

OPERATOR'S COPY

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000

EC

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NMNM112253
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator DEVON ENERGY PRODUCTION CO L P Contact: LINDA GUTHRIE E-Mail: LINDA.GUTHRIE@DVN.COM		7. If Unit or CA Agreement, Name and No.
3a. Address 20 NORTH BROADWAY SUITE 1500 OKLAHOMA CITY, OK 73102	3b. Phone No. (include area code) Ph: 405.228.8209	8. Lease Name and Well No. CUESTA ABAJO 26 FEDERAL 1
4. Location of Well (Report location clearly and in accordance with any State requirements) At surface SENE 1500FNL 660FEL At proposed prod. zone SENE 1500FNL 660FEL (H)		9. API Well No. 30-015-33966
14. Distance in miles and direction from nearest town or post office*		10. Field and Pool, or Exploratory HAPPY VALLEY- MORROW Undes.
15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)	16. No. of Acres in Lease 280.00	11. Sec., T., R., M., or Blk. and Survey or Area Sec 26 T22S R25E Mer NMP SME: BLM
18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth 11550 MD	12. County or Parish EDDY
21. Elevations (Show whether DF, KB, RT, GL, etc.) 3531 GL	22. Approximate date work will start 02/01/2005	13. State NM
23. Estimated duration 45 DAYS		17. Spacing Unit dedicated to this well 320.00
20. BLM/BIA Bond No. on file		

24. Attachments

CARLSBAD CONTROLLED WATER BASIN

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification
- Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature (Electronic Submission)	Name (Printed/Typed) LINDA GUTHRIE Ph: 405.228.8209	Date 12/03/2004
Title REGULATORY SPECIALIST		
Approved by (Signature) <i>Maria E. Ketson</i>	Name (Printed/Typed) MARIA E. KETSON	Date 2-18-05
Title for FIELD MANAGER	Office CARLSBAD FIELD OFFICE	

Application approval does not warrant or certify the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached.

APPROVAL FOR 1 YEAR

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

Additional Operator Remarks (see next page)

Electronic Submission #51520 verified by the BLM Well Information System
For DEVON ENERGY PRODUCTION CO L P, sent to the Carlsbad
Committed to AFMSS for processing by LINDA ASKWIG on 12/06/2004 (05LA0140AE)

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED**

**** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ****

Operator Remarks:

Devon Energy Production Company, LP plans to drill to approximately 11,550' to test the Morrow for commercial quantities of gas. If the Morrow is deemed non-commercial, the wellbore will be plugged and abandoned as per federal regulations. Programs to adhere to onshore oil and gas regulations are outlined in the following exhibits and statements.

Approximately 3022' of new road will need to be constructed.

State of New Mexico

Form C-102

Revised March 17, 1999

Energy, Minerals and Natural Resources Department

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
Property Code	Property Name CUESTA ABAJO "26" FEDERAL	Well Number 1
OGRID No. 6137	Operator Name DEVON ENERGY PRODUCTION COMPANY LP	Elevation 3531'

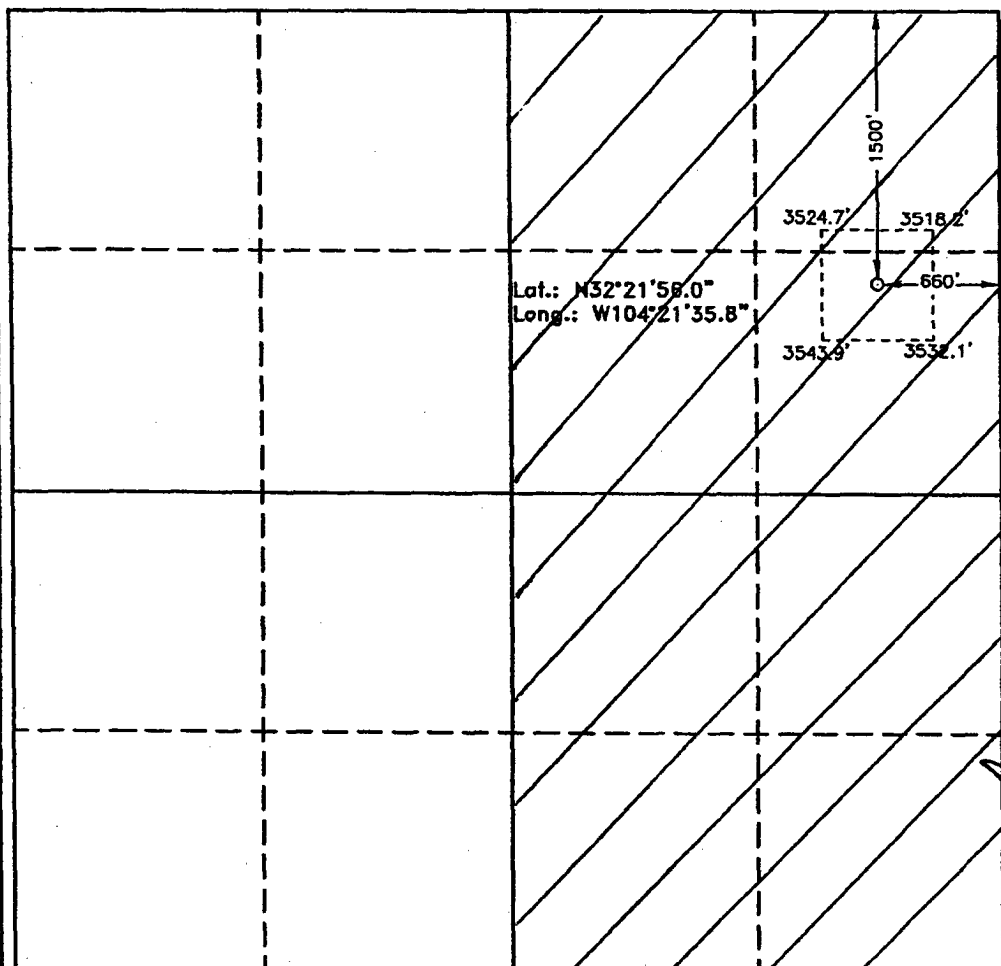
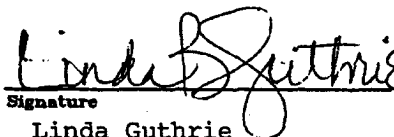
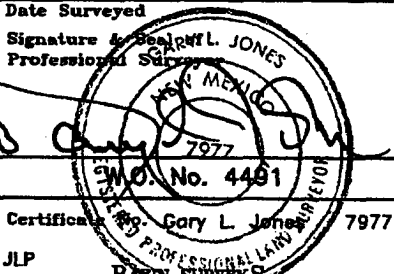
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	26	22 S	25 E		1500	NORTH	660	EAST	EDDY

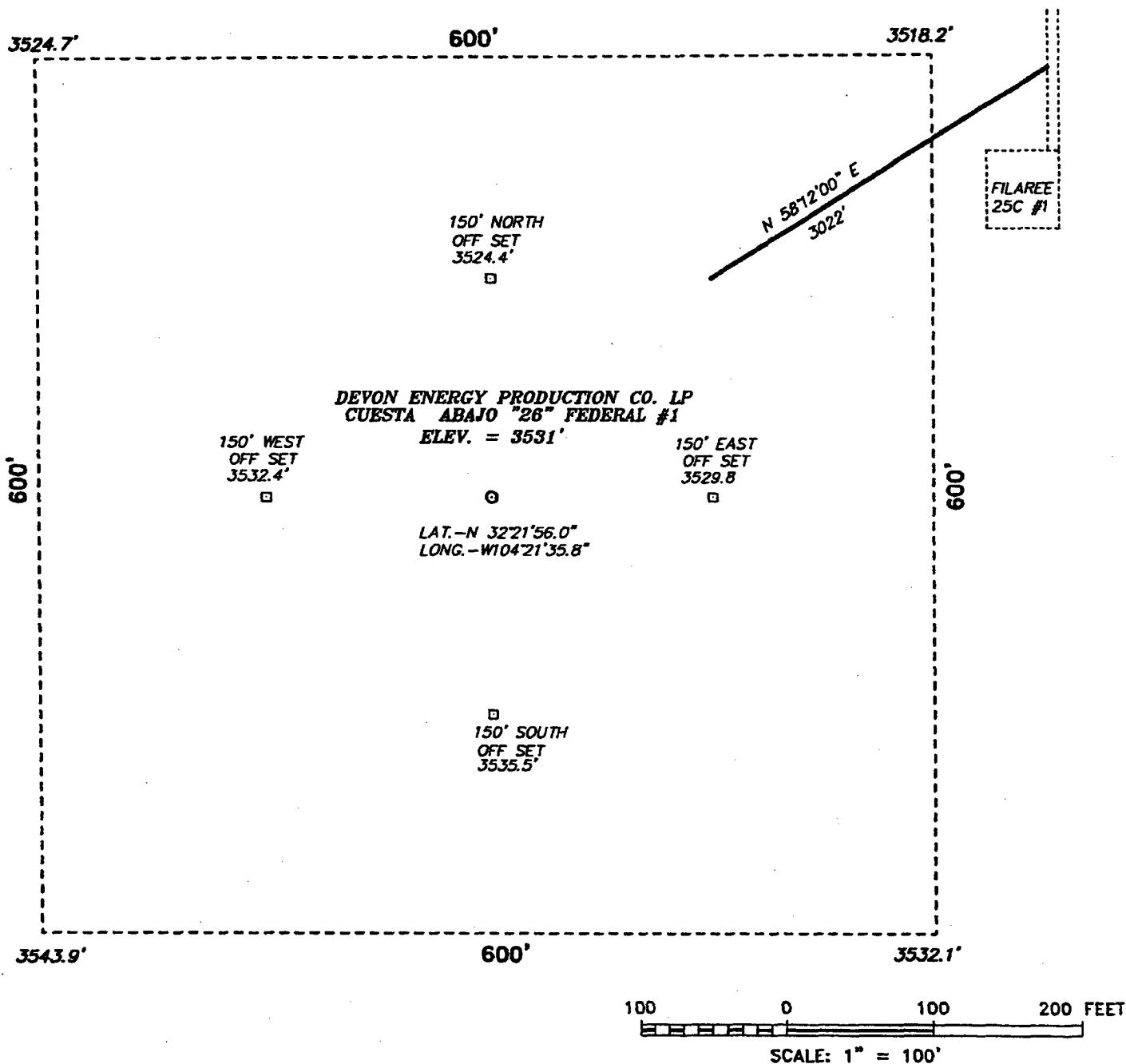
Bottom Hole Location If Different From Surface

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

	OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i>  Signature Linda Guthrie Printed Name Regulatory Specialist Title 12/03/04 Date
	SURVEYOR CERTIFICATION <i>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.</i> July 27, 2004 Date Surveyed Signature & Seal of Gary L. Jones Professional Surveyor  Certification Gary L. Jones 7977 JLP

SECTION 26, TOWNSHIP 22 SOUTH, RANGE 25 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.



Directions to Location:

FROM THE JUNCTION OF EDDY COUNTY ROAD 428
AND 429 GO EAST APPROX 3500 FEET TO A LEASE
ROAD SOUTH, THEN SOUTH 1500 FEET ON LEASE
ROAD THAT GOES TO THE FILAREE 25C #1.

Basin Surveys P.O. BOX 1786 - HOBBS, NEW MEXICO

W.O. Number: 4491

Drawn By: JAMES PRESLEY

Date: 07/28/04

Disk: JLP #1 - DEV4491A

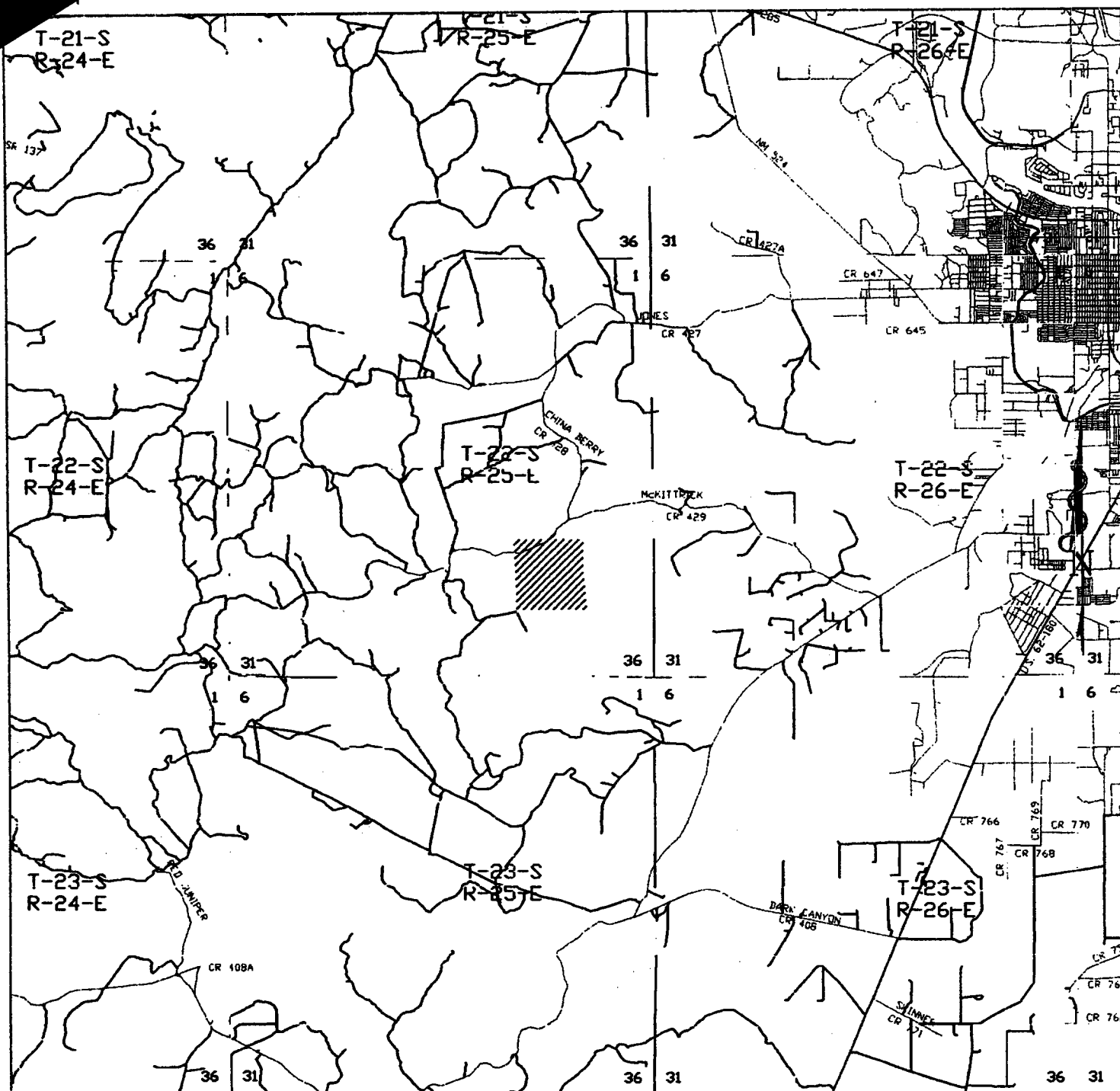
DEVON ENERGY PRODUCTION CO. LP.

REF: CUESTA ABAJO "26" FEDERAL #1 / Well Pad Topo

CUESTA ABAJO "26" FEDERAL #1 LOCATED 1500' FROM THE
NORTH LINE AND 660' FROM THE EAST LINE OF
SECTION 26, TOWNSHIP 22 SOUTH, RANGE 26 EAST,
N.M.P.M., EDDY COUNTY, NEW MEXICO.

Survey Date: 07/27/04

Sheet 1 of 1 Sheets



CUESTA ABAJO "26" FEDERAL #1
 Located at 1500' FNL and 660' FEL
 Section 26, Township 22 South, Range 25 East,
 N.M.P.M., Eddy County, New Mexico.



focused on excellence
in the oilfield

P.O. Box 1786
 1120 N. West County Rd.
 Hobbs, New Mexico 88241
 (505) 393-7316 - Office
 (505) 392-3074 - Fax
 basinsurveys.com

W.O. Number: 4491AA - JLP #1

Survey Date: 07/27/04

Scale: 1" = 2000'

Date: 07/28/04

**DEVON ENERGY
 PRODUCTION
 COMPANY LP.**

DRILLING PROGRAM

Devon Energy Production Company, L.P.
CUESTA ABAJO "26" FEDERAL #1
1500' FNL & 660' FEL, Unit H, Section 26-T22S-R25E
Eddy County, New Mexico

1. Geologic Name of Surface Formation

Quaternary deposits

2. Estimated Tops of Important Geologic Markers

Delaware	2,230'
Bone Spring	5,640'
Wolfcamp	8,225'
Base Strawn	9,990'
Atoka	10,035'
Morrow	10,450'
Lower Morrow	11,040'
Barnett Shale	11,195'
TD	±11,550'

3. Estimated Depths of Anticipated Fresh Water, Oil or Gas

The estimated depths at which water, oil and gas will be encountered are as follows.

Water: Random fresh water from surface to approximately 350'

Oil: Bone Spring

Gas: Strawn, Atoka, Morrow

No other formations are expected to yield oil, gas or fresh water in measurable volumes. The surface fresh water sands will be protected by setting 13 3/8" casing at 500' and circulating cement back to surface. The intermediate intervals will be protected by setting 9 5/8" casing at ~~2,500'~~ 2250' and circulating cement to surface. The production intervals will be isolated by setting 5 1/2" casing to total depth and circulating cement to surface.

4. Casing Program

	<u>Hole Size</u>	<u>Interval</u>	<u>Casing OD</u>	<u>Weight, ppf</u>	<u>Grade</u>	<u>Type</u>
WITNESS	17 1/2"	0-500'	13 3/8"	48	H-40	ST&C
	12 1/4"	0-2,500'	9 5/8"	36	J-55	LT&C
	8 3/4"	0-11,350±	5 1/2"	17	HCP-110	LT&C

Cementing Program

13 3/8" Surface Casing Cement to surface - with approximately 452 sx Class C

9 5/8" Intermediate Casing Cement to surface - with approximately 577 sx 35:65 Pozmix + 250 sx Class C

5 1/2" Production Casing Cement to surface - with approximately 925 sx Super C + 1500 sx Class H

The cement volumes for the 5 1/2" casing will be revised pending the caliper measurement from the open hole logs.

5. Minimum Specifications for Pressure Control

Exhibit 1- Prior to intermediate, the blowout preventer equipment will consist of a 2M system utilizing a 2000 psi WP pipe ram and/or a 2000 psi (Hydril) preventor. After Td'ing intermediate, a Blow-out Preventer (5,000/10,000 PSI working pressure) consisting of double ram type preventer with bag type preventor will be used. Units will be hydraulically operated. A choke manifold and a closing unit will be used. Blind rams on top and pipe rams on bottom will correspond with size of drill pipe in use. BOP will be tested as well as choke manifold. BOP will be worked at least once each day while drilling and blind ram will be worked on trips when no drill pipe is in the hole. Full opening stabbing valve and upper Kelly cock will be utilized. **The 2M BOP & associated wellhead equipment will be tested to 1215# with the rig pump.** After setting the 9 5/8" casing, a 5000# casing head & 5000# BOP will be installed & tested with an independent tester in accordance with Onshore Order No. 2

6. Types and Characteristics of the Proposed Circulating Mud System

The well will be drilled to total depth with fresh water/brine/starch mud systems. Depths of systems are as follows:

Depth	Type	Weight (ppg)	Viscosity (1/sec)	Water Loss (cc)
0' - 500'	Fresh water/paper	8.5-9.0	32-50	No control
500' - 2500'	Fresh wtr/Brine	9.7-10.0	28-32	No control
2500' - 8500'	Cut Brine/paper/ lime/gel	9.0-10.0	28-32	No control
8500' - TD	Brine/Cut brine/Dris-pac/	9.0-10.0	34-50	6 or less

The necessary mud products for weight addition and fluid loss control will be on location at all times.

7. Auxiliary Well Control and Monitoring Equipment

- A. A kelly cock will be in the drill string at all times.
- B. A full opening drill pipe stabbing valve having the appropriate connections will be on the rig floor at all times.
- C. Hydrogen Sulfide detection equipment (Compliance Package) will be in operation from drilling out the 9 5/8" casing shoe until the 5 1/2" casing is cemented.

8. Logging, Testing and Coring Program

- A. No cores or drill stem tests are planned at this time.
- B. The open hole electrical logging program is proposed as follows:

 Schlumberger Platform Express Azimuthal Laterlog/MCFL/NGT and Three Detector Litho-Density Compensated Neutron/NGT logs from TD to base of surface casing.

 A formation pressure testing tool and a formation imaging tool may be run.
- C. Additional testing may be initiated subsequent to setting the 5 1/2" production casing. Specific intervals will be targeted based on log evaluation, geological sample shows and drill stem tests.

9. Abnormal Pressures, Temperatures and Potential Hazards

No abnormal pressures or temperatures are foreseen. The anticipated bottom hole temperature at total depth is 170 degrees and maximum bottom hole pressure is 4500 psig. Hydrogen sulfide gas may be encountered in this area and a Contingency Plan will be available at the location. Lost circulation intervals have been encountered in adjacent wells.

10. Anticipated Starting Date and Duration of Operations

A cultural resources examination will be submitted to the BLM in Carlsbad.

Road and location preparation will not be undertaken until approval has been received from the BLM. If approved, this well will be drilled as part of a development project. The anticipated spud date for the project is February, 2005. The drilling operation should require approximately 40-45 days. If the well is deemed productive, completion operations will require, at minimum, an additional 30 days of testing to ascertain whether permanent production facilities will be constructed.

11. Other Facets of Operations

After running casing a cement bond/gamma ray/collar log will be run.

The Morrow pay will be perforated and stimulated. The well will be swab tested and potentialled as a gas well.

SURFACE USE AND OPERATING PLAN

Devon Energy Production Company, L.P.
CUESTA ABAJO "26" FEDERAL #1
1500' FNL & 660' FEL, Unit H, Section 26-T22S-R25E
Eddy County, New Mexico

1. **Existing Roads**

The well site and elevation plat for the Cuesta Abajo 26 Federal #1 are reflected on Exhibit #2. This well was staked by Basin Surveys in Hobbs, New Mexico.

- A. All roads into the location are depicted in Exhibit #3. Access to this location will require the construction of approximately 3,022' of new road from existing lease road. All new construction will conform to the specifications outlined in Item #2 below.
- B. Directions to location: From the junction of Eddy County Road 428 and 429, go east approximately 3500 feet to a lease road south. Then south 1500 feet on lease road that goes to the Filaree 25C #1, then southwest on proposed lease road to location.

2. **Proposed Access Road**

Exhibit #3 shows the proposed lease road. Access to this location will be from an existing location. All new construction will adhere to the following.

- A. The maximum width of the road will be 15'.
- B. It will be crowned and made of 6" of rolled and compacted caliche. Water will be deflected, as necessary, to avoid accumulation and prevent surface erosion.
- C. Surface material will be native caliche. This material will be obtained from a BLM approved pit nearest in proximity to the location.
- D. The average grade will be less than 5%.
- E. No cattle guards, grates or fence cuts will be required.
- F. No turnouts are planned.

3. **Location of Existing and/or Proposed Facilities**

- A. In the event the well is found productive, a tank battery would be constructed and the necessary production equipment will be installed at the well site.
- B. The tank battery, all connections and all lines will adhere to API standards.
- C. The well may be operated by means of an electric prime mover. Electric power poles will be set along side of the access road.
- D. If the well is productive, rehabilitation plans are as follows.
 - 1. The reserve pit will be closed pursuant to New Mexico OCD rules and guidelines.
 - 2. The original topsoil from the well site will be returned to the location. The drill site will then be contoured as closely as possible to the original state.

4. Location and Type of Water Supply

The Cuesta Abajo 26 Federal #1 will be drilled using a combination of brine and fresh water mud systems (outlined in Drilling Program). The water will be obtained from commercial sources and will be transported over the existing and proposed roads. No water well will be drilled on the location.

5. Methods of Handling Water Disposal

- A. Drill cuttings will be disposed into the reserve pit.
- B. Drilling fluids will be contained in steel mud tanks. The reserve pit will contain excess drilling fluid or fluid from the well during drilling, cementing and completion operations. The reserve pit will be an earthen pit roughly 150' x 150' x 8', or smaller, in size.
- C. The reserve pit will be fenced on three sides throughout drilling operations and will be totally isolated upon removal of the rotary rig. The pit will be lined using a 12 mil synthetic woven liner pursuant to NM OCD rules and guidelines.
- D. Water produced from the well during completion operations will be disposed into a steel tank or reserve pit, if volumes prove excessive. After placing the well on production through the production facilities, all water will be collected in tanks. Produced oil will be separated into steel stock tanks until sold.
- E. A portable chemical toilet will be available on the location for human waste during the drilling operations.
- F. Garbage, trash and waste paper produced during drilling operations will be collected in a contained trailer and disposed at an approved landfill. All waste material will be contained to prevent scattering by the wind. All water, fluids, salt or other chemicals will be disposed into the reserve pit. No toxic waste or hazardous chemicals will be generated by this operation.
- G. All waste material will be removed within 30 days after the well is either completed or abandoned. The reserve pit will be completely fenced until it has dried. The reserve pit will be closed pursuant to New Mexico OCD rules and guidelines and reclaimed as per BLM specifications. Only the portion of the drilling pad used by the production equipment (pumping unit and tank battery) will remain in use. If the well is deemed non-commercial only a dry hole marker will remain.

6. Ancillary Facilities

No permanent campsite or other facilities will be constructed as a result of this well.

7. Well Site Layout

- A. The drill pad is shown on Exhibit #6. Approximate dimensions of the pad, pits and general location of the rig equipment are displayed. Top soil will be stored adjacent to the pad until reclamation efforts are undertaken. Only modest cuts will be necessary to build the pad which will be covered with 6" of compacted caliche.
- B. No permanent living facilities are planned, but temporary trailers for the tool pusher, drilling foreman and mud logger may be on location throughout drilling operations.

8. Plans for Restoration of Surface

- A. After concluding the drilling and/or completion operations, if the well is found non-commercial, the road will be reclaimed as directed by the BLM. The reserve pit will be closed and the original top soil, if any, will be returned to the pad and contoured, as close as possible, to the original topography.
- B. The pit lining and remaining contents will be buried pursuant to NM OCD rules and guidelines.
- C. The reserve pit will be fenced on three sides throughout drilling operations. After the rotary rig is removed, the reserve pit will be fenced on the fourth side to preclude endangering wildlife. The fencing will be in place until the pit is reclaimed.
- D. If the well is deemed commercially productive, the reserve pit will be restored and unused areas of the drill pad will be contoured, as close as possible, to match the original topography.

9. Surface Ownership

The well site is owned by the Bureau of Land Management.
Road routes have been approved and the surface location will be restored as directed by the BLM.

10. Other Information

- A. The project is located on an area of rolling limestone hills used for ranching and raising cattle. Drainage is to the east toward the Pecos River via Little McKittrick Draw. Regionally the slopes average 1-3% and the calcareous land area consists of aridisols ranging from loamy sand to clay. Vegetation consists of mesquite, creosote, algerita, acacia, cholla, snakeweed, yucca cactus, and various grasses.
- B. There is no permanent water in the immediate area.
- C. Upon completion, a cultural resources examination will be forwarded to the BLM office in Carlsbad, New Mexico, by Southern New Mexico Archeological Resources, Inc., in Bent.

11. Lessee's and Operator's Representative

The Devon Energy Production Company, L.P. representatives responsible for ensuring compliance of the surface use plan are as follows.

Wyatt Abbitt
Operations Engineering Advisor
Devon Energy Production Company, L.P.
20 North Broadway, Suite 1500
Oklahoma City, Oklahoma 73102-8260
(405) 552-8137 (office)
(405) 245-3471 (cell)

Don Mayberry
Superintendent
Devon Energy Production Company, L.P.
Post Office Box 250
Artesia, New Mexico 88211-0250
(505) 748-3371 (office)
(505) 746-4945 (home)

Certification

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access road; that I am familiar with the conditions that presently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed by Devon Energy Production Company, L.P. and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved.

Signed: _____



Linda Guthrie
Regulatory Specialist

Date: December 3, 2004

UNITED STATES DEPARTMENT OF THE INTERIOR

Bureau of Land Management

Roswell Field Office

2909 West Second Street

Roswell, New Mexico 88201-1287

Statement Accepting Responsibility for Operations

Operator Name: **Devon Energy Production Company, LP**
Street or Box: **20 North Broadway, Suite 1500**
City, State: **Oklahoma City, Oklahoma**
Zip Code: **73102-8260**

The undersigned accepts all applicable terms, conditions, stipulations and restrictions concerning operations conducted on the leased land or portion thereof, as described below.

Lease No.: **NMNM112253**

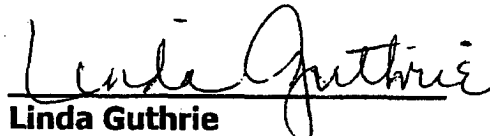
Legal Description of Land: **240 acres 26-22S-R25E**

Formation(s): **Morrow**

Bond Coverage: **Nationwide**

BLM Bond File No.: **CO-1104**

Authorized Signature:


Linda Guthrie

Title: **Regulatory Specialist**

Date: **12/03/04**

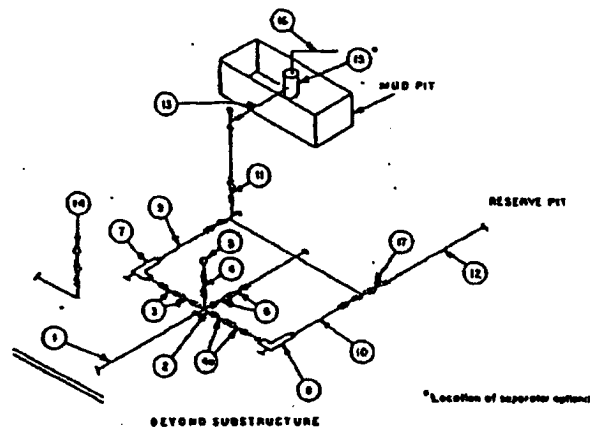
Attachment to Exhibit #1
NOTES REGARDING BLOWOUT PREVENTERS
Devon Energy Production Company, L.P.
CUESTA ABAJO "26" FEDERAL #1
1500' FNL & 660' FEL, Unit H, Section 26-T22S-R25E
Eddy County, New Mexico

1. Drilling nipple will be constructed so it can be removed mechanically without the aid of a welder. The minimum internal diameter will equal BOP bore.
2. Wear ring will be properly installed in head.
3. Blowout preventer and all associated fittings will be in operable condition to withstand a minimum 5000 psi working pressure.
4. All fittings will be flanged.
5. A full bore safety valve tested to a minimum 5000 psi WP with proper thread connections will be available on the rotary rig floor at all times.
6. All choke lines will be anchored to prevent movement.
7. All BOP equipment will be equal to or larger in bore than the internal diameter of the last casing string.
8. Will maintain a kelly cock attached to the kelly.
9. Hand wheels and wrenches will be properly installed and tested for safe operation.
10. Hydraulic floor control for blowout preventer will be located as near in proximity to driller's controls as possible.
11. All BOP equipment will meet API standards and include a minimum 40 gallon accumulator having two independent means of power to initiate closing operation.

MINIMUM CHOKE MANIFOLD
3,000, 5,000 and 10,000 PSI Working Pressure

3 MWP - 5 MWP - 10 MWP

EXHIBIT # 1



MINIMUM REQUIREMENTS									
No.		3,000 MWP			5,000 MWP			10,000 MWP	
		I.D.	NOMINAL	RATING	I.D.	NOMINAL	RATING	I.D.	NOMINAL
1	Line from drilling spool		3"	3,000		3"	5,000		3"
2	Cross 3"x3"x3"x2"			3,000			5,000		10,000
3	Valves(1) Gate □ Plug □(2)	3-1/8"		3,000	3-1/8"		5,000	3-1/8"	10,000
4	Valve Gate □ Plug □(2)	1-13/16"		3,000	1-13/16"		5,000	1-13/16"	10,000
4a	Valves(1)	2-1/16"		3,000	2-1/16"		5,000	3-1/8"	10,000
5	Pressure Gauge			3,000			5,000		10,000
6	Valves Gate □ Plug □(2)	3-1/8"		3,000	3-1/8"		5,000	3-1/8"	10,000
7	Adjustable Choke(3)	2"		3,000	2"		5,000	2"	10,000
8	Adjustable Choke	1"		3,000	1"		5,000	2"	10,000
9	Line		3"	3,000		3"	5,000		10,000
10	Line		2"	3,000		2"	5,000		10,000
11	Valves Gate □ Plug □(2)	3-1/8"		3,000	3-1/8"		5,000	3-1/8"	10,000
12	Lines		3"	1,000		3"	1,000		2,000
13	Lines		3"	1,000		3"	1,000		2,000
14	Remote reading compound standpipe pressure gauge			3,000			5,000		10,000
15	Gas Separator		2"x5'			2"x5'			2"x5'
16	Line		4"	1,000		4"	1,000		2,000
17	Valves Gate □ Plug □(2)	3-1/8"		3,000	3-1/8"		5,000	3-1/8"	10,000

(1) Only one required in Class 3M.

(2) Gate valves only shall be used for Class 10M.

(3) Remote operated hydraulic choke required on 5,000 psi and 10,000 psi for drilling.

EQUIPMENT SPECIFICATIONS AND INSTALLATION INSTRUCTIONS

- All connections in choke manifold shall be welded, studded, flanged or Cameron clamp of comparable rating.
- All flanges shall be API 6B or 6BX and ring gaskets shall be API RX or BX. Use only BX for 10 MWP.
- All lines shall be securely anchored.
- Chokes shall be equipped with tungsten carbide seats and needles, and replacements shall be available.
- Choke manifold pressure and standpipe pressure gauges shall be available at the choke manifold to assist in regulating chokes. As an alternate with automatic chokes, a choke manifold pressure gauge shall be located on the rig floor in conjunction with the standpipe pressure gauge.
- Line from drilling spool to choke manifold should be as straight as possible. Lines downstream from chokes shall make turns by large bends or 90° bends using bull plugged tees.
- Discharge lines from chokes, choke bypass and from top of gas separator should vent as far as practical from the well.

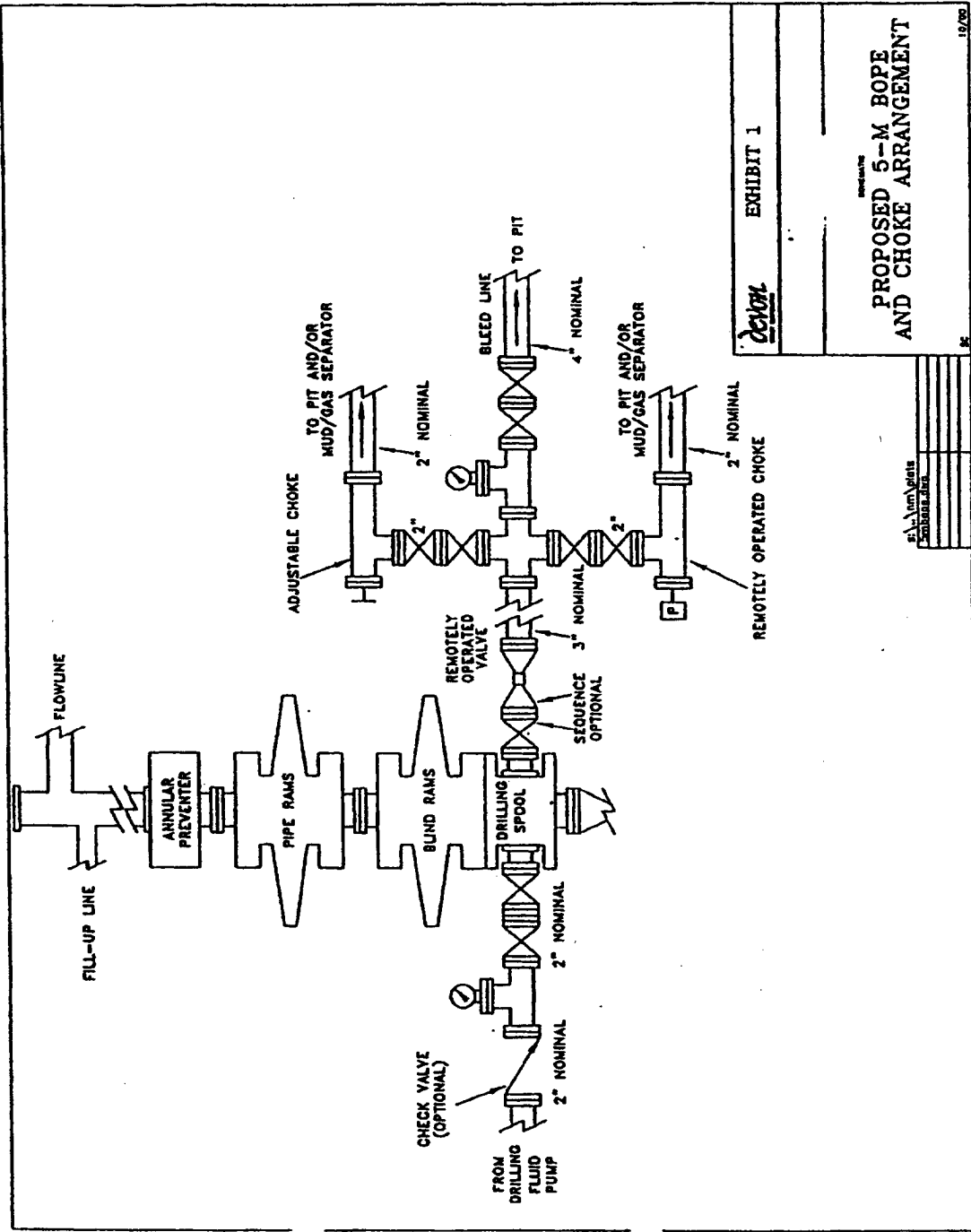


EXHIBIT 1

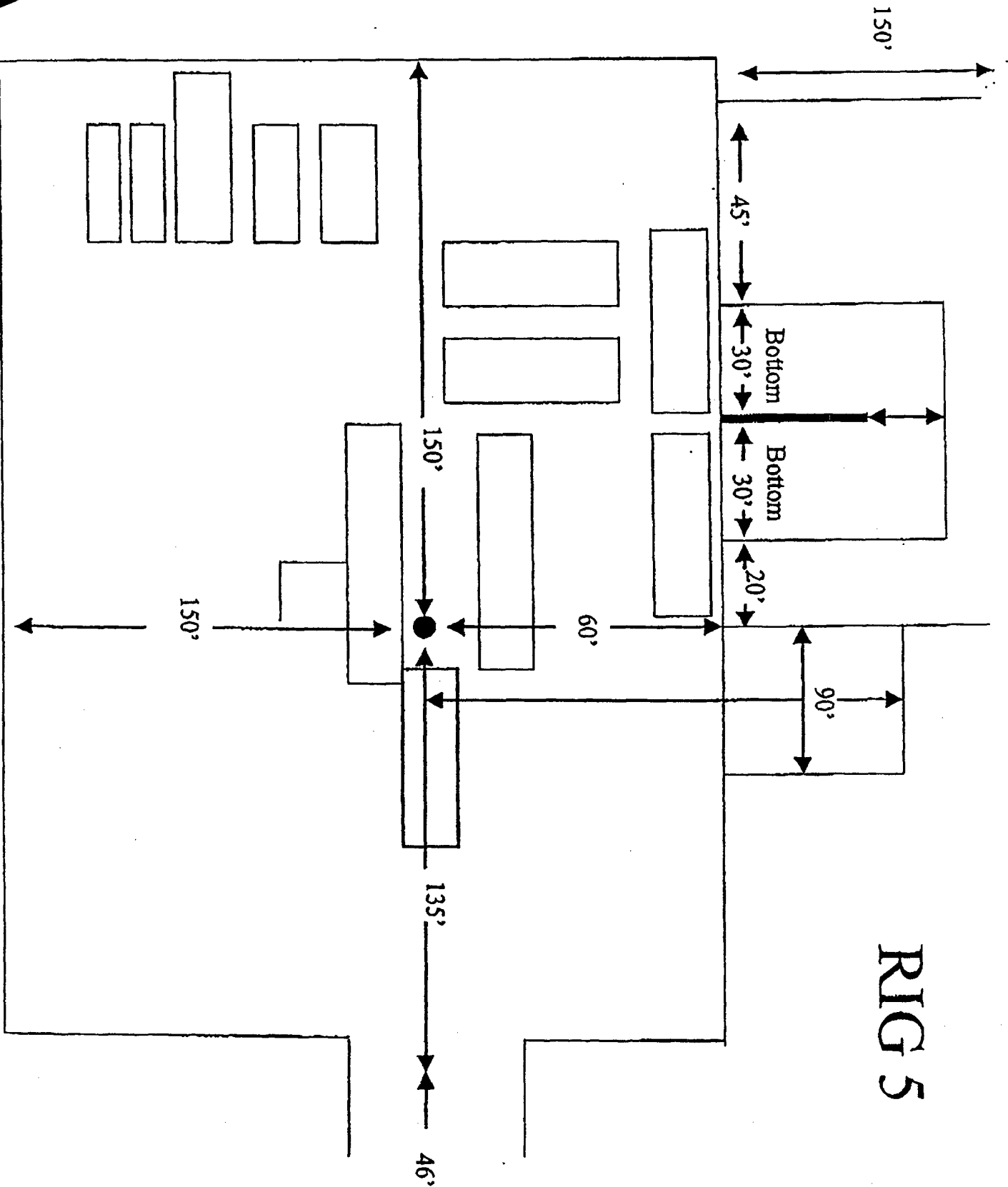
PROPOSED 5-M BOPE AND CHOKE ARRANGEMENT

DATE

PROPOSED 5-M BOPE AND CHOKE ARRANGEMENT

19/70

RIG 5



Well name:

Cuesta Abajo 26 Federal # 1

Operator: **Devon Energy**

String type: **Surface**

Location: **New Mexico**

Design parameters:

Collapse

Mud weight: 9.000 ppg
Design is based on evacuated pipe.

Minimum design factors:

Collapse:

Design factor 1.125

Burst:

Design factor 1.00

Environment:

H2S considered? No
Surface temperature: 75 °F
Bottom hole temperature: 82 °F
Temperature gradient: 1.40 °F/100ft
Minimum section length: 500 ft
Minimum Drift: 2.250 in
Cement top: 0 ft

Burst

Max anticipated surface pressure: 440 psi
Internal gradient: 0.120 psi/ft
Calculated BHP: 500 psi

Annular backup: 8.34 ppg

Tension:

8 Round STC: 1.80 (J)
8 Round LTC: 1.80 (J)
Buttress: 1.60 (J)
Premium: 1.50 (J)
Body yield: 1.60 (B)

Tension is based on air weight.
Neutral point: 434 ft

Non-directional string.

Re subsequent strings:

Next setting depth: 2,700 ft
Next mud weight: 10.200 ppg
Next setting BHP: 1,431 psi
Fracture mud wt: 19.250 ppg
Fracture depth: 500 ft
Injection pressure: 500 psi

Run Seq	Segment Length (ft)	Size (in)	Nominal Weight (lbs/ft)	Grade	End Finish	True Vert Depth (ft)	Measured Depth (ft)	Drift Diameter (in)	Est. Cost (\$)
1	500	13.375	48.00	H-40	ST&C	500	500	12.59	6201
Run Seq	Collapse Load (psi)	Collapse Strength (psi)	Collapse Design Factor	Burst Load (psi)	Burst Strength (psi)	Burst Design Factor	Tension Load (kips)	Tension Strength (kips)	Tension Design Factor
1	234	740	3.17	440	1762	4.01	24	322	13.42 J

Prepared Don Culpepper
by: Devon Energy

Phone: 405.552.7944

Date: August 9, 2004
Oklahoma City, Oklahoma

Remarks:

Collapse is based on a vertical depth of 500 ft, a mud weight of 9 ppg. The casing is considered to be evacuated for collapse purposes. Collapse strength is based on the Westcott, Dunlop & Kemler method of biaxial correction for tension.

In addition, burst strength is biaxially adjusted for tension.

Engineering responsibility for use of this design will be that of the purchaser.

Well name:	Cuesta Abajo 26 Federal # 1
Operator:	Devon Energy
String type:	Intermediate
Location:	New Mexico

Design parameters:
Collapse

Mud weight: 10.100 ppg
Design is based on evacuated pipe.

Minimum design factors:
Collapse:

Design factor 1.125

Burst:

Design factor 1.00

Environment:

H2S considered? No
Surface temperature: 75 °F
Bottom hole temperature: 110 °F
Temperature gradient: 1.40 °F/100ft
Minimum section length: 500 ft
Minimum Drift: 8.750 in
Cement top: Surface

Burst

Max anticipated surface pressure: 2,200 psi
Internal gradient: 0.120 psi/ft
Calculated BHP 2,500 psi

Annular backup: 8.34 ppg

Tension:

8 Round STC: 1.80 (J)
8 Round LTC: 1.80 (J)
Buttress: 1.60 (J)
Premium: 1.50 (J)
Body yield: 1.60 (B)

Tension is based on air weight.
Neutral point: 2,126 ft

Non-directional string.

Re subsequent strings:

Next setting depth: 11,350 ft
Next mud weight: 10.800 ppg
Next setting BHP: 6,368 psi
Fracture mud wt: 19.250 ppg
Fracture depth: 2,500 ft
Injection pressure 2,500 psi

Run Seq	Segment Length (ft)	Size (in)	Nominal Weight (lbs/ft)	Grade	End Finish	True Vert Depth (ft)	Measured Depth (ft)	Drift Diameter (in)	Est. Cost (\$)
1	2500	9.625	36.00	J-55	LT&C	2500	2500	8.796	20443
Run Seq	Collapse Load (psi)	Collapse Strength (psi)	Collapse Design Factor	Burst Load (psi)	Burst Strength (psi)	Burst Design Factor	Tension Load (kips)	Tension Strength (kips)	Tension Design Factor
1	1312	2020	1.54	2200	3734	1.70	90	453	5.03 J

Prepared Don Culpepper
by: Devon Energy

Phone: 405.552.7944

Date: August 9, 2004
Oklahoma City, Oklahoma

Remarks:

Collapse is based on a vertical depth of 2500 ft, a mud weight of 10.1 ppg. The casing is considered to be evacuated for collapse purposes. Collapse strength is based on the Westcott, Dunlop & Kemler method of biaxial correction for tension.

In addition, burst strength is biaxially adjusted for tension.

Engineering responsibility for use of this design will be that of the purchaser.

Well name:
 Operator: **Devon Energy**
 String type: **Production**
 Location: **New Mexico**

Cuesta Abajo 26 Federal # 1

Design parameters:

Collapse

Mud weight: 10.800 ppg
 Design is based on evacuated pipe.

Minimum design factors:

Collapse:

Design factor 1.125

Burst:

Design factor 1.00

Environment:

H2S considered? No
 Surface temperature: 75 °F
 Bottom hole temperature: 234 °F
 Temperature gradient: 1.40 °F/100ft
 Minimum section length: 500 ft

Cement top: 5,040 ft

Burst

Max anticipated surface pressure: 5,006 psi
 Internal gradient: 0.120 psi/ft
 Calculated BHP 6,368 psi
 Annular backup: 8.34 ppg

Tension:

8 Round STC: 1.80 (J)
 8 Round LTC: 1.80 (J)
 Buttress: 1.60 (J)
 Premium: 1.50 (J)
 Body yield: 1.60 (B)

Non-directional string.

Tension is based on air weight.

Neutral point: 9,491 ft

Run Seq	Segment Length (ft)	Size (in)	Nominal Weight (lbs/ft)	Grade	End Finish	True Vert Depth (ft)	Measured Depth (ft)	Drift Diameter (in)	Est. Cost (\$)
1	11350	5.5	17.00	HCP-110	LT&C	11350	11350	4.767	74760
Run Seq	Collapse Load (psi)	Collapse Strength (psi)	Collapse Design Factor	Burst Load (psi)	Burst Strength (psi)	Burst Design Factor	Tension Load (kips)	Tension Strength (kips)	Tension Design Factor
1	6368	8580	1.35	5006	11858	2.37	192.9	445	2.31 J

Prepared by: Don Culpepper
 by: Devon Energy

Phone: 405.552.7944

Date: August 9, 2004
 Oklahoma City, Oklahoma

Remarks:

Collapse is based on a vertical depth of 11350 ft, a mud weight of 10.8 ppg. The casing is considered to be evacuated for collapse purposes. Collapse strength is based on the Westcott, Dunlop & Kemler method of biaxial correction for tension.

In addition, burst strength is biaxially adjusted for tension.

Engineering responsibility for use of this design will be that of the purchaser.

Well name:
 Operator: **Devon Energy**
 String type: **Production: Frac**
 Location: **New Mexico**

Cuesta Abajo 26 Federal # 1

Design parameters:

Collapse

Mud weight: 9.800 ppg
 Design is based on evacuated pipe.

Minimum design factors:

Collapse:

Design factor 1.125

Burst:

Design factor 1.00

Environment:

H2S considered? No
 Surface temperature: 75 °F
 Bottom hole temperature: 234 °F
 Temperature gradient: 1.40 °F/100ft
 Minimum section length: 500 ft

Cement top: 5,040 ft

Burst

Max anticipated surface pressure: 8,426 psi
 Internal gradient: 0.120 psi/ft
 Calculated BHP 9,788 psi
 Annular backup: 8.34 ppg

Tension:

8 Round STC: 1.80 (J)
 8 Round LTC: 1.80 (J)
 Buttress: 1.60 (J)
 Premium: 1.50 (J)
 Body yield: 1.60 (B)

Non-directional string.

Tension is based on air weight.

Neutral point: 9,663 ft

Run Seq	Segment Length (ft)	Size (in)	Nominal Weight (lbs/ft)	Grade	End Finish	True Vert Depth (ft)	Measured Depth (ft)	Drift Diameter (in)	Est. Cost (\$)
1	11350	5.5	17.00	HCP-110	LT&C	11350	11350	4.767	74760
Run Seq	Collapse Load (psi)	Collapse Strength (psi)	Collapse Design Factor	Burst Load (psi)	Burst Strength (psi)	Burst Design Factor	Tension Load (kips)	Tension Strength (kips)	Tension Design Factor
1	5778	8580	1.48	8426	11873	1.41	192.9	445	2.31 J

Prepared Don Culpepper
 by: Devon Energy

Phone: 405.552.7944

Date: August 9, 2004
 Oklahoma City, Oklahoma

Remarks:

Collapse is based on a vertical depth of 11350 ft, a mud weight of 9.8 ppg. The casing is considered to be evacuated for collapse purposes. Collapse strength is based on the Westcott, Dunlop & Kemler method of biaxial correction for tension.

In addition, burst strength is biaxially adjusted for tension.

Engineering responsibility for use of this design will be that of the purchaser.

BLM Lease Number: NM-112253
Company Reference: Devon Energy
Well No. & Name: Cuesta Abajo 26 Fed. #1

STANDARD STIPULATIONS FOR PERMANENT RESOURCE ROADS
CARLSBAD FIELD OFFICE

A copy of the grant and attachments, including stipulations and map, will be on location during construction. BLM personnel may request to view a copy of your permit during construction to ensure compliance with all stipulations.

The holder/grantee/permittee shall hereafter be identified as the holder in these stipulations. The Authorized Officer is the person who approves the Application for Permit to Drill (APD) and/or Right-of-Way (ROW).

GENERAL REQUIREMENTS

A. The holder shall indemnify the United States against any liability for damage to life or property arising from the occupancy or use of public lands under this grant.

B. The holder shall comply with all applicable Federal laws and regulations existing or hereafter enacted or promulgated. In any event, the holder shall comply with the Toxic Substances Control Act of 1976, as amended (15 U.S.C. 2601, *et. seq.*) with regard to any toxic substances that are used, generated by or stored on the right-of-way or on facilities authorized by this grant. (See 40 CFR, Part 702-799 and especially, provisions on polychlorinated biphenyls, 40 CFR 761.1-761.193.) Additionally, any release of toxic substances (leaks, spills, etc.) in excess of the reportable quantity established by 40 CFR, Part 117 shall be reported as required by the Comprehensive Environmental Response, Compensation and Liability Act, Section 102b. A copy of any report required or requested by any Federal agency or State government as a result of a reportable release or spill of any toxic substances shall be furnished to the Authorized Officer concurrent with the filing of the reports to the involved Federal agency or State government.

C. The holder agrees to indemnify the United States against any liability arising from the release of any hazardous substance or hazardous waste (as these terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. 9601, *et. seq.* or the Resource Conservation and Recovery Act, 42 U.S.C. 6901, *et. seq.*) on the right-of-way (unless the release or threatened release is wholly unrelated to the right-of-way holder's activity on the right-of-way). This agreement applies without regard to whether a release is caused by the holder, its agent, or unrelated third parties.

D. If, during any phase of the construction, operation, maintenance, or termination of the road, any oil or other pollutant should be discharged, impacting Federal lands, the control and total removal, disposal, and cleaning up of such oil or other pollutant, wherever found, shall be the responsibility of the holder, regardless of fault. Upon failure of the holder to control, dispose of, or clean up such discharge on or affecting Federal lands, or to repair all

damages to Federal lands resulting therefrom, the Authorized

Officer may take such measures as deemed necessary to control and cleanup the discharge and restore the area, including, where appropriate, the aquatic environment and fish and wildlife habitats, at the full expense of the holder. Such action by the Authorized Officer shall not relieve the holder of any liability or responsibility.

E. The holder shall minimize disturbance to existing fences and other improvements on public domain surface. The holder is required to promptly repair improvements to at least their former state. Functional use of these improvements will be maintained at all times.

The holder will make a documented good-faith effort to contact the owner of any improvements prior to disturbing them. When necessary to pass through a fence line, the fence shall be braced on both sides of the passageway prior to cutting of the fence.

F. The Holder shall ensure that the entire right-of-way, including the driving surface, ditching and drainage control structures, road verges and any construction sites or zones, will be kept free of the following plant species: Malta starthistle, African rue, Scotch thistle and salt cedar.

Holder agrees to comply with the following stipulations:

1. ROAD WIDTH AND GRADE

The road will have a driving surface of 14 feet (all roads shall have a minimum driving surface of 12 feet, unless local conditions dictate a different width). The maximum grade is 10 percent unless the box below is checked. Maximum width of surface disturbance from construction will be 30 feet.

☐ Those segments of road where grade is in excess of 10% for more than 300 feet shall be designed by a professional engineer.

2. CROWNING AND DITCHING

Crowning with materials on site and ditching on one side of the road on the uphill side will be required. The road cross-section will conform to the cross section diagrams in Figure 1. If conditions dictate, ditching may be required for both sides of the road; if local conditions permit, a flat-bladed road may be considered (if these conditions exist, check the appropriate box below). The crown shall have a grade of approximately 2% (i.e., 1" crown on a 12' wide road).

☒ Ditching will be required on both sides of the roadway as shown on the attached map or as staked in the field.

☐ Flat-blading is authorized on segment(s) delineated on the attached map.

5. DRAINAGE

Drainage control shall be ensured over the entire road through the use of borrow ditches, outsloping, insloping, natural rolling topography, lead-off (turnout) ditches, culverts, and/or drainage dips.

A. All lead-off ditches shall be graded to drain water with a 1 percent minimum to 3 percent maximum ditch slope. The spacing interval for lead-off ditches shall be determined according to the following table, but may be amended depending upon existing soil types and centerline road slope (in %):

SPACING INTERVAL FOR TURNOUT DITCHES

Percent slope	Spacing interval
0% - 4%	400' - 150'
4% - 6%	250' - 125'
6% - 8%	200' - 100'
8% - 10%	150' - 75'

A typical lead-off ditch has a minimum depth of 1 foot below and a berm 6 inches above natural ground level. The berm will be on the down-slope side of the lead-off ditch. The ditch end will tie into vegetation whenever possible.

For this road the spacing interval for lead-off ditches shall be at

☐ foot intervals.

☒ 200 foot intervals.

☐ locations staked in the field as per spacing intervals above.

☐ locations delineated on the attached map.

B. Culvert pipes shall be used for cross drains where drainage dips or low water crossings are not feasible. The minimum culvert diameter must be 18 inches. Any culvert pipe installed shall be of sufficient diameter to pass the anticipated flow of water. Culvert location and required diameter are shown on the attached map (Further details can be obtained from the Roswell District Office or the appropriate Resource Area Office).

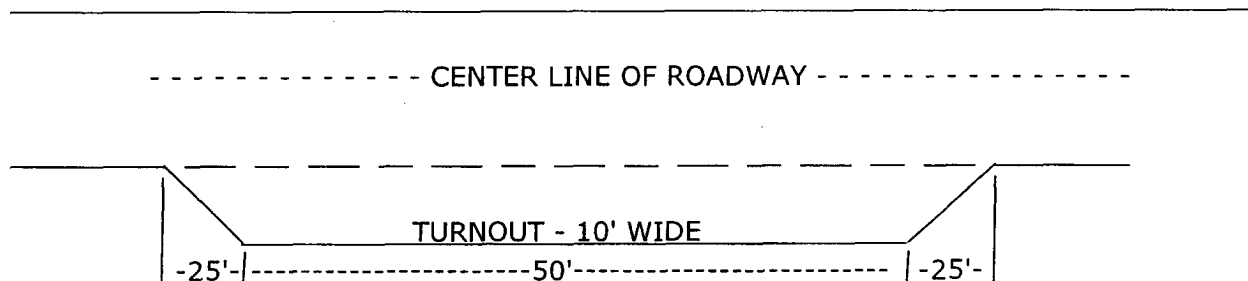
C. On road slopes exceeding 2%, drainage dips shall drain water into an adjacent lead-off ditch. Drainage dip location and spacing shall be determined by the formula:

$$\text{spacing interval} = \frac{400'}{\text{road slope in \%}} + 100'$$

Example: 4% slope: spacing interval = $\frac{400}{4} + 100 = 200$ feet

TURNOUTS

Unless otherwise approved by the Authorized Officer, vehicle turnouts will be required. Turnouts will be located at 2000-foot intervals, or the turnouts will be intervisible, whichever is less. Turnouts will conform to the following diagram:



STANDARD TURNOUT - PLAN VIEW

5. SURFACING

Surfacing of the road or those portions identified on the attached map may, at the direction of the Authorized Officer, be required, if necessary, to maintain traffic within the right-of-way with caliche, gravel, or other surfacing material which shall be approved by the Authorized Officer. When surfacing is required, surfacing materials will be compacted to a minimum thickness of six inches with caliche material. The width of surfacing shall be no less than the driving surface. Prior to using any mineral materials from an existing or proposed Federal source, authorization must be obtained from the Authorized Officer.

A sales contract for the removal of mineral materials (caliche, sand, gravel, fill dirt, etc.) from an authorized pit, site, or on location must be obtained from the BLM prior to using any such mineral material from public lands. Contact the BLM solid minerals staff for the various options to purchase mineral material.

6. CATTLEGUARDS

Where used, all cattleguard grids and foundation designs and construction shall meet the American Association of State Highway and Transportation Officials (AASHTO) Load Rating H-20, although AASHTO U-80 rated grids shall be required where heavy loads (exceeding H-20 loading), are anticipated (See BLM standard drawings for cattleguards). Cattleguard grid length shall not be less than 8 feet and width of not less than 14 feet. A wire gate (16-foot minimum width) will be provided on one side of the cattleguard unless requested otherwise by the surface user.

MAINTENANCE

The holder shall maintain the road in a safe, usable condition. A maintenance program shall include, but not be limited to blading, ditching, culvert installation, culvert cleaning, drainage installation, cattleguard maintenance, and surfacing.

8. PUBLIC ACCESS

Public access along this road will not be restricted by the holder without specific written approval being granted by the Authorized Officer. Gates or cattleguards on public lands will not be locked or closed to public use unless closure is specifically determined to be necessary and is authorized in writing by the Authorized Officer.

9. CULTURAL RESOURCES

Any cultural and/or paleontological resource (historic or prehistoric site or object) discovered by the holder, or any person working on the holder's behalf, on public or Federal land shall be immediately reported to the authorized officer. The holder shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the authorized officer. An evaluation of the discovery will be made by the authorized officer to determine appropriate actions to prevent the loss of significant cultural or scientific values. The holder will be responsible for the cost of evaluation and any decision as to the proper mitigation measures will be made by the authorized officer after consulting with the holder.

10. SPECIAL STIPULATIONS: None.

SPECIAL DRILLING STIPULATIONS

THE FOLLOWING DATA IS REQUIRED ON THE WELL SIGN

Operator's Name Devon Energy Production Company LP Well Name & No. Cuesta Abajo 26 Fed. #1
Location 1500 F N L & 660 F E L Sec. 26, T. 22 S, R. 25 E.
Lease No. NM-112253 County Eddy State New Mexico

The Special stipulations check marked below are applicable to the above described well and approval of this application to drill is conditioned upon compliance with such stipulations in addition to the General Requirements. The permittee should be familiar with the General Requirements, a copy of which is available from a Bureau of Land Management office. EACH PERMITTEE HAS THE RIGHT OF ADMINISTRATIVE APPEAL TO THESE STIPULATIONS PURSUANT TO TITLE 43 CRF 3165.3 AND 3165.4.

This permit is valid for a period of one year from the date of approval or until lease expiration or termination whichever is shorter.

I. SPECIAL ENVIRONMENT REQUIREMENTS

- ☐ Lesser Prairie Chicken (stips attached) ☐ Flood plain (stips attached)
☐ San Simon Swale (stips attached) ☒ Other **See attached Cave/Karst and Visual Resources Stipulations**

II. ON LEASE - SURFACE REQUIREMENTS PRIOR TO DRILLING

☒ The BLM will monitor construction of this drill site. Notify the ☒ Carlsbad Field Office at (505) 234-5972 ☐ Hobbs Office (505) 393-3612, at least 3 working days prior to commencing construction.

☒ Roads and the drill pad for this well must be surfaced with 6 inches of compacted caliche upon completion of well and it is determined to be a producer.

☐ All topsoil and vegetation encountered during the construction of the drill site area will be stockpiled and made available for resurfacing of the disturbed area after completion of the drilling operation. Topsoil on the subject location is approximately _____ inches in depth. Approximately _____ cubic yards of topsoil material will be stockpiled for reclamation.

☒ Other. **V-Door West (Cuttings pit to the South).**

III. WELL COMPLETION REQUIREMENTS

☐ A Communitization Agreement covering the acreage dedicated to the well must be filed for approval with the BLM. The effective date of the agreement must be prior to any sales.

☒ Surface Restoration: If the well is a producer, the cuttings pit(s) will be backfilled when dry, and cut-and-fill slopes will be reduced to a slope of 3:1 or less. All areas of the pad not necessary for production must be re-contoured to resemble the original contours of the surrounding terrain, and topsoil must be re-distributed and re-seeded with a drill equipped with a depth indicator (set at depth of 1/2 inch) with the following seed mixture, in pounds of Pure Live Seed (PLS), per acre.

- | | |
|--|--|
| <input type="checkbox"/> A. Seed Mixture 1 (Loamy Sites)
Side Oats Grama (<i>Bouteloua curtipendula</i>) 5.0
Sand Dropseed (<i>Sporobolus cryptandrus</i>) 1.0 | <input type="checkbox"/> B. Seed Mixture 2 (Sandy Sites)
Sand Dropseed (<i>Sporobolus crptandrus</i>) 1.0
Sand Lovegrass (<i>Eragostis trichodes</i>) 1.0
Plains Bristlegrass (<i>Setaria magrostachya</i>) 2.0 |
| <input checked="" type="checkbox"/> C. Seed Mixture 3 (Shallow Sites)
Side oats Grama (<i>Boute curtipendula</i>) 1.0 | <input type="checkbox"/> D. Seed Mixture 4 (Gypsum Sites)
Alkali Sacaton (<i>Sporobollud airoides</i>) 1.0
Four-Wing Saltbush (<i>Atriplex canescens</i>) 5.0 |

☐ OTHER SEE ATTACHED SEED MIXTURE

Seeding should be done either late in the fall (September 15 - November 15, before freeze up, or early as possible the following spring to take advantage of available ground moisture.

☐ Other.

PIT CONSTRUCTION STANDARDS

The reserve pit shall be constructed entirely in cut material and lined with 6 mil plastic. Mineral material extracted from within the boundary of the APD during construction of the well pad and reserve pits and be used for the construction of this well pad and its immediate access road only, as long as that portion of the access road it is use on remains on-lease. Removal of any additional material from this location for construction or improvement of other well pads and other access or lease roads must first be purchased from BLM.

Reclamation: Reclamation of this type of deep pit will consist of pushing the pit walls into the pit when sufficiently dry to support track equipment. The pit liner is NOT TO BE RUPTURED to facilitate drying; a ten month period after completion of the well is allowed for drying of the pit contents.

The pit area must be contoured to the natural terrain with all contaminated drilling mud buried with at least 3 feet of clean soil. The reclaimed area will then be seeded as specified in this permit.

OPTIONAL PIT CONSTRUCTION STANDARDS

The reserve pit may be constructed in predominantly fill material if:

- (1) Lined as specified above and
- (2) A temporary or emergency pit may be constructed immediately adjacent to the reserve pit as long as the pit remains within the APD boundary. Mineral material removed from this pit may be used for the construction of this well pad only and its immediate access road, as long as that portion of the access road the material is used on remains on-lease. Removal of any material from the APD boundary for use on other well locations or roads must first be purchased from BLM.

Reclamation of the reserve pit consists of bulldozing all reserve pit contents and contaminants into the borrow pit and covering with a minimum of 3 feet of clean soil material. The entire area must be recontoured, all trash removed, and reseeded as specified in this permit.

CULTURAL

Whether or not an archaeological survey has been completed and notwithstanding that operations are being conducted as approved, the lessee/operator/grantee shall notify the BLM immediately if previously unidentified cultural resources are observed during surface disturbing operations. From the time of the observation, the lessee/operator/grantee shall avoid operations that will result in disturbance to these cultural resources until directed to processed by BLM.

TRASH PIT STIPS

All trash, junk, and other waste material shall be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not permitted.

**Conditions of Approval
for
Cave/Karst and Visual Resources on
Devon Energy Production Company LP
Lease #'s NM 112253**

**Cuesta Abajo 26 Fed. #1
1500 FNL & 660 FEL, Section 26, T. 22S., R. 25 E.**

Surface Mitigation

The following stipulations will be applied to minimize impacts during construction, drilling and production.

1. Any tank batteries will be bermed and be large enough to contain any spills that may occur. Tank batteries will be lined with a permanent 12 mil. or thicker plastic liner.
2. All above-ground structures will be less than 8 feet high and be painted a non-reflective (flat) Juniper Green.

Subsurface Mitigation

The following stipulations will be applied to protect cave/karst resources and ground water concerns.

1. Rotary drilling techniques in cave or karst areas will include the use of fresh water as a circulating medium in zones where caves or karst are expected (at a minimum of 3,000 feet). Below those zones, the operator may use whatever drilling fluid is approved in the drilling plan.
2. All casing will meet or exceed National Association of Corrosion Engineers specifications pertaining to the geology of the location and be run to American Petroleum Institute and BLM standards.
3. A cave protection casing will be required. The cave-protection casing string would be set at least 100 feet below the deepest known cave-bearing zone as determined by drilling. See attached diagram as an example.
4. All casing strings will be cemented to the surface.
5. **Regardless of the type of drilling machinery used, if a bit drops of four feet or more and circulation losses greater than 75 percent occur simultaneously while drilling in any cave-bearing zone, drilling operations will immediately stop and the BLM will be notified by the Operator. In the event that such an incident occurs contact Jim Goodbar at 505 234-5929 or 505 236-1016 after hours and Jim Amos at (505) 234-5909 or 706-2775. The BLM will assess the consequences of the situation and work with Operator on corrective actions to resolve the problem. If corrective actions fail, the well will be plugged.**

Any corrective actions proposed to resolve problems related to bit drops or lost circulation will require BLM concurrence prior to implementation. A decision on how to proceed will be reached within 24 hours of notification.

6. Any blasting will be a phased and time delayed.
7. Upon well abandonment the well bore will be cemented completely from the top of the cave bearing zone to the surface.

Monitoring Production Operations

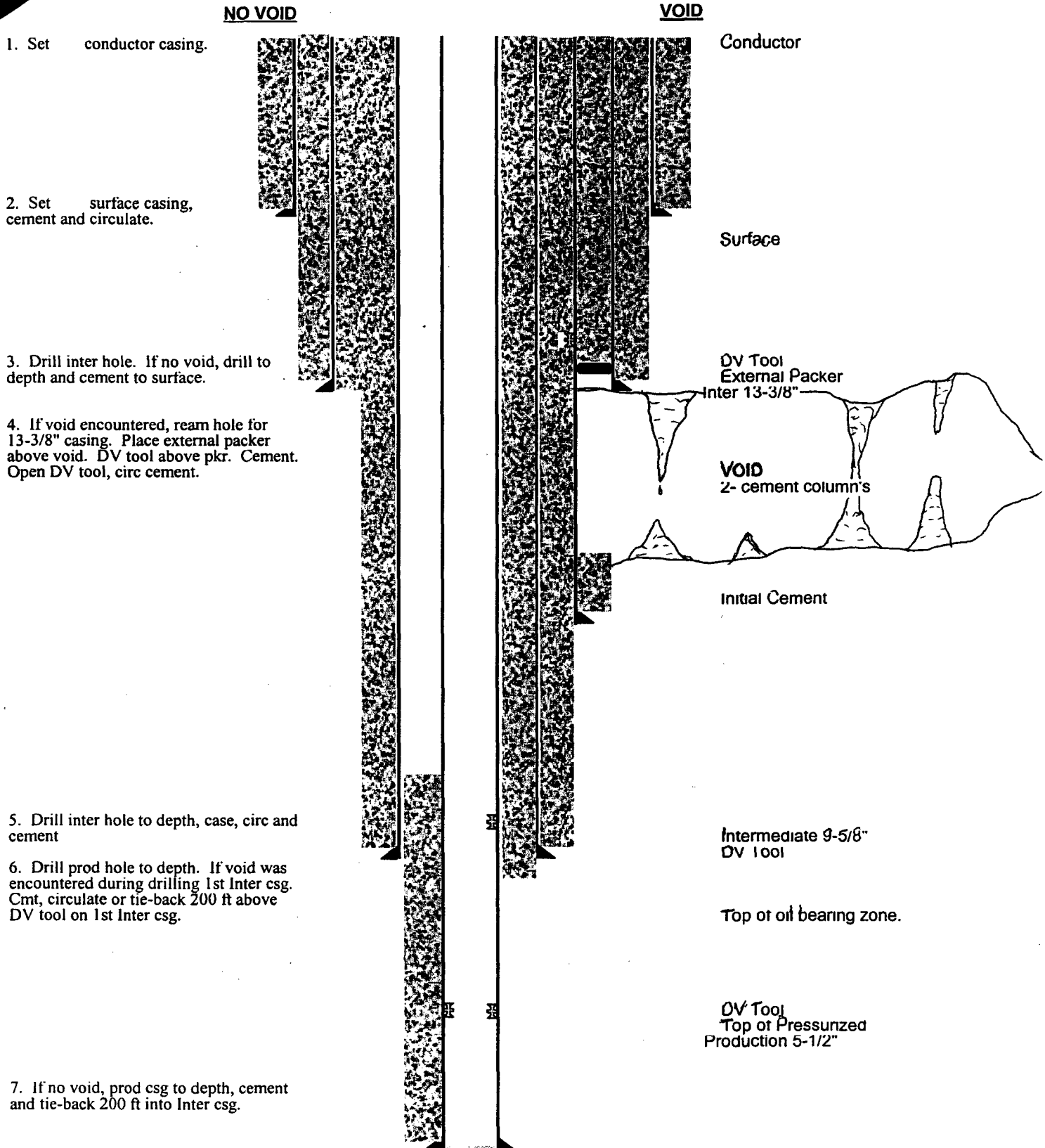
1. Annual pressure tests will be performed by the Operator on all casing annuli. If the test results indicated a casing failure, remedial actions approved by the BLM will be undertaken to correct the problem.

Record Keeping

1. The Operator will track customary drilling activities, including the rate of penetration, pump pressure, weight on bit, bit drops, percent of mud returns, and presence of absence of cuttings returning to the surface. As part of customary record keeping, each detectable void or sudden increase in the rate of penetration not attributable to a change in the formation type should be documented and evaluated as it is encountered.
2. The BLM may review data held by companies on wells drilled in cave or karst areas, to gain information about impacts to caves and karst. This information will be used to categorize lost-circulation zones on the basis of depth, relative volume, and severity, and to evaluate and compare the relative success or failure of different remedies attempted to combat lost-circulation problems while drilling and cementing casing in these zones. This information also will be used to update information about the occurrence of cave and karst features. Information concerning cave resources gathered during drilling will be submitted and be retained by the BLM in accordance with The Carlsbad Field Office Cave Management Plan and the regulations implementing the Federal Cave Resources Protection Act.

WELLBORE SCHEMATIC

"CAVE PROTECTION"



CONDITIONS OF APPROVAL - DRILLING

Operator's Name: DEVON ENERGY PRODUCTION CO LP
Well Name & No. 1 – CUESTA ABAJO 26 FEDERAL
Location: 1500' FNL & 660' FEL – SEC 26 – T22S – R25E – EDDY COUNTY
Lease: NM-112253

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Roswell Field Office, 2909 West Second St., Roswell NM 88201, (505) 627-0272 for wells in Chaves and Roosevelt Counties; the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 234-5909 or (505) 361-2822 (After hours) - for wells in Eddy County; and the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612 for wells in Lea County, in sufficient time for a representative to witness:

A. Spudding

B. Cementing casing: 13-3/8 inch 9-5/8 inch 5-1/2 inch

C. BOP tests

2. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

3. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.

4. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

II. CASING:

1. The 13-3/8 inch surface casing shall be set at 500 feet, below usable water and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

2. The minimum required fill of cement behind the 9-5/8 inch intermediate casing is circulate cement to the surface. Note: 9-5/8" intermediate casing will be set at 2250 feet using fresh water from surface to 2250 feet.

4. The minimum required fill of cement behind the 5-1/2 inch production casing is cement shall extend upward a minimum of 500 feet above the uppermost hydrocarbon bearing interval.

(ORIG. SGD.) LES BABYAK

III. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 13-3/8 inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.
2. Minimum working pressure of the blowout preventer and related equipment (BOPE) required for drilling the surface and intermediate casing shall be 2000 psi. Minimum working pressure of the blowout preventer and related equipment (BOPE) required for drilling below the 9-5/8 inch casing shall be 5000 psi.
3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.
 - A variance to test the 2M BOP to the reduced pressure of 1215 psi with the rig pumps is approved.
 - The tests shall be done by an independent service company.
 - The results of the test shall be reported to the appropriate BLM office.
 - Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.
 - Testing must be done in a safe workman-like manner. Hard line connections shall be required.
 - BOPE must be tested prior to drilling into the Wolfcamp Formation by an independent service company.

IV. DRILLING MUD:

Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, shall be operating before drilling into the Wolfcamp Formation, and shall be used until production casing is run and cemented. Monitoring equipment shall consist of the following:

1. Recording pit level indicator to indicate volume gains and losses.
2. Mud measuring device for accurately determining the mud volumes necessary to fill the hole during trips.
3. Flow-sensor on the flow line to warn of abnormal mud returns from the well.

CITY OF CARLSBAD
P. O. BOX 1569
CARLSBAD, NM 88221

OIL, GAS, PIPELINE

APPLICATION FOR PERMIT/LICENSE

A separate application shall be required for each well, trunkline pipeline and each water or gas repressurizing or injection facility.

INSIDE CITY LIMITS

- ☐ Drill Well
- ☐ Re-enter/Deepen Existing Well
- ☐ Water/Gas Repressurizing/Injection Facility
- ☐ Construct/Operate Pipeline

IN WELLHEAD PROTECTION AREA

- ☒ Drill Well
- ☐ Re-enter/Deepen Existing Well
- ☐ Water/Gas Repressurizing/injection Facility
- ☐ Construct/Operate Pipeline
- ☐ Crossing City Water Facilities

Applicant Name: Devon Energy Production Company, L.P.		Filing Date: 11/10/04
If not Corporation, name of local Agent:		
If Corporation, Name of Registered Agent: Ken Gray		
Telephone number(s): 405-552-4633		
Applicant Address: 20 N. Broadway		City, State, Zip Code: Oklahoma City, OK 73102
Proposed site (including location of gathering lines, crossings, etc.): 600' x 600' drill pad for the Cuesta Abajo 26 Fed Com #1 located 1500' FNL & 660' FEL of Section 26-T22S-R25E Eddy County, New Mexico, along with a 3,022' access road from existing road servicing the Filaree 25C Fed Com #1 located in Unit letter C of Section 25-T22S-R25E.		
Name of lease owner: Devon Energy Production Company, L.P.		
Accurate description of location (with legal description of all acreage dedicated to well or legal description of easements to be used by pipeline, crossing, etc.): See attached State of New Mexico form C-102.		
Location with respect to property lines, right-of-way boundaries, and surface contours: See attached Basin Surveys topographic map		
If in City limits, identify location of public notice signage: N/A		

Application continues on reverse side

Note: Attach all applications and forms submitted to or received from OCD, State Land Office, and/or BLM, as applicable.

RECEIVED

FEB 22 2005

ROBERTA

Ground elevation at well site: 3531'; See attached Basin Surveys plat	
Type of derrick, if applicable: Rotary rig with a pyramid 137', 571,000 lb. capacity temporary jackknife derrick	
Proposed depth of well or pipeline: 11,350'	
Detailed explanation of operating pressures of pipelines and facilities: N/A	
Location and operating characteristics of compressor, compressor control or safety devices: N/A	
Typed or printed name of Emergency Contact with telephone number(s): Cecil Thurmond Office 505-748-0171 Cell 505-748-7180	
Have you attached a current certified financial statement: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No On file with regulatory agencies	

Signature of authorized agent:	Date: 11/10/04
Typed or Printed name of authorized agent: Ken Gray	

This application shall be filed with the City Administrator and accompanied by a filing fee of \$500.00 in cash, company check, cashier's check or certified check made payable to the City of Carlsbad.

☐ Cash, Company check, Cashier's check, or Certified check accompanies application.

License: ☒ Preliminary Approval

Date: 2-21-05

City Administrator

☐ Final Approval

Date: _____

City Administrator

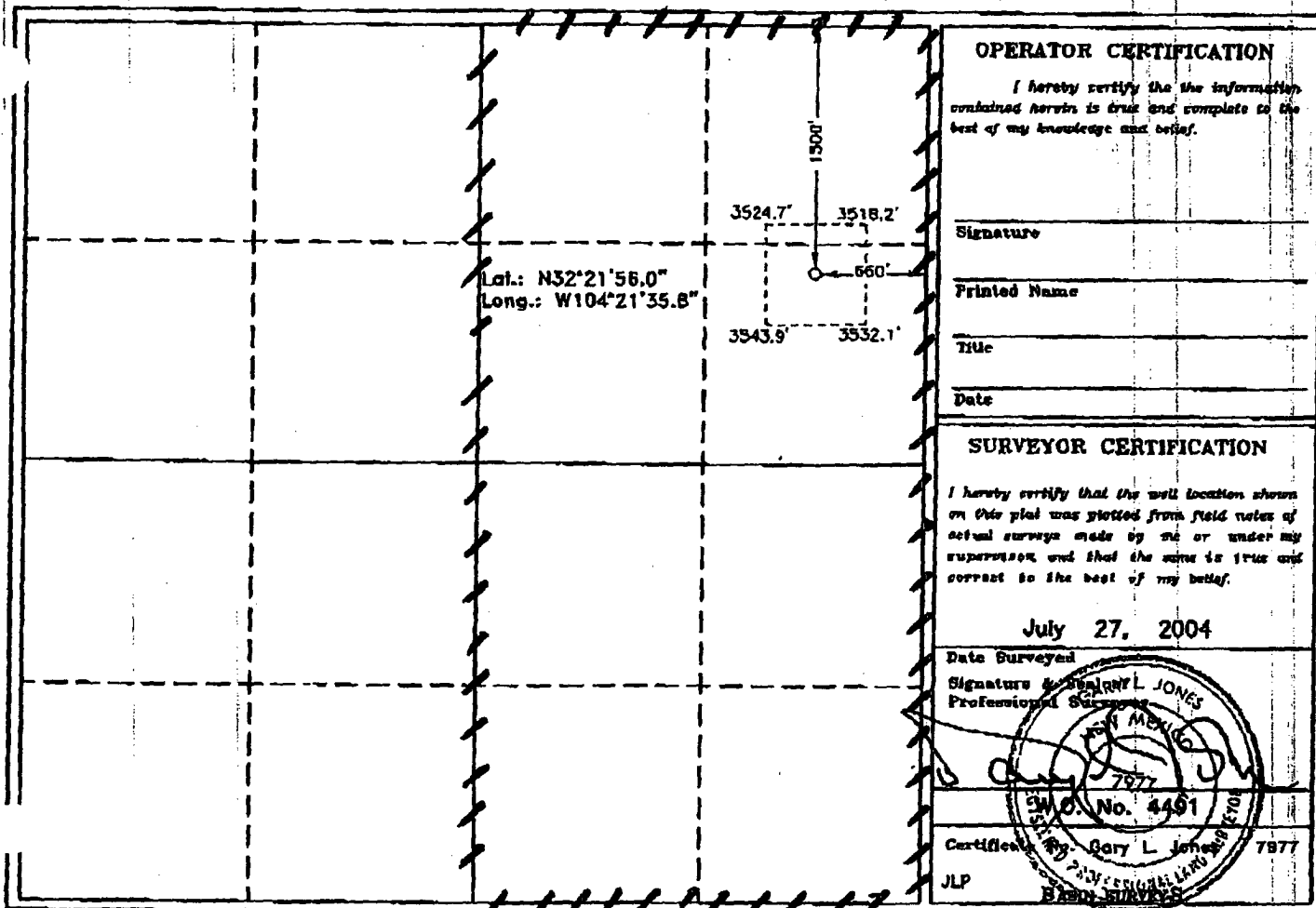
Permit: ☐ Approved ☐ Disapproved by Council Date: _____

This Permit incorporates by reference and requires compliance with all applicable City Ordinances and regulations, and all applicable laws, rules, regulations and requirements of the Oil Conservation Commission, the Oil Conservation Division, the State Land Office and the Bureau of Land Management.

City Administrator

Date

□ AMENDED REPORT



PRELIMINARY APPROVAL ADDENDUM

Applicant

Devon Energy Production Company, L.P.

Well Name

Cuesta Abajo 26 Fed Com #1

One condition of Preliminary Approval is that Devon Energy shall submit a revised detailed drilling program. ~~That program shall include all required items, including, but not limited to the~~ modifications described in the Review of Permit Application attached hereto. Those modifications include:

1. Surface casing must extent to the top of the freshwater-bearing strata. Devon's casing plan to set surface casing to 500 feet may need to be adjusted in the field, according to what is encountered during drilling.
2. Due to the possibility of cross contamination, John Simits of BLM recommends the intermediate casing string should be set to 2,250 feet. This is acceptable to the City.
3. Devon must state the expected bottom of the brine water-bearing strata. The third casing must extend a minimum of 100 feet below that bottom.
4. No brine shall be used in the drilling process for the surface and intermediate casing strings.
5. Devon must specify the use of a closed mud system in its drilling plan.
6. Devon has already submitted to the City's Inspector its:
 - Hydrogen sulfide contingency plan
 - OCD Pit Registration (form C-144)
 - Well abandonment and capping plans

February 15, 2005

Mr. Jon Tully
City Administrator
City Of Carlsbad
PO Box 1569
Carlsbad, New Mexico 88221

Re: Permit Application from Devon Energy, for Cuesta Abajo "26" FED COM #1 Well

Dear Mr. Tully:

We have completed our review of the above-referenced permit application. The permit application submitted was for drilling of an oil and gas well located within the "Significant Impact Zone" of the Sheep Draw Wellhead Protection Area. Therefore, permit issuance by the City of Carlsbad is required before oil and gas operations begin.

The review was based on the City of Carlsbad's requirements for oil and gas industry operations within the jurisdiction of the City. Observations and recommendations are based on correlations of regulatory authority prescribed by city ordinances, applicable federal and state regulations, and standard oilfield operating practices.

The review revealed that the permit application is complete. In general, the information provided met the requirements of Carlsbad City Ordinance 2000-13, Bureau of Land Management and generally accepted standard oilfield operation practices. A listing of the review process involved application's deficiencies and appropriate response is attached for your review. Our recommendation is that the City of Carlsbad issue a permit for this location.

If you have any questions or need anything further on this matter, do not hesitate to contact me at 505-268-2661.

Sincerely,

Dave Henard
Project Geologist

DAH:pas

Enclosure

cc: Ms. Eileen Riordan, City Attorney, City of Carlsbad
Project Central File 1520 — Category K

REVIEW OF PERMIT APPLICATION
Petroleum Drilling Permit Application Review
For the City of Carlsbad, New Mexico

Devon Energy Cuesta Abajo 26 Fed Com #1

RESPEC Inc., FEBRUARY 15, 2005

Permit approval is contingent on the following items:

- *Permit application includes plans for drilling, not for production. Permit approval will be for drilling only. Compliance with Ordinance No. 2000-13 Section 5(D) must be demonstrated before production facilities are constructed.*
- *Permit approval is contingent on BLM approval.*
- *Permit approval is contingent on applicant paying all required fees and bonding.*
- *Permit approval is contingent on correction of deficiencies noted below.*
- *Submittal of revised detailed drilling program.*
- *Drilling operations will be monitored by field inspection for compliance.*

The following items in the drilling plan are deficient with respect to the City of Carlsbad Ordinance No. 2000-13, City of Carlsbad Wellhead and Water Facilities Protection

† **Section 5. Wellhead Protection Areas**

- † Section 5(B)(3)(b)(1)(b) The surface casing must extend to the top of the freshwater-bearing strata.

DEVON RESPONSE:

The City of Carlsbad Water Department tells us that the top of freshwater in the Sheep Draw capture area is about 426 feet below surface. The depth to freshwater will vary with location and elevation. Devon's casing plan to set surface casing to 500 feet may need to be adjusted in the field, according to what is encountered during drilling.

- † Section 5(B)(3)(b)(1)(c) The second casing must extend a minimum of 100 feet below the bottom of the freshwater-bearing strata.

DEVON RESPONSE

Devon's drilling plan to set intermediate casing to 2,500 feet is not sufficient. The Wellhead Protection Areas are defined as extending to a depth of 2,500 feet below the surface of the ground (Ordinance No. 2000-13, Section 3, Definition P). The intermediate casing string should be set to 2,600 feet.

Bureau of Land Management contacted RESPEC on February 9, 2005 in response to sundry report submitted by Devon per intermediate string casing design. Mr. John Simits with BLM reported concerns as to intermediate casing string depth. Discussion detailed expected subsurface geology that will be encountered during drilling of the Devon Cuesta well. In the depth interval at 2250' below ground surface the base of the Capitan Limestone will be encountered exposing mid and basal Delaware Group lithology. Brackish waters and oil and gas production may be encountered in sandstones and permeable limestones while drilling through mid and basal Delaware Formations. RESPEC concurs with BLM findings and intermediate casing program for this well due to the potential for cross contamination of brackish waters and/or oil and gas to the fresh water bearing Capitan Formation during drilling.

1 Section 5(B)(3)(b)(1)(d) The third casing must extend a minimum of 100 feet below the bottom of the brine water-bearing strata immediately underlying the freshwater-bearing strata.

DEVON RESPONSE:

Devon's drilling plan to set production casing to 11,350 probably complies, but the expected bottom of the brine water-bearing strata needs to be stated.

1 Section 5(B)(3)(b)(1)(f) Fresh, high quality water shall be used in the drilling process.

DEVON RESPONSE:

Devon's drilling plan specifies a combination of freshwater and brine for the depth interval of 500 to 2,500 feet. No brine shall be used in the drilling process for the surface and intermediate casing strings.

1 Section 5(B)(3)(b)(1)(g) No open pits, ponds, etc. shall be permitted (i.e. only closed mud systems).

DEVON RESPONSE

No mud pits are permitted in the City of Carlsbad Wellhead Protection areas. Devon must specify the use of a closed mud system in their drilling plan.

1 Section 5(B)(3)(b)(1)(h) All liquids shall be contained in a sealed reservoir.

DEVON RESPONSE

This needs to be specified in the drilling program.

- † Section 5(B)(3)(b)(1)(i) H₂S (hydrogen sulfide).

DEVON RESPONSE

Devon's drilling program states that there will be H₂S detection equipment and a contingency plan on location. H₂S contingency plan must be submitted with the City of Carlsbad drilling application.

- † Section 5(B)(3)(c)(1)(ii) A copy of all OCD permitting documentation.

DEVON RESPONSE

Include OCD Pit Registration (Form C-144).

- † Section 5(B)(3)(c)(2) The City Administrator, or designee, shall review the permit application for approval or disapproval. Permit applications not approved will be returned with an explanation as to the deficiencies found.

.Application to be returned with deficiencies noted

- † Section 5(D)(3) All abandoned wells must be capped and comply with all local, state, and federal regulations.

DEVON RESPONSE

Include plans for abandoning and capping well in the event this is needed.

105 S. 4th Str.
Artesia, NM 88210

**Yates Petroleum
Corporation**

Fax

To: Bryan Arrant From: Tim Bussell (505) 748-4221
Fax: 748 9720 Date: 2-22-04
Phone: _____ Pages: 2
Re: _____ CC: _____

☐ Urgent ☐ For Review ☐ Please Comment ☐ Please Reply ☐ Please Recycle

•Comments:

Bryan,

Cy asked me to fax this to you.

It is the Emergency Assistance Phone List
for the Artesia Airport CF Com. #3 Well.

Contact info. for Artesia Municipal Airport
and FIETC have been added.

Please call if you need anything else.

Tim Bussell

02/21/2005 15:57 5053924990

CALLAWAY SAFETY

PAGE 02

EMERGENCY ASSISTANCE TELEPHONE LIST**PUBLIC SAFETY**

Artesia P.D.	(505) 746-5000 or 911
Eddy County Sheriff's Department	(505) 746-9898 or 911
New Mexico State Police	(505) 749-9718 or 911
Artesia Fire Department	(505) 885-5050 or 911
New Mexico OCB (Tim Gum)	(505) 748-1283
New Mexico D.C.T.	(505) 827-5100
U.S. Dept. of Labor	(505) 248-5302

YATES PETROLEUM CORPORATION

Jim Krogman	Drilling Superintendent	(505) 748-4215 (office)
		(505) 365-8340 (mobile)
		(505) 746-2674 (home)
Tim Bussell	Assistant Drilling Sup.	(505) 748-4221 (office)
		(505) 365-5695 (mobile)
		(505) 746-2121 (home)

POTENTIALLY AFFECTED AREAS

Artesia Municipal Airport	(505) 746-3206
FLUTC (Gloria Vaught) Safety Chief	(505) 748-8056 (work)
	(505) 315-1113 (cellular)
	(505) 748-8136 (security)

SAFETY CONTRACTOR

Callaway Safety Equipment	(505) 382-2973 (mobile)
	(432) 561-5049 (Odessa)