



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

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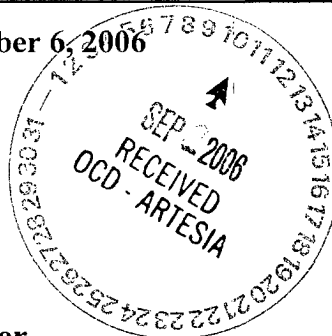
September 6, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

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



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

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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
