0 15 37 INDIAN BASIN GAS COM 06 02 30 2206<br>0 15 37 INDIAN BASIN GAS COM 07 02 31 2101                 |
| BASIN GAS COM 08 02  |
| 0 15 37 INDIAN BASIN GAS COM 09 02 3   |
| Reporting Period Total (Gas, Oil) : 29976  |
| 'O PF  |

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