



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

Joanna Prukop
Cabinet Secretary

March 15, 2006

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

Devon Energy Production Company, L.P.

c/o **James Bruce**

P. O. Box 1056

Santa Fe, New Mexico 87504

Division Administrative Order NSL-5349

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*administrative application reference No. pTDS0-605929958*) filed on behalf of the operator, Devon Energy Production Company, L. P. ("Devon") with the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on February 27, 2006; and (ii) the Division's records in Hobbs and Santa Fe: all concerning Devon's request for an unorthodox Delaware oil well location for its existing Red Bull "31" State Well No. 2 (API No. 30-025-37069), drilled a year ago (spud date - March 27, 2005) to test the Morrow formation underlying a standard 319.32-acre lay-down deep gas spacing unit comprising Lots 3 and 4, the E/2 SW/4, and the SE/4 (S/2 equivalent) of Section 31, Township 23 South, Range 35 East, NMPM, West Cinta Roja-Morrow Gas Pool (96602), Lea County, New Mexico. Pursuant to Division Rule 104.C (2) (a) this well location, being 983 feet from the South line and 1298 feet from the East line (Unit P) of Section 31, is considered to be "standard" for this deep Morrow spacing unit.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005].

It is the Division's understanding after reviewing your application and the public records that this well was permitted and drilled by Devon to a total depth of 14,400 feet only as a deep gas test within the aforementioned 319.32-acre Morrow unit. There is no indication why this particular site was chosen.

It is further understood that Devon now intends to perforate the Delaware interval in this well in an attempt to establish oil production and recomplete the well such that production from both the existing Morrow gas and proposed Delaware oil intervals will be dually completed. The SE/4 SE/4 (Unit P) of Section 31 is to be dedicated to this well in order to form a standard 40-acre oil spacing and proration unit for the Cinta Roja-Delaware Pool (96341). The location of this well however is considered to be unorthodox pursuant Division Rule 104.B (1).

Furthermore, the S/2 equivalent of Section 31 is a single state lease issued by the New Mexico State Land Office (*State Lease No. VA-2488*) in which Devon is the leasehold operator and all mineral interest is common; therefore, there are no adversely effected offsets to the subject 40-acre tract.

Devon Energy Production Company, L. P.

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By the authority granted me under the provision of Division Rule 104.F (2), the above-described unorthodox Delaware oil well location for Devon's Red Bull "31" State Well No. 2 is hereby approved.

PLEASE BE ADVISED: Devon, as a prudent operator, shall take all necessary steps to locate wells at a location considered to be standard for all possible zones to be encountered and should be more cognizant of well location requirements for different producing horizons within the immediate area of operations. Any future disregard to the Division's well spacing rules with respect to secondary intervals will subject all such future requests to the Division's hearing process.

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

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe