



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

October 16, 2006



Devon Energy Production Company, L.P.
c/o Mr. Ken Gray
20 North Broadway
Oklahoma City, OK 73102-8260

Administrative Order NSL-5468

30-015-35076

Re: Todd 23A Federal Well No. 38
Unit A, Section 23, Twsp 23S, Range 31E
Eddy County

Dear Mr. Gray:

Reference is made to the following:

(a) your application (**administrative application reference No. pTDS0-625551349**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on September 12, 2006, on behalf of Devon Energy Production Company, L.P. (Devon), and

(b) the Division's records pertinent to Devon's request.

Devon has requested to drill its proposed Todd 23A Federal Well No. 38 at an unorthodox Atoka gas well location, 660 feet from the North line and 860 feet from the East line (Unit A) of Section 23, Township 23 South, Range 31 East, N.M.P.M., in Eddy County, New Mexico. All of Section 23 will be dedicated to this well in the Atoka formation in order to form a standard 640-acre gas spacing unit in the Undesignated Sand Dunes-Atoka Gas Pool (**84600**). Spacing in this pool is governed by special pool rules provided in Order No. R-3917, adopted on February 3, 1970, which provide that a well shall be located at least 1650 feet from the outer boundary of a unit. The proposed location is only 660 and 860 feet, respectively, from the northern and eastern boundaries of the proposed unit.

Your application on behalf of Devon has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

It is our understanding that Devon is seeking this location exception based on its engineering and geological interpretation of the Atoka and Morrow formations in this area, which indicates that a well drilled at the proposed unorthodox location will probably be more economic than a well drilled at a standard Atoka location.

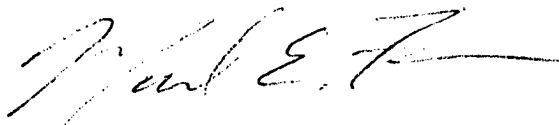
It is also understood the persons listed as "Affected Parties" in the attachment to your letter of August 11, 2006 directed "To Affected Parties," a copy of which was filed with your application, are all of the affected persons, as defined in Rule 1210.A(2), for all of the units towards which the proposed location encroaches.

Pursuant to the authority granted me under the provisions of Division Rule 104.F(2), the above-described unorthodox Atoka gas well location for Devon's Todd 23A Federal Well No. 38 is hereby approved.

THIS AUTHORIZATION IS CONDITIONED, however, such the Todd 23A Federal Well No. 38 shall not be produced until Devon has filed with the Division a Form C-103 Final Report showing that its Todd 23 J Federal Well No. 3 (API No. 30-015-24257), currently producing from the Atoka formation in this unit, has been either placed in approved temporary abandonment status or plugged as to the Atoka formation.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark E. Fesmire", with a stylized flourish at the end.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia
United States Bureau of Land Management - Carlsbad