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jamesbruc@aol.com

March 9, 2004

Hand Delivered

Florene Davidson  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed are an original and one copy of an application for an exception to Division Rule 104.C.(2)(c), together with a proposed advertisement, filed on behalf of Devon Energy Production Company, L.P. Please set this matter for the April 1, 2004 Examiner hearing. Thank you.

The proposed advertisement is also on the enclosed disk.

Very truly yours,

  
James Bruce

Attorney for Devon Energy Production Company, L.P.

**RECEIVED**

MAR 9 2004

Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

Case 13241

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MAR 9 2004

Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF DEVON ENERGY PRODUCTION  
COMPANY, L.P. FOR A TEMPORARY EXCEPTION  
TO DIVISION RULE 104.C.(2)(c), LEA  
COUNTY, NEW MEXICO.

Case No. 13241

APPLICATION

Devon Energy Production Company, L.P. ("Devon") applies for an order granting a temporary exception to Division Rule 104.C.(2)(c), to allow two operators in the Morrow formation in Lots 1-8 (the N $\frac{1}{4}$ ) of Section 1, Township 21 South, Range 34 East, N.M.P.M., Lea County, New Mexico, and in support thereof, states:

1. Devon is a working interest owner in the N $\frac{1}{4}$  of Section 1, and desires to drill the State R Well No. 4 at an orthodox gas well location in Lot 2 of Section 1, to a depth sufficient to test the Morrow formation (West Osudo-Morrow Gas Pool). A Form C-102 for the well is attached hereto as Exhibit A.

2. The existing State R Well No. 1, located at an orthodox gas well location in Lot 6 of Section 1, currently produces from the Morrow formation (West Osudo-Morrow Gas Pool). A Form C-102 for the well is attached hereto as Exhibit B. The well is operated by ConocoPhillips Company ("ConocoPhillips").

3. The State R Well Nos. 1 and 4 will be simultaneously dedicated to Lots 1-8 of Section 1, forming a non-standard 310.08 acre gas spacing and proration unit.

4. The well unit is subject to an Operating Agreement among ConocoPhillips, Devon, and Nearburg Exploration Company, L.L.C., under which ConocoPhillips is operator. The State R Well No. 4 was proposed under the Operating Agreement, and ConocoPhillips has non-

consented the well. Thus, ConocoPhillips will own no interest in production from the well until well costs and a non-consent penalty under the Operating Agreement are recovered.

5. Under the Operating Agreement, and Division policy, Devon will be allowed to drill the State R Well No. 4 to completion. However, Division Rule 104.C.(2)(c) requires the operator of an infill well on a 320 acre unit to be the same as the operator for the initial well. Therefore, Devon cannot operate and produce the State R Well No. 4 if it is completed as a well capable of production from the Morrow formation.

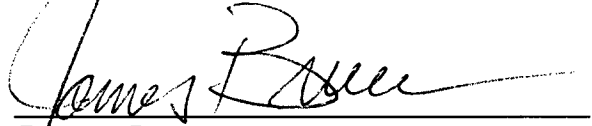
6. Because ConocoPhillips will own no interest in the State R Well No. 4 until costs plus penalty are recovered, Devon desires to operate the well during the payout period. ConocoPhillips does not object to Devon operating the well during said period. However, ConocoPhillips does not desire to enter into an agreement with Devon, under which Devon will be contract operator, and ConocoPhillips record operator, of the State R Well No. 4 during said period.

7. As a result, Devon requests an exception to Division Rule 104.C.(2)(c), to allow two operators in the Morrow formation in the N $\frac{1}{4}$  of Section 1 until costs plus penalty are paid out (under the Operating Agreement) in the State R Well No. 4.

8. The granting of this application will prevent waste and protect correlative rights.

**WHEREFORE**, Applicant requests that, after notice and hearing, the Division enter its order granting the relief requested above.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "James Bruce", is written over a horizontal line.

James Bruce  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
(505) 982-2043

Attorney for Devon Energy  
Production Company, L.P.

## DISTRICT I

1625 N. French Dr., Hobbs, NM 88240

## DISTRICT II

511 South First, Artesia, NM 88210

## DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

## DISTRICT IV

2040 South Pacheco, Santa Fe, NM 87505

## State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102

Revised March 17, 1999

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

## OIL CONSERVATION DIVISION

2040 South Pacheco

Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

## WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number <b>30-025-36544</b>	Pool Code <b>82240</b>	Pool Name <b>Osudo; Morrow, West</b>
Property Code <b>30882</b>	Property Name <b>STATE R</b>	Well Number <b>4</b>
OGRID No. <b>6137</b>	Operator Name <b>DEVON ENERGY PRODUCTION COMPANY LP</b>	Elevation <b>3675'</b>



## Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
LOT 2	1	21 S	34 E		1000	NORTH	1780	EAST	LEA

## 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
Dedicated Acres <b>310</b>	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

LOT 4 - 37.58 AC.	LOT 3 - 37.54 AC.	LOT 2 - 37.50 AC.	LOT 1 - 37.46 AC.	<b>OPERATOR CERTIFICATION</b>  I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.   Signature Linda Guthrie Printed Name Operations Associate Title 01/20/04 Date
LOT 5 - 40.00 AC.	LOT 6 - 40.00 AC.	LOT 7 - 40.00 AC.	LOT 8 - 40.00 AC.	
LOT 12 - 40.00 AC.	LOT 11 - 40.00 AC.	LOT 10 - 40.00 AC.	LOT 9 - 40.00 AC.	<b>SURVEYOR CERTIFICATION</b>  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.  JANUARY 15, 2004 Date  Signature and Seal of Professional Surveyor W.O. No. 3924 Certificate No. 7977 BASIN SURVEYS
LOT 13 - 40.00 AC.	LOT 14 - 40.00 AC.	LOT 15 - 40.00 AC.	LOT 16 - 40.00 AC.	

EXHIBIT

A

Blumberg No. 5119

1/4 COR.

1/4 COR.

## DISTRICT I

P.O. Box 1880, Hobbs, NM 88241-1880

## DISTRICT II

P.O. Drawer DD, Artesia, NM 88211-0719

## DISTRICT III

1000 Rio Brazos Rd., Artesia, NM 87410

## DISTRICT IV

P.O. Box 2088, Santa Fe, NM 87504-2088

## State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-1

Revised February 10, 19

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

## OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

## WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number <b>30-025-34271</b>	Pool Code <b>82240</b>	Pool Name <b>Wildcat</b> <b>Osado West (Morrow)</b>
Property Code	Property Name <b>STATE "R"</b>	Well Number <b>1</b>
OGRID No. <b>017643</b>	Operator Name <b>PHILLIPS PETROLEUM COMPANY</b>	Elevation <b>3672</b>

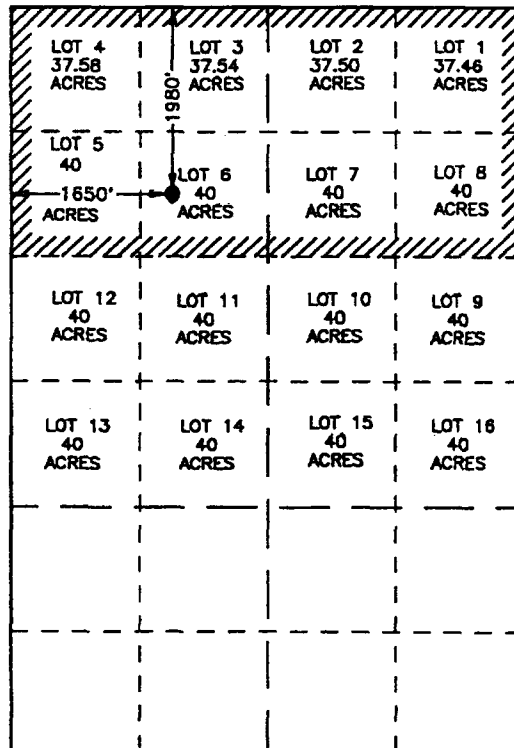
## Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	Count
<b>6</b>	<b>1</b>	<b>21 S</b>	<b>34 E</b>		<b>1980</b>	<b>NORTH</b>	<b>1650</b>	<b>WEST</b>	<b>LEA</b>

## 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	Count
Dedicated Acres <b>310.08</b>	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



SCALE: 1"=2000'

## OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

*Celeste G. Dale*  
Signature

Celeste G. Dale  
Printed Name

Regulatory/Proration  
Title Analyst

01/14/98  
Date

## 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.

JANUARY 6, 1998

Date Surveyed  
Signature & Seal of Professional Surveyor

*Donald E. Eidson*  
W.O. Num. 97-112112

Certificate No. 61-09-9  
DONALD E. EIDSON, 32

EXHIBIT

B

Blumberg No. 5119

PROPOSED ADVERTISEMENT

Case 13241: Application of Devon Energy Production Company, L.P. for a temporary exception to Division Rule 104.C.(2)(c), Lea County, New Mexico. Applicant seeks an order granting an exception to Division Rule 104.C.(2)(c) to allow two operators in the Morrow formation in Lots 1-8 of Section 1, Township 21 South, Range 34 East, NMPM, to form a non-standard 310.08-acre gas spacing and proration unit in the West Osudo-Morrow Gas Pool. The unit will be simultaneously dedicated to the existing State R. Well No. 1, operated by ConocoPhillips Company, located in Lot 6 of Section 1, and the proposed State R Well No. 4, to be operated by applicant, located in Lot 2 of Section 1. The exception will allow applicant to operate the State R Well No. 4, and to produce and sell hydrocarbons, until costs plus a penalty have been recovered under the applicable operating agreement. The unit is located approximately 9½ miles west-northwest of Oil Center, New Mexico.

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1220 S. St. Francis Drive  
Santa Fe, NM 87505