

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

September 6, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

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

Case File
Case 13795

Attention: Ken Gray, Senior Land Advisor

RE: *Administrative application of Devon Energy Production Company, L.P. filed by telefax with the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on August 14, 2006 (administrative application reference No. pTDS0-622660513) to drill its proposed Todd "23A" Federal Well No. 38 (API No. 30-015-35076) as an infill well within an existing standard 640-acre gas spacing unit comprising all of Section 23, Township 23 South, Range 31 East, NMPM, Undesignated Sand Dunes-Atoka Gas Pool (84600), Eddy County, New Mexico, at an unorthodox location 660 feet from the North line and 860 feet from the East line (Unit A) of Section 23.*

Dear Mr. Gray:

The Sand Dune-Atoka Gas Pool is an unprorated gas pool that is subject to: (i) the "Special Rules and Regulations for the Sand Dunes-Atoka Gas Pool," as promulgated by Division Order No. R-3917, as amended, which provides for 640-acre spacing units with wells to be located no closer than 1650 feet to the outer boundary of a section on which the well is located and no closer than 330 to any governmental quarter-quarter section line or subdivision inner boundary; and (ii) Division Rule 104.D (3), which states, "[E]xceptions to the provisions of statewide rules or special pool orders (meaning "special pool rules") concerning the number of wells allowed per spacing unit may be permitted by the Director only after notice and opportunity for hearing." Rule 104.D (3) was further defined by a memorandum issued by the Director on October 25, 1999 (see copy attached), which states, "[U]nless otherwise provided by special pool rules or amended Rule 104 (e.g., the infill provision for deep gas pools in Southeast New Mexico), only **one** well per spacing unit is permitted in non-prorated pools."

Your application unfortunately cannot be processed administratively; therefore, this matter will be set for hearing before a Division Hearing Examiner on the next available docket scheduled for October 12, 2006. In order to expatiate this matter, I have taken the liberty and prepared the following advertisement in this matter:

"Application of Devon Energy Production Company, L.P. for simultaneous dedication and an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks approval to drill its Todd "23A" Federal Well No. 38 (API No. 30-015-35076) as an infill well within an existing standard 640-acre gas spacing unit within the Undesignated Sand Dunes-Atoka Gas Pool (84600) comprising all of Section 23, Township 23 South, Range 31 East, at an unorthodox gas well location

660 feet from the North line and 860 feet from the East line (Unit A) of Section 23. Applicant further seeks authorization to simultaneously dedicate production attributed to the Sand Dunes-Atoka Gas Pool within this 640-acre unit from its: (i) existing Todd "23J" Federal Well No. 3 (API No. 30-015-24257), located at a standard gas well location 1980 feet from the South line and 1800 feet from the East line (Unit J) of Section 23; and (ii) above-described Todd "23A" Federal Well No. 38. This unit is located approximately 39 miles south of Maljamar, New Mexico."

Should you have any questions, please contact your legal counsel, whoever that maybe in this particular case. Thank you.

Sincerely,



Michael E. Stogner
Engineering Assistant to the Division Director

cc: New Mexico Oil Conservation Division – Artesia
U. S. Bureau of Land Management – Carlsbad
Mr. James Bruce, Legal Counsel of record for Devon Energy Production Company,
L.P. – Santa Fe
Mr. William F. Carr, Legal Counsel of record for Devon Energy Production Company,
L.P. – Holland & Hart LLP, Santa Fe
Ms. Ocean Munds-Dry, Legal Counsel of record for Devon Energy Production Company,
L.P. – Holland & Hart LLP, Santa Fe

| | | | | | |
|-----------------|-----------------|-----------------------|-------------------|----------|------------------------|
| DATE IN 8/14/06 | SUSPENSE 9-5-06 | ENGINEER Mike Stegner | LOGGED IN 8/14/06 | TYPE NSL | APP NO. 87D50622660513 |
|-----------------|-----------------|-----------------------|-------------------|----------|------------------------|

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



Case 13795

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication
☒ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

- [D] Other: Specify _____

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners
- [B] ☐ Offset Operators, Leaseholders or Surface Owner
- [C] ☐ Application is One Which Requires Published Legal Notice
- [D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] ☐ Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Print or Type Name

Signature

Title

Date

e-mail Address

devon

Devon Energy Corporation
20 North Broadway
Oklahoma City, Oklahoma 73102-8260

FAX

To: MIKE STOKNER

From: KEN GRAY

Fax: 505-476-3462

Date: 8/13/06

Phone:

Pages: 7 (including cover page)

Re: TODD FEDERAL 23A #36

CC:

☐ Urgent

☒ For Review

☐ Please Comment

☐ Please Reply

☐ Please Recycle

• Comments:

devon

Devon Energy Corporation
20 North Broadway
Oklahoma City, Oklahoma 73102-8260
Fax 405-552-8113

August 11, 2006

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505
Attn: Michael Stogner

RE: Todd 23A Federal #38
660' FNL & 860' FEL
Section 23-T23S-R31E
Eddy County, New Mexico

30-015-35076

Gentlemen:

Devon Energy Production Company, L.P. ("Devon"), as Operator, intends to drill the referenced well to a total depth of 15,300' in order to test the Atoka/Morrow formation. NMOCDD records reflect that the Atoka formation is governed by the Sand Dunes-Atoka Gas Pool rules which provides for 640 acre spacing with a legal location no nearer than 1,650' to the outer boundary of the section and no nearer than 330' to any governmental quarter-quarter section line as promulgated by Division Order No. R-3917. The Morrow formation is governed by the Sand Dunes-Morrow Gas Pool rules which provides for statewide 320 acre spacing with a legal location no nearer than 660' to the outer boundary of the spacing unit and not nearer than 10' to any governmental quarter-quarter section line.

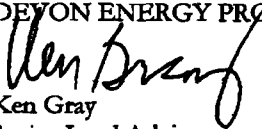
Devon's proposed location was chosen based on subsurface data that suggests that both the Atoka and the Morrow interval could be encountered at a structurally favorable position at this location. Inasmuch as an Atoka completion at Devon's proposed location will be an unorthodox location from that permitted under the existing Sand Dunes-Atoka Gas Pool rules, Devon respectfully requests that the Commission administratively approve this application in accordance with Division Rule 104(F)(3). This unorthodox location affects the owners in Sections 13, 14 & 24 as reflected on the attached affected owners list. All of such affected owners have been given notice of this administrative application.

Attached for your review, in support of this application, you will find a land plat covering the area included under this application, a list of affected owners, State of New Mexico form C-102 and a structure map on top of the Atoka Bank.

Feel free to contact the undersigned at (405) 552-4633 if there are any concerns or questions regarding this application.

Yours very truly,

DEVON ENERGY PRODUCTION COMPANY, L.P.


Ken Gray
Senior Land Advisor
KG/Todd 38 UL

DISTRICT I

1285 N. French St., Hobbs, NM 88240

DISTRICT II

811 South First, Artesia, NM 88210

DISTRICT III

1080 N. Brazos Rd., Artesia, 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 | Pool Code | Pool Name <i>M. C. R. R. W.</i> Ingle Wells; Delaware |
| Property Code | Property Name TODD "23A" FEDERAL | Well Number 38 |
| OGWD No. 6137 | Operator Name DEVON ENERGY PRODUCTION COMPANY LP | Elevation 3486' |

Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| A | 23 | 23 S | 31 E | | 660 | NORTH | 860 | EAST | EDDY |

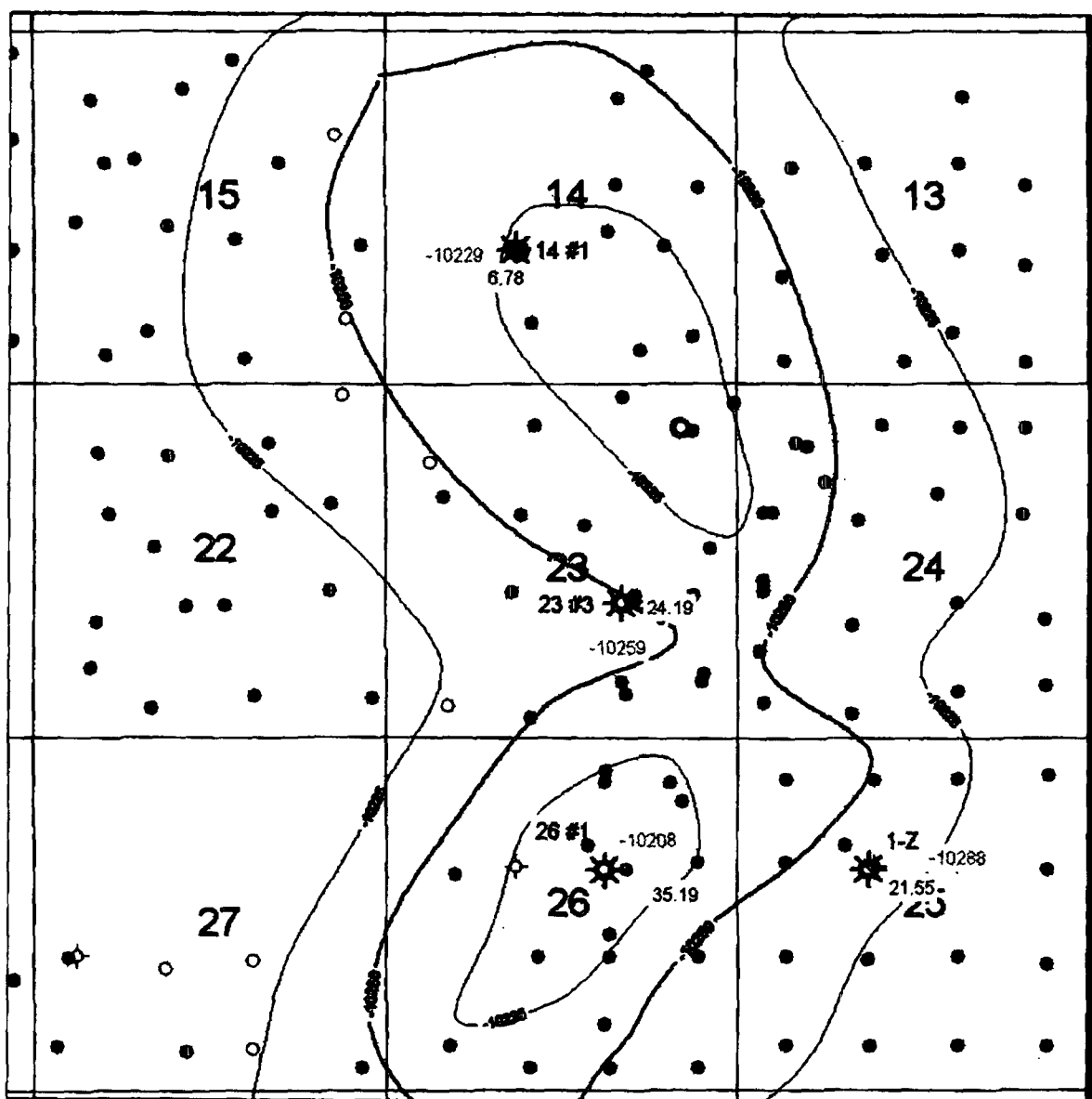
Bottom Hole Location If Different From Surface

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|------------------------|-----------------|--------------------|-----------|---------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |
| Dedicated Acres 320 | 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

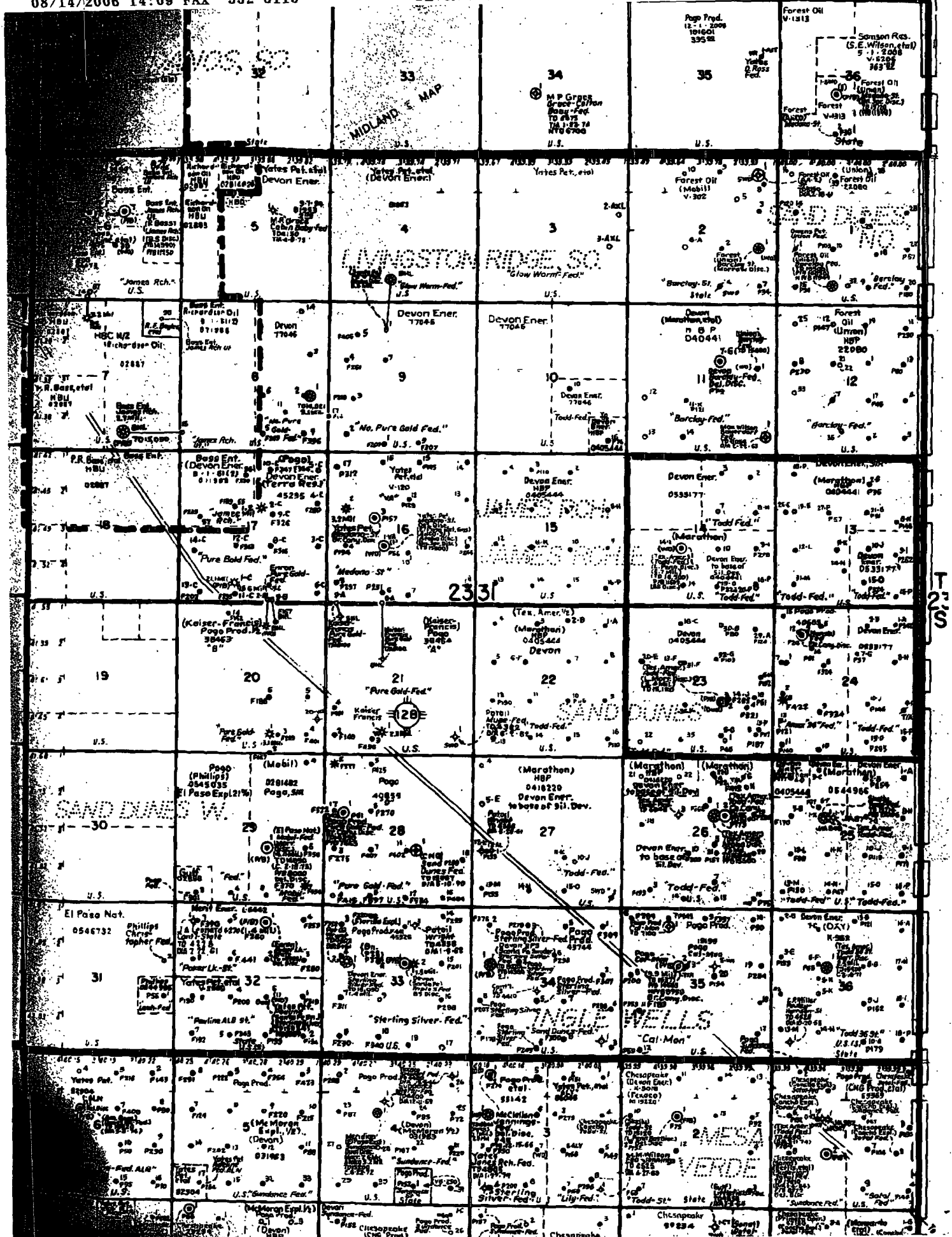
| | | |
|--|--|--|
| <p><i>Devon Energy Prod. Co., LP</i> <i>Todd "23A" Fed. #3</i> <i>30-015-24257</i> <i>1980 FSL-1800 FEL</i> <i>Sand Dunes- Hobbs</i> <i>gas producer</i> <i>1st Production 1983</i></p> | <p>3478.2' 860' 3484.5'</p> <p>3482.1' 3492.1'</p> <p>Lot.: N32°17'43.4" Long.: W103°14'33.6" (NAD-83)</p> | <p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>[Signature]</i> Signature Stephanie A. Masaga Printed Name Sr. Staff Engineering Tech Title 06/19/06 Date</p> |
| | <p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>APRIL 25, 2006</p> <p>Date Surveyed Signature Professional Engineer GARY L. JONES W.O. No. 6577 7977</p> | |

Standard 640-acre Section



1000 0 1000 2000 3000 ft

| | | |
|---------------------------------|-------|-------------------|
| devon | | |
| Production - Total of All Wells | | |
| Well | Prod | 10/1/05 - 10/1/06 |
| 14 #1 | 6.78 | |
| 23 #3 | 24.19 | |
| 26 #1 | 35.19 | |
| 1-Z | 21.55 | |





Devon Energy Corporation
20 North Broadway
Oklahoma City, Oklahoma 73102-8260
Fax 405-552-8113

August 11, 2006

To Affected Parties
Address List Attached

Re: Todd 23A Federal #38
660' FNL & 860' FEL
Section 23-T23S-R31E
Eddy County, New Mexico

Gentlemen:

Attached you will find Devon Energy Production Company, L.P.'s administrative application for approval of an unorthodox well location covering the referenced well. Our records indicate that your company is an affected owner of an offset spacing unit and are entitled to notice of this application in accordance with Division Rule 104 (f). Objections to this application should be submitted to the NMOCD. If you have no objection to this application, please so indicate by signing and returning one copy of this letter to the undersigned.

If there are any questions or if additional information is required, feel to call me at (405) 552-4633.

Yours very truly,

DEVON ENERGY PRODUCTION COMPANY, L.P.

Ken Gray
Senior Land Advisor



KG:
Enclosures

_____ has no objection to this administrative application for unorthodox location.

By: _____

Title: _____

Date: _____

Affected Parties

**Sections 13, 14 & E/2 of 24,
T23S-R31E**

Bascom L. Mitchell
No. 1 Live Oak
Midland, TX 79705

Joe N. Gifford
P. O. Box 51187
Midland, TX 79710-1187

Mary Patricia Dougherty Trust
c/o Northern Bank of Texas
2701 Kirby Drive
Houston, TX 77098
Attn: David J. Parker

Obie & Company
c/o JPMorgan Chase Bank
600 Travis Street, 3rd Floor
Houston, TX 77252
Attn: Neal Stover

Thomas E. Kelly
TEK Properties, Ltd.
The Highlands
Seattle, WA 98177

L. Edward Innerarity, Jr.
600 N. Marienfeld, Suite 456
Midland, TX 79701

Otto E. Schroeder, Jr.
1311 Academy Circle
Arlington, TX 76013

Catherine M. Grace
c/o Dan Serna & Company
6031 W. I-20, Suite 251
Arlington, TX 76017

Mary Margaret Olson Trust
c/o Dan Serna & Company
6031 W. I-20, Suite 251
Arlington, TX 76017

Marathon Oil Company
Southern Business Unit
P. O. Box 3487
Houston, TX 77243-3487
Attn: Paul J. Tauscher

Mabee Flynt Lease Trust
11010 Crestmore
Houston, TX 77096

Miranda Energy Corporation
24 Smith Road, Suite 601
Midland, TX 79705

Thomas F. Hastings, Sr.
14254 Misty Meadow
Houston, TX 77079

Broughton Petroleum, Inc.
P. O. Box 1389
Sealy, TX 77474-1389

EOG Resources
4000 N. Big Spring Street, Suite 500
Midland, TX 79705

W/2 of Section 24-T23S-R31E

Pogo Producing Company
P. O. Box 10340
Midland, TX 79702-7340

TRANSACTION REPORT

P. 01

AUG-14-2006 MON 01:18 PM

FOR:

RECEIVE

| DATE | START | SENDER | RX TIME | PAGES | TYPE | NOTE | M# | DP |
|--------|----------|----------|---------|-------|---------|------|----|----|
| AUG-14 | 01:16 PM | 552 8113 | 1' 38" | 7 | RECEIVE | OK | | |