

January 27, 2003

Devon Energy Production Company, L. P.
20 North Broadway
Oklahoma City, Oklahoma 73102-8260

Telefax No. (405) 552-8113

Attention: Ken Gray

Administrative Order NSL-4833

Dear Mr. Gray:

Reference is made to the following: (i) your application (*application reference No. pKRV0-233730283*) filed with the New Mexico Oil Conservation Division ("Division") on December 2, 2002; (ii) the Division's initial response by letter from Mr. Michael E. Stogner, Chief Hearing Officer/Engineer in Santa Fe, New Mexico dated December 15, 2002 requesting additional data and verification of certain information provided in the application; (iii) Mr. Stogner's second letter dated December 27, 2002 that granted additional time to address the Division's initial concerns; (iv) Mr. Stogner's telephone conversation with Mr. John Sikes on January 7, 2003; (v) your telefaxed response of January 10, 2003; (vi) Mr. Stogner's third letter dated January 14, 2003 requesting additional data; (vii) your telefaxed response of January 17, 2003 with the necessary information to complete the original December 2nd filing; and (viii) the Division's records in Santa Fe; all concerning Devon Energy Production Company, L. P.'s ("Devon") request for an unorthodox replacement gas well location within a former standard 640-acre gas spacing and proration unit ("GPU") in the Indian Basin-Upper Pennsylvanian Gas Pool (79040) comprising all of Section 23, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico.

The Division Director Finds That:

- (1) Devon is proposing to drill its Bad Axe "23" Federal Com. Well No. 1 at a location that is 660 feet from the North line and 2110 feet from the West line (Unit C) of Section 23;
- (2) The proposed Bad Axe "23" Federal Com. Well No. 1 is to be drilled down to a depth sufficient to test both the Morrow formation and Upper-Pennsylvanian interval;
- (3) The Indian Basin-Upper Pennsylvanian Gas Pool currently comprises the following described area in Eddy County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

Section 3:	W/2
Section 4:	All

Sections 8 and 9:	All
Section 10:	W/2
Section 15:	W/2
Sections 16 through 30:	All
Section 35:	W/2

TOWNSHIP 22 SOUTH, RANGE 23 EAST, NMPM

Section 2:	W/2
Sections 3 through 5:	All
Sections 8 through 10:	All
Section 11:	W/2
Section 14:	W/2
Sections 15 through 17:	All
Section 21:	N/2
Section 22:	All;

(4) The Indian Basin-Upper Pennsylvanian Gas Pool is a prorated gas pool currently governed by: (i) Division Rule 605; and (ii) the “*Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Gas Pool*,” as promulgated by Division Order No. R-8170, as amended: which require standard 640-acre GPU's with wells to be located no closer than 1650 feet from the outer boundary of the GPU nor closer than 330 feet from any governmental quarter-quarter section line or subdivision inner boundary;

(5) From the Division's records, initial development of the Indian Basin-Upper Pennsylvanian Gas Pool within this 640-acre GPU commenced in 1963 when Ralph Lowe drilled and completed its Indian Basin Well No. 1 (API No. 30-015-00037), which was the discovery well for this pool (see Division Order No. R-2440, issued in Case No. 2749 on February 28, 1963), at an unorthodox gas well location (which location was grand-fathered by Division Order No. R-2440) 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 23; Upper-Pennsylvanian production ceased in this well in May, 1990; and

(6) The subject application for Devon's proposed Bad Axe “23” Federal Com. Well No. 1 has been duly filed under the provisions of: (i) Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999; (ii) Division Rule 605; and (iii) the special rules governing the Indian Basin-Upper Pennsylvanian Gas Pool, and should therefore be approved.

It Is Therefore Ordered That:

(1) By the authority granted me under the provisions of Division Rules 104.F (2), as revised, Division Rule 605.B (2) (b), and the applicable provisions of the special pool rules governing the “*Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Gas Pool*,” as promulgated by Division Order No. R-8170, as amended, Devon Energy Production Company, L. P. (“Devon”) is hereby authorized to drill its proposed Bad Axe “23” Federal Com. Well No. 1 as a replacement upper-Pennsylvanian gas well at an unorthodox location in the Indian Basin-Upper Pennsylvanian Gas Pool (79040) 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.

(2) The former 640-acre gas spacing and proration unit ("GPU") within the Indian Basin-Upper Pennsylvanian Gas Pool that comprises all of Section 23 is to be dedicated to this well.

(3) The aforementioned well and GPU will be subject to all existing rules, regulations, policies, and procedures applicable to prorated gas pools in Southwest, New Mexico.

(5) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad