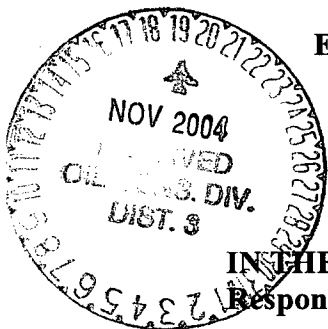


**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

NMOCD-OGA-04- 43



**IN THE MATTER OF DEVON ENERGY PRODUCTION COMPANY, LP,
Respondent.**

**AGREED ORDER DIRECTING COMPLIANCE
AND ASSESSING CIVIL PENALTY**

Pursuant to the New Mexico Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, as amended ("Act"), and the regulations promulgated under the Act, the Director of the Oil Conservation Division of the Energy Minerals and Natural Resources Department of the State of New Mexico ("OCD") issues this Order to DEVON ENERGY PRODUCTION COMPANY, LP ("Devon") directing compliance with the Act and OCD Rules, and assessing a penalty for violations of the Act and OCD rules.

FINDINGS

1. The OCD is the state division charged with administration and enforcement of the Act and OCD Rules.
2. Devon is a limited partnership doing business in New Mexico, registered with the Secretary of State as a foreign limited partnership under number LPF2000021601. Devon is an active entity with a principal and mailing address at 1500 Mid-America Tower 10 N. Broadway, Oklahoma City, OK 73102. Its registered agent for service of process in New Mexico is Corporation Service Company, 125 Lincoln Ave - Suite 223, Santa Fe NM 87501. Devon's OGRID is 6137.
3. On August 30, 2004, New Mexico Oil Conservation Division (OCD) Deputy Oil and Gas Inspector Steve Hayden received an electric log for Devon's Northeast Blanco Unit #221J, Unit letter M, Section 13, Township 31 North, Range 7 West, API # 30-045-32320, and could not find an OCD record for the well.
4. An OCD investigation and review of relevant documents established the following facts:
 - a) Devon commenced operations on the referenced well on August 23, 2004, although OCD had not approved the application for permit to drill this well at that time.
 - b) Rule 102.A says in pertinent part, "Prior to the commencement of operations, notice shall be delivered to the division of intention to drill any well for oil or gas or for injection purposes and approval obtained on Form C-101..."

- c) The referenced well is on Federal minerals.
- d) Rule 1128 says in pertinent part, "Federal forms shall be used in lieu of state forms when filing application for permit to drill, deepen or plug back and sundry notices and reports on wells and well completion or recompletion report and log for wells on federal lands in New Mexico. However, it shall be the duty of the operator to submit two extra copies of each of such forms to the BLM, which, upon approval, will transmit same to the division."
- e) A memorandum titled "Operations on Federal and Indian Lands" issued by the OCD Director on January 2, 1985, instructs operators in pertinent part, "In order for the Division to carry out its statutory mandates relative to the prevention of waste, the protection of correlative rights, etc., it will be necessary for the Division to receive copies of drilling permits . . . on a well the operator has chosen to label confidential directly from operators. Operators will be required to file two copies . . . with the appropriate Division district office following their approval by the BLM."
- f) Because Devon marked its applications "Confidential", the BLM returned them to Devon stamped, "NMOCD copies returned for your disposition."
- g) Drilling a well without approval from the OCD is a Violation of Rule 102.A.
- h) Earlier, on August 4, 2004, OCD Deputy Oil and Gas Inspectors Steve Hayden and Charlie Perrin had admonished Devon for drilling three wells, the Northeast Blanco Unit #460A, #436A, and #426A, without OCD approval. Mr. Benny Benfield was advised at that time that drilling any well without an OCD approved application for permit to drill was a violation of OCD rules and regulations and any further drilling of wells without an OCD approved application to drill would result in penalties.
- i) Devon cooperated with the OCD investigation.
- j) Devon filed the appropriate APD with the OCD on September 1, 2004, after it was notified to do so.

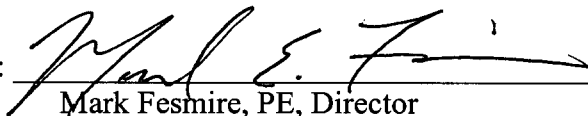
CONCLUSIONS

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. Devon is a person as defined by NMSA 1978, Section 70-2-33(A) subject to civil penalties under NMSA 1978, Section 70-2-31(A) for knowing and willful violations of the Oil and Gas Act or OCD Rules.
3. Devon is subject to civil penalties under NMSA 1978, Section 70-2-31(A) for violating OCD Rule 102.A's prohibition against drilling a well without OCD approval.

ORDER AND CIVIL PENALTY

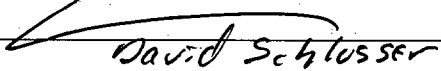
1. Taking into account both aggravating and mitigating factors, the OCD hereby assesses a civil penalty totaling one thousand dollars (\$1,000) against Devon.
2. The civil penalty shall be paid within sixty days of receipt of this order. Payment shall be made by certified or cashier's check made payable to the "New Mexico Oil Conservation Division," and mailed or hand-delivered to the New Mexico Oil Conservation Division, Attention: Director, 1220 South Saint Francis Drive, Santa Fe, New Mexico, 87505.
3. By signing this order, Devon expressly:
 - a. acknowledges the correctness of the Findings and Conclusions set forth in this order;
 - b. agrees to comply with ordering paragraph 2;
 - c. waives any right, pursuant to the Oil and Gas Act or otherwise, to a hearing either prior or subsequent to the entry of this Order or to an appeal from this Order; and
 - d. agrees that if it fails to comply with this Order, the Order may be enforced by suit or otherwise to the same extent and with the same effect as a final Order of the Division entered after notice and hearing in accordance with all terms and provisions of the Oil and Gas Act (NMSA 1978, Sections 70-2-1 through 70-2-38, as amended).

Done at Santa Fe, New Mexico, this 29th day of Nov, 2004.

By: 
Mark Fesmire, PE, Director
Oil Conservation Division

ACCEPTANCE

Devon Energy Production Company, LP hereby accepts the foregoing order, and agrees to all of the terms and provisions set forth in the order.
DEVON ENERGY PRODUCTION COMPANY, LP

By: 
Title: Operations Engineering Advisor
Date 11/2/04