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JUL 08 2004

OIL CONSERVATION
DIVISION

Dave -

Copy of letter I sent to SCOTT RD
Re: Case No. 13241

Jim

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OIL CONSERVATION
DIVISION

June 23, 2004

Jeff Albers
State Land Office
Oil & Gas Division
P.O. Box 1148
Santa Fe, New Mexico 87504

Valdean Severson
Taxation & Revenue Department
P.O. Box 5374
Santa Fe, New Mexico 87501

Re: Devon Energy Production Company, L.P.
State R Well No. 4
N½ §1-21S-34E
Lea County, New Mexico

Gentlemen:

Enclosed is a copy of an order issued by the Oil Conservation Division ("OCD") on the above well. The OCD has required Devon to contact your agencies to verify that the order is in compliance with your regulations.

The situation is as follows:

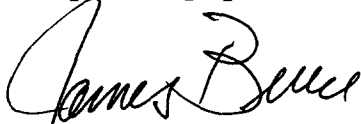
1. OCD regulations require that both wells on a 320 acre gas well unit be operated by the same person.
2. ConocoPhillips Company is the operator of the existing State R Well No. 1, located in Lot 6 of Section 1. Devon is drilling the above well, located in Lot 2 of Section 1.
3. Devon (and Nearburg Exploration Company, L.L.C.) own the entire working interest in the State R Well No. 4 until payout is reached under an operating agreement. Because ConocoPhillips owns no working interest in the well until then, Devon desires to operate and produce the well.

4. The OCD has agreed to allow Devon to operate and produce the well, provided that your agencies have no objection. See page 4 of the order.

After reviewing this material, please let me know if you have any objections. In the alternative, please contact David Catanach at the OCD directly, with a copy to me.

Thank you, and please call if you have any questions.

Very truly yours,

A handwritten signature in cursive script that reads "James Bruce". The signature is written in dark ink and is positioned above the printed name.

James Bruce

Attorney for Devon Energy Production Company, L.P.