Form 3160-3
(April 2004)

OCD-HOBBS

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

I-06-01

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.
NMNM-65194

6. If Indian, Allotee or Tribe Name

7. If Unit or CA Agreement, Name and No.

1a. Type of work: ☑ DRILL ☐ REENTER

1b. Type of Well: ☐ Oil Well ☑ Gas Well ☐ Other ☑ Single Zone ☐ Multiple Zone

8. Lease Name and Well No. (30876)
Paloma Blanco 17 Federal Com 2

2. Name of Operator
Devon Energy Production Company, LP (6137)

9. API Well No.
30-025-38024

3a. Address **20 North Broadway, Oklahoma City, Oklahoma City 73102-8260**

3b. Phone No. *(include area code)* **405-552-8198**

10. Field and Pool, or Exploratory
Morrow

4. Location of Well *(Report location clearly and in accordance with any State requirements.*)*
At surface **660 FSL & 1980 FWL**
At proposed prod. zone **660 FSL & 1980 FWL** Unit N

11. Sec., T. R. M. or Blk. and Survey or Area
Sec 17, T23S R34E

14. Distance in miles and direction from nearest town or post office*
20 miles west of Jal, NM

12. County or Parish **Lea County**

13. State **NM**

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 **632.280 acres**

17. Spacing Unit dedicated to this well **320 acres**

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.

19. Proposed Depth **13,850'**

20. BLM/BIA Bond No. on file

21. Elevations (Show whether DF, KDB, RT, GL, etc.) **3474' GL**

22. Approximate date work will start* **07/10/2005**

23. Estimated duration **55 days**

Received
JUL
HOBBS
OCD

24. Attachments

Capitan 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:

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

25. Signature

Name *(Printed/Typed)* **Norvella Adams**

Date **05/30/2005**

Title **Sr. Staff Eng. Tech**

Approved by *(Signature)* **/s/ Tony J. Herrell**

Name *(Printed/Typed)* **/s/ Tony J. Herrell**

Date **JUL 13 2006**

Title **FIELD MANAGER**

Office **CARLSBAD FIELD OFFICE**

Application approval does not warrant or certify that 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.

(Instructions on page 2)

Witness Surface & Intermediate Casing

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240
DISTRICT II
811 South First, Artesia, NM 88210
DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410
DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

2040 South Pacheco
Santa Fe, New Mexico 87504-2088

Form C-102
Revised March 17, 1999

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
30-025-38024	71920	Bell Lake Morrow North (Gas)

Property Code	Property Name	Well Number
30876	PALOMA BLANCO "17" FEDERAL Com	2

OGRID No.	Operator Name	Elevation
6137	DEVON ENERGY PRODUCTION COMPANY LP	3474'

Surface Location

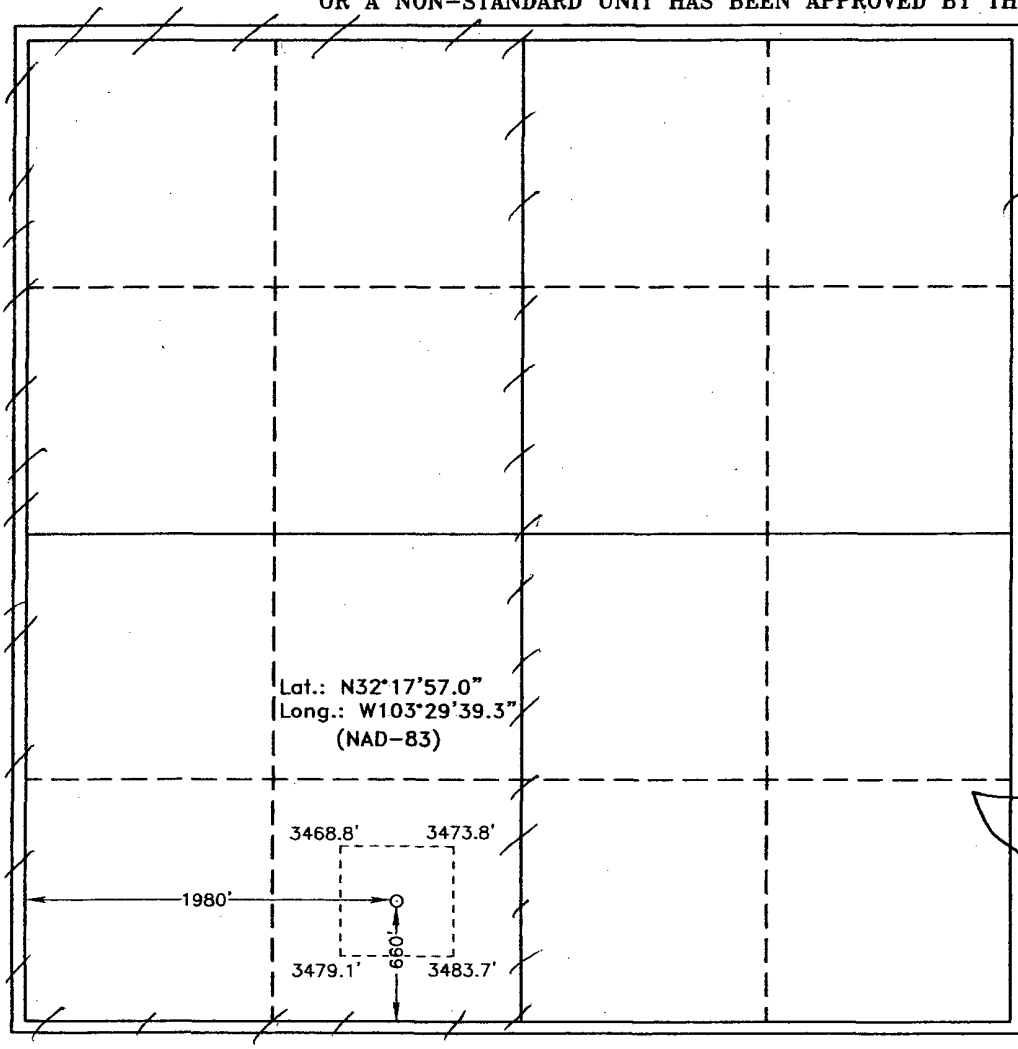
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	17	23 S	34 E		660	SOUTH	1980	WEST	LEA

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	Joint or Infill	Consolidation Code	Order No.
320			

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 hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.

Signature

Norvella Adams
Printed Name

Sr. Staff Eng. Tech.
Title

May 30, 2006
Date

SURVEYOR CERTIFICATION

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 supervison, and that the same is true and correct to the best of my belief.

MAY 12, 2006
Date Surveyed

Signature & Seal of Professional Surveyor

GARY L. JONES
NEW MEXICO
7977
REGISTERED PROFESSIONAL LAND SURVEYOR

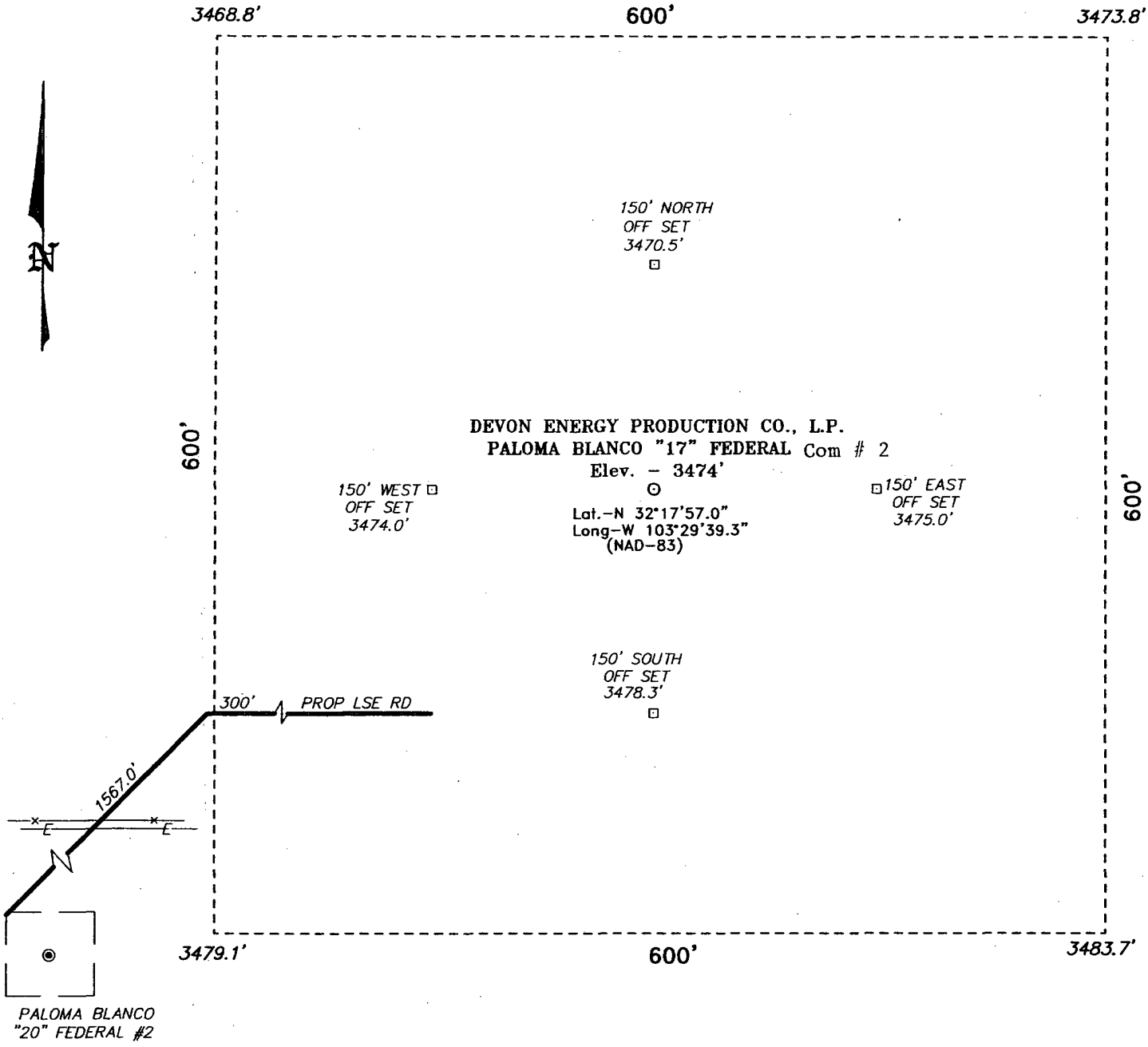
W.O. No. 6522

Certificate No. Gary L. Jones 7977

BASIN SURVEYS

SECTION 17, TOWNSHIP 23 SOUTH, RANGE 34 EAST, N.M.P.M.,

LEA COUNTY, **NEW MEXICO.**



100 0 100 200 FEET

SCALE: 1" = 100'

Directions to Location:

FROM THE JUNCTION OF STATE HWY 128 AND CO. RD. E-21, GO NORTH ON CO. RD. 779 FOR 4.9 MILE TO LEASE ROAD; THENCE EAST 0.1 MILE PAST RADIO TOWER TO A "Y"; PROCEED LEFT AT A NORTHLY DIRECTION 0.8 MILE TO PROPOSED LEASE ROAD AT THE PALOMA BLANCO "20" FEDERAL #2.

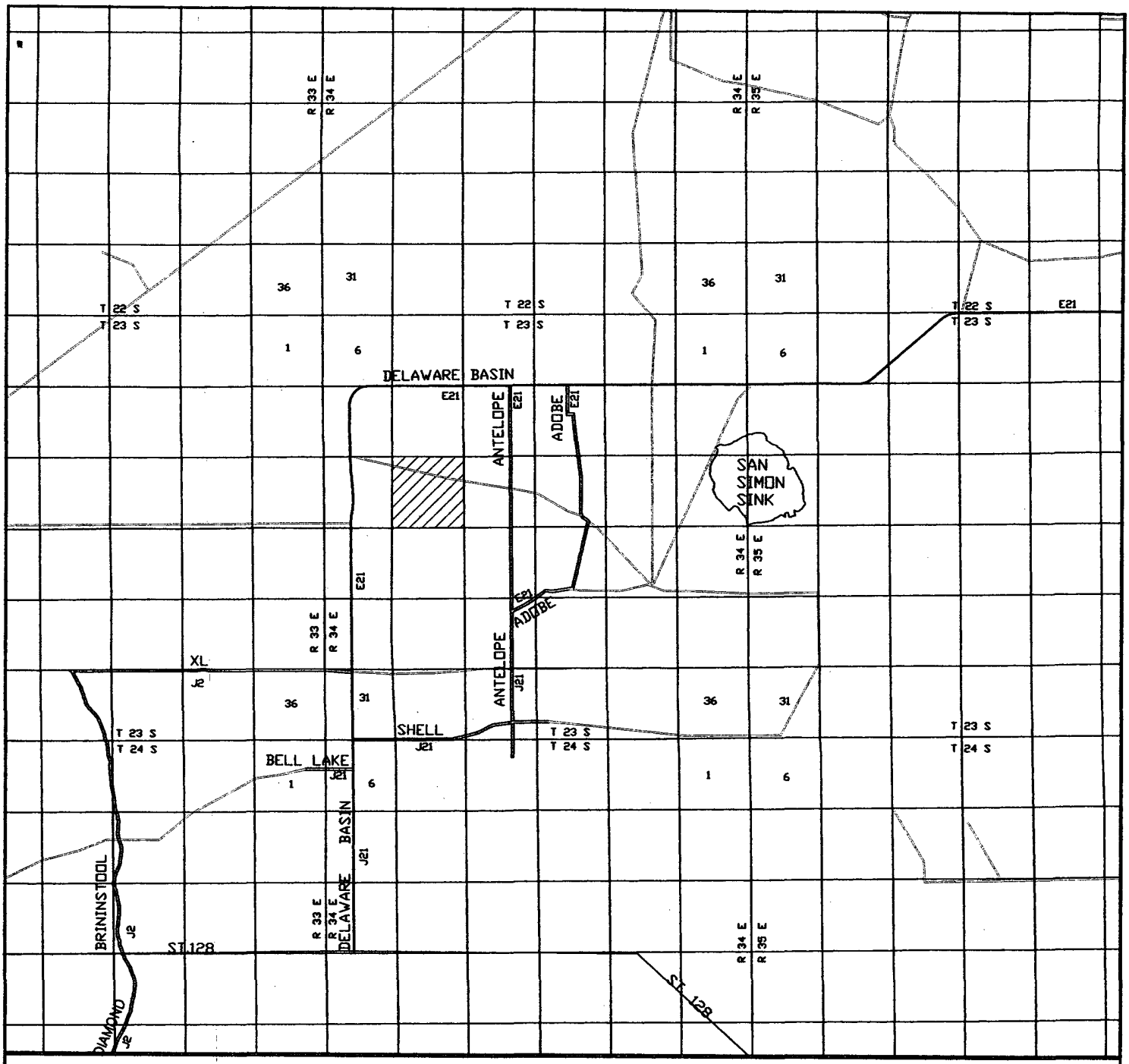
DEVON ENERGY PROD. CO., L.P.

REF: PALOMA BLANCO "17" FEDERAL #2 / WELL PAD TOPO

THE PALOMA BLANCO "17" FEDERAL #2 LOCATED 660' FROM THE SOUTH LINE AND 1980' FROM THE WEST LINE OF SECTION 17, TOWNSHIP 23 SOUTH, RANGE 34 EAST, N.M.P.M., LEA COUNTY, NEW MEXICO.

BASIN SURVEYS P.O. BOX 1786 - HOBBS, NEW MEXICO

W.O. Number: 6522	Drawn By: J. SMALL		
Date: 05-12-2006	Disk: JMS 6522W	Survey Date: 05-11-2006	Sheet 1 of 1 Sheets



PALOMA BLANCO "17" FEDERAL COM # 2
Located at 660' FSL AND 1980' FWL
Section 17, Township 23 South, Range 34 East, N.M.P.M., LEA County, New Mexico.

basin surveys
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:	6522T - JMS
Survey Date:	05-11-2006
Scale:	1" = 2000'
Date:	05-12-2006

DEVON ENERGY PROD. CO., L.P.

DRILLING PROGRAM

Devon Energy Production Company, LP
PALOMA BLANCO 17 FEDERAL COM 2
(N) 660' FSL & 1980' FWL, Section 17, T-23-S, R-34-E
Lea County, New Mexico

1. Geologic Name of Surface Formation

   Alluvium

2. Estimated Tops of Important Geologic Markers

Rustler	1,050'
Salt	4,454'
Delaware	5,000'
Bone Spring	8,600'
Wolfcamp	10,600'
Strawn	11,900'
Atoka	12,300'
Morrow	12,900'
TD	13,850'

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:	None expected in area
Oil	Bone Spring @ 9,100'
Gas:	Upper Morrow @ 13,100'

4. Casing Program

INTERVALS	LENGTH	CASING
Surface 0 – 1075'	1075	13 3/8" 48# H-40 STC
Intermediate 0 – 5000'	5000'	9 5/8" 40#N-80 & HCK-55 LT&C
Production 0 – 11800'	11800	7" 26# HCP-110 LTC
Liner 11800 – 13850'		4 1/2" 13.5# P-110 LTC

Witness Surface & Intermediate Casing

Cementing Program

HOLE SIZE	DEPTH	CEMENT	TOC	WOC HRS
Surface 17 ½"	1075'	**Lead:** 350 sxs 35/65 POZ + 6% gel + 1/4#/sx celloflk (12.7#/gal) **Tail:** 200 sxs Cl "C" + 2% CaCl2	Surf.	12
Intermediate 12 ¼"	5000'	**Lead:** 1200 sxs 50/50 POZ + 10% gel 5% salt +1/4#/sx celloflk (12.7#/gal)	Surf.	12
Production 8 3/4"	11,800	**Lead**: 300 sx Light **Tail:** 300 sx Class H	6000	24
Liner 6 1/8"	11,800 – 13,850	**Cmt w/250 sx Class H**		

The cement volumes for the 4 1/2" liner will be revised pending the caliper measurement from the open hole logs.

5. Minimum Specifications for Pressure Control

The blowout preventer equipment (BOP) shown in Exhibit #1 A Blow-out Preventer (5,000/10,000 PSI working pressure) consisting of double ram type preventor and bag type preventer. Units will be hydraulically operated. See Exhibit #2 for Choke Manifold and Closing Unit. Blind rams on top, pipe rams on bottom to 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 & blind ram will be worked on trips when no drill pipe is in hole. Full opening stabbing valve and upper Kelly cock will be utilized. Anticipated BHP 8000 psi and 190° BHT.

Pipe rams will be operated and checked each 24 hour period and each time the drill pipe is out of the hole. These functional tests will be documented on the daily drillers log. A 2" kill line and 3" choke line will be incorporated in the drilling spool below the ram-type BOP. Other accessory BOP equipment will include a kelly cock, floor safety valve, choke lines and choke manifold having 8000 psi WP rating.

6. Types and Characteristics of the Proposed Mud System

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

Depth	Type	Weight (ppg)	Viscosity (1/sec)	Water Loss (cc)
0' – 2000'	Fresh Water	8.5	40	No control
2000' – 5200'	Fresh Brine	10	28-30	No control
5200' – 12,000'	Cut Brine	9.0 – 9.2	28-30	No control
12,000' – TD	Cut Brine/Starch	9.8 – 13	38-40	6- 10

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.

8. Logging, Testing and Coring Program

A. Drill stem tests may be run on potential pay interval.

B. The open hole electrical logging program will be as follows.

1) DLL/MSFL/GR from total depth to base of intermediate casing.

2) CNL/LDT/GR from total depth to base of intermediate casing with CNL/GR to surface.

C. No coring program is planned.

D. Additional testing will be initiated subsequent to setting the 4 1/2" production liner. 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 190 degrees and maximum bottom hole pressure is 8000 psi. No Hydrogen sulfide or other hazardous gases or fluids have been encountered, reported or are known to exist at this depth in this area. No major loss circulation intervals have been encountered in adjacent wells.

10. Anticipated Starting Date and Duration of Operations

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 drilling operation should require approximately 55 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.

Attachment to Exhibit #1

NOTES REGARDING BLOWOUT PREVENTERS
Devon Energy Production Company, LP
PALOMA BLANCO 17 FEDERAL COM 2
(N) 660' FSL & 1980' FWL, Section 17, T-23-S, R-34-E
Lea 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 5000/10000 psi working pressure.

4. All fittings will be flanged.

5. A full bore safety valve tested to a minimum 3000 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.

UNITED STATES DEPARTMENT OF THE INTERIOR
Bureau of Land Management
Carlsbad Field Office
620 E. Greene Street
Carlsbad, New Mexico 88221-1778

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.:	**NMNM65194**
Legal Description of Land:	**320 acres 17-T23S-R34E (160 acres dedicated from this lease) SE/4 SW/4**
Formation(s):	**Bell Lake (Morrow)**
Bond Coverage:	**Nationwide**
BLM Bond File No.:	**CO1104**
Authorized Signature:	**Norvella Adams**
Title:	**Sr. Staff Engineering Technician**
Date:	May 30, 2006

Well name:	**Paloma Blanco 17 FEDERAL COM 2**
Operator:	Devon Energy
String type:	Intermediate
Location:	New Mexico

Design parameters:

Collapse
- Mud weight: 10.000 ppg
- Design is based on evacuated pipe.

Burst
- Max anticipated surface pressure: 1,390 psi
- Internal gradient: 0.268 psi/ft
- Calculated BHP 2,727 psi
- No backup mud specified.

Minimum design factors:

Collapse:
- Design factor 1.125

Burst:
- Design factor 1.00

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: 4,256 ft

Estimated cost: 62,357 ($)

Environment:
- H2S considered? No
- Surface temperature: 75 °F
- Bottom hole temperature: 145 °F
- Temperature gradient: 1.40 °F/100ft
- Minimum section length: 1,000 ft

Non-directional string.

Re subsequent strings:
- Next setting depth: 11,800 ft
- Next mud weight: 10.000 ppg
- Next setting BHP: 6,130 psi
- Fracture mud wt: 10.500 ppg
- Fracture depth: 5,000 ft
- Injection pressure 2,727 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 ($)
2	2000	9.625	40.00	N-80	LT&C	2000	2000	8.75	25450
1	3000	9.625	40.00	HCK-55	LT&C	5000	5000	8.75	36907

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
2	1039	2960	2.85	1925	5750	2.99	200	737	3.68 J
1	2597	4230	1.63	2727	3950	1.45	120	630	5.25 B

Devon Energy

Date: June 4,2002
Oklahoma City, Oklahoma

Remarks:
Collapse is based on a vertical depth of 5000 ft, a mud weight of 10 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.

Burst strength is not adjusted for tension.

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

Well name:	**Paloma Blanco** 17 FEDERAL COM 2
Operator:	Devon Energy
String type:	Surface
Location:	New Mexico

Design parameters:

Collapse
- Mud weight: 8.800 ppg
- Design is based on evacuated pipe.

Burst
- Max anticipated surface pressure: 500 psi
- Internal gradient: 0.080 psi/ft
- Calculated BHP 586 psi
- No backup mud specified.

Minimum design factors:

Collapse:
- Design factor 1.125

Burst:
- Design factor 1.00

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: 937 ft

Environment:
- H2S considered? No
- Surface temperature: 75 °F
- Bottom hole temperature: 90 °F
- Temperature gradient: 1.40 °F/100ft
- Minimum section length: 1,000 ft
- Minimum Drift: 2.250 in

Non-directional string.

Re subsequent strings:
- Next setting depth: 5,000 ft
- Next mud weight: 10.000 ppg
- Next setting BHP: 2,597 psi
- Fracture mud wt: 10.500 ppg
- Fracture depth: 1,075 ft
- Injection pressure 586 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	1075	13.375	48.00	H-40	ST&C	1075	1075	12.59	13332

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	491	740	1.51	586	1730	2.95	51.6	322	6.24 J

Devon Energy

Date: June 4,2002
Oklahoma City, Oklahoma

Remarks:
Collapse is based on a vertical depth of 1075 ft, a mud weight of 8.8 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.

Burst strength is not adjusted for tension.

Well name:	**Paloma Blanco** 17 FEDERAL COM 2
Operator:	Devon Energy
String type:	Production
Location:	New Mexico

Design parameters:

Collapse
- Mud weight: 10.000 ppg
- Design is based on evacuated pipe.

Burst
- Max anticipated surface pressure: 1,061 psi
- Internal gradient: 0.430 psi/ft
- Calculated BHP 6,130 psi
- No backup mud specified.

Minimum design factors:

Collapse:
- Design factor 1.125

Burst:
- Design factor 1.00

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: 10,020 ft

Environment:
- H2S considered? No
- Surface temperature: 75 °F
- Bottom hole temperature: 240 °F
- Temperature gradient: 1.40 °F/100ft
- Minimum section length: 1,000 ft

Non-directional string.

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	11800	7	26.00	HCP-110	LT&C	11800	11800	6.151	122661

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	6130	7800	1.27	6130	9950	1.62	306.8	693	2.26 J

Devon Energy

Date: June 4,2002
Oklahoma City, Oklahoma

Remarks:
Collapse is based on a vertical depth of 11800 ft, a mud weight of 10 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.

Burst strength is not adjusted for tension

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

Well name:		**Paloma Blanco**	17 FEDERAL COM 2
Operator:	Devon Energy		
String type:	Liner: Production		
Location:	New Mexico		

Design parameters:

Collapse

Mud weight: 11.500 ppg

Design is based on evacuated pipe.

Burst

Max anticipated surface pressure: 2,350 psi

Internal gradient: 0.430 psi/ft

Calculated BHP 8,364 psi

No backup mud specified.

Minimum design factors:

Collapse:

Design factor 1.125

Burst:

Design factor 1.00

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: 13,627 ft

Environment:

H2S considered?	No
Surface temperature:	75 °F
Bottom hole temperature:	271 °F
Temperature gradient:	1.40 °F/100ft
Minimum section length:	1,000 ft

Liner top: 11,800 ft

Non-directional string.

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	2050	4.5	13.50	P-110	LT&C	13850	13850	3.795	12327

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	8364	10680	1.28	8364	12410	1.48	29.7	338	11.38 J

Devon Energy

Date: June 4,2002

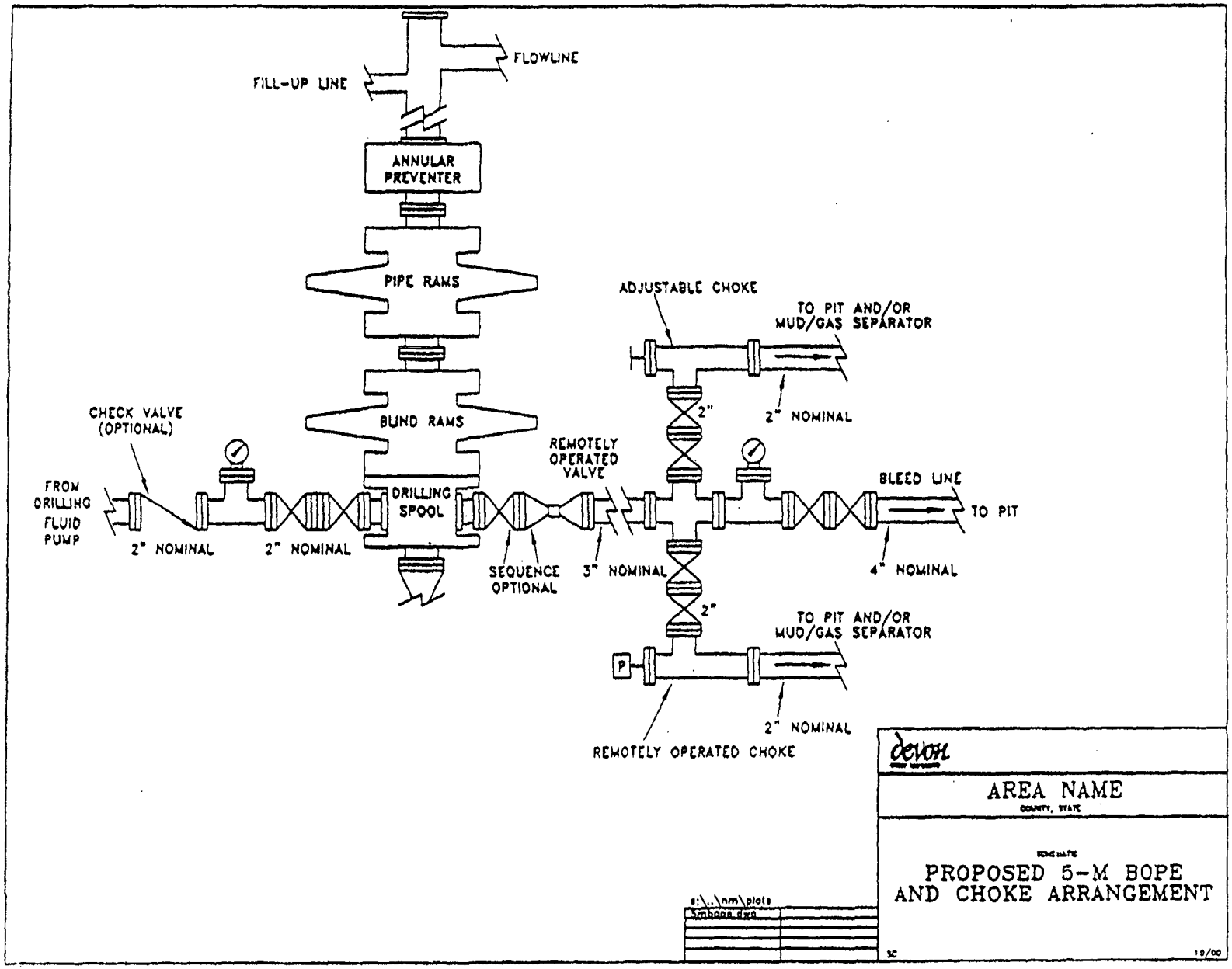
Oklahoma City, Oklahoma

Remarks:

For this liner string, the top is rounded to the nearest 100 ft.Collapse is based on a vertical depth of 14000 ft, a mud weight of 11.5 ppg The Collapse strength is based on the Westcott, Dunlop & Kemler method of biaxial correction for tension.

Burst strength is not adjusted for tension.

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


FILL-UP LINE
FLOWLINE
ANNULAR PREVENTER
PIPE RAMS
BLIND RAMS
DRILLING SPOOL
CHECK VALVE (OPTIONAL)
FROM DRILLING FLUID PUMP
2" NOMINAL
2" NOMINAL
SEQUENCE OPTIONAL
REMOTELY OPERATED VALVE
3" NOMINAL
ADJUSTABLE CHOKE
TO PIT AND/OR MUD/GAS SEPARATOR
2"
2" NOMINAL
BLEED LINE
TO PIT
4" NOMINAL
2"
TO PIT AND/OR MUD/GAS SEPARATOR
2" NOMINAL
REMOTELY OPERATED CHOKE
devon
AREA NAME
COUNTY, STATE
SCHEMATIC
PROPOSED 5-M BOPE AND CHOKE ARRANGEMENT
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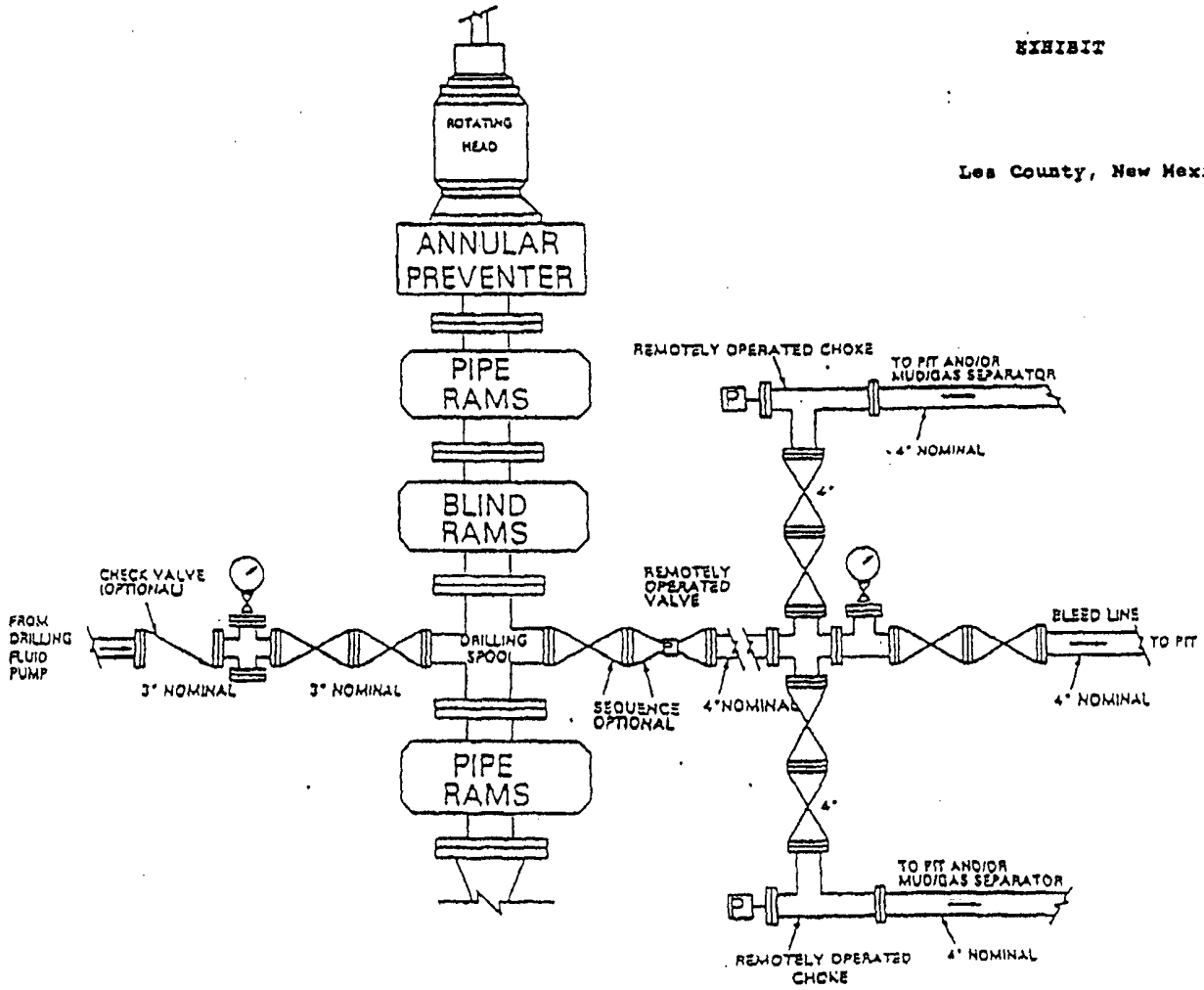
10/00

PROPOSED 10-M BOPE AND CHOKE ARRANGEMENT

EXHIBIT

Lea County, New Mexico

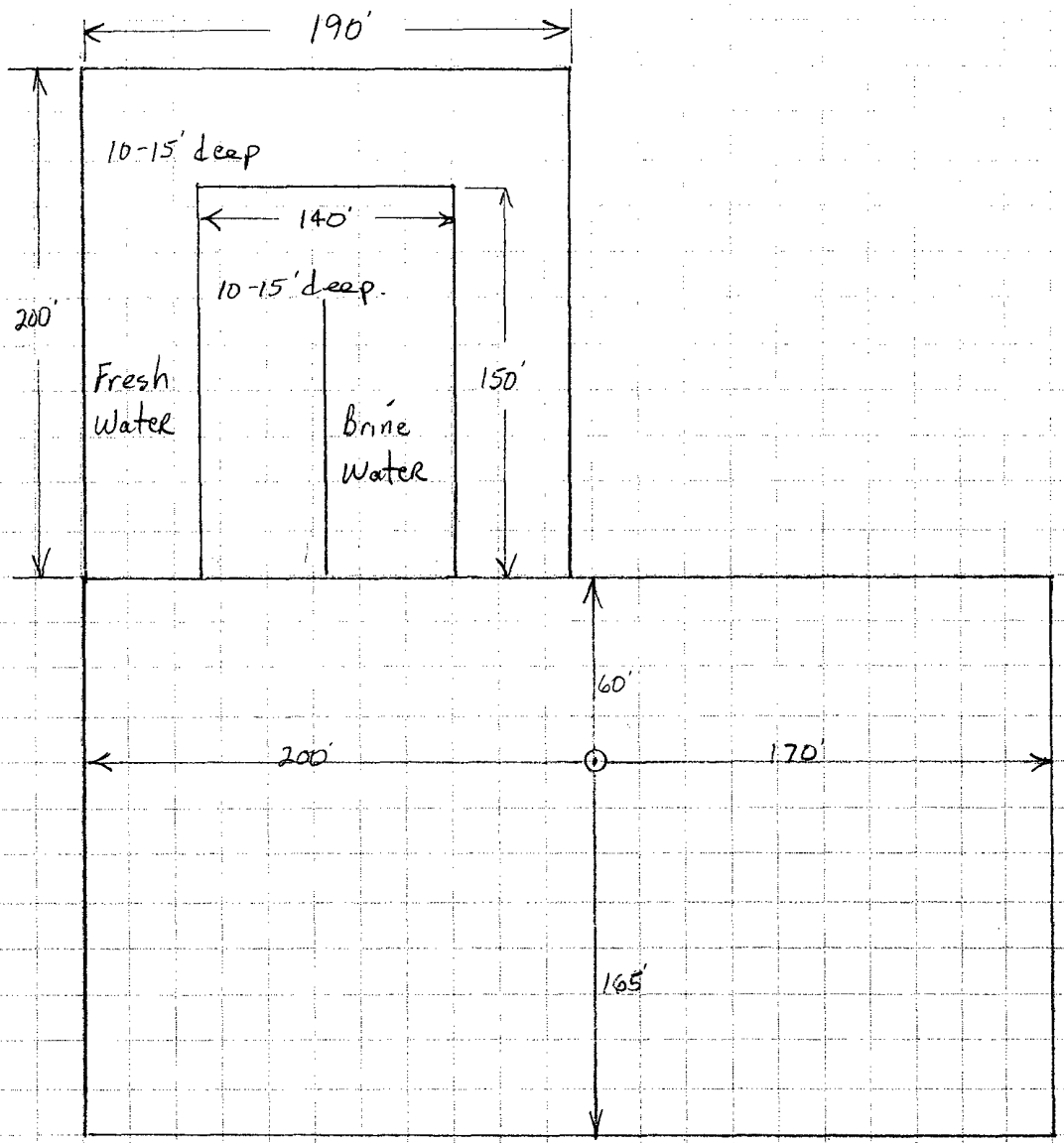


MIDLAND, TX (915) 684-7446
OKLAHOMA CITY, OK (405) 810-0021
VICTORIA, TX (361) 576-5297

AMBAR LONE STAR FLUID SERVICES

HOUSTON, TX (281) 877-1200
LAFAYETTE, LA (337) 237-5300
NEW ORLEANS, LA (504) 566-0411

Subject	Nabors Rig # 730	Page No.	of
File		By	Date 5-10-06



CONDITIONS OF APPROVAL - DRILLING

Operator's Name:	**DEVON ENERGY PRODUCTION COMPANY, LP**
Well Name & No.	**2 – PALOMA BLANCO 17 FEDERAL COM**
Location:	**660' FSL & 1980' FWL – SEC 17 – T23S – R34E – LEA COUNTY**
Lease:	**NM-65194**

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 **7** inch **4-1/2** liner

C. BOP tests

2. **No Hydrogen Sulfide (H2S) gas has been encountered, reported or is known to exist at this depth in this area.**

3 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.

4. 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.

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

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

II. CASING:

1. The **13-3/8** inch surface casing shall be set at **1075 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.**

3. The minimum required fill of cement behind the **7** inch production casing is **tie back 200 feet into the 9-5/8 inch intermediate casing.**

4. The minimum required fill of cement behind the **4-1/2** inch production liner is **cement shall extend upward to the top of the liner at approximately 11800 feet.**

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 **10000** psi.

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.
- 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.

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-144
June 1, 2004

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

Pit or Below-Grade Tank Registration or Closure

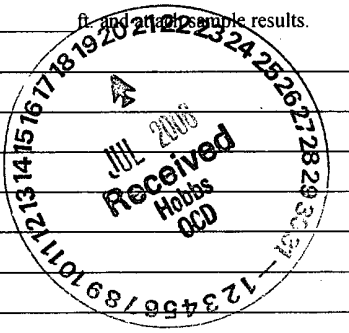
Is pit or below-grade tank covered by a "general plan"? Yes ☒ No ☐
Type of action: Registration of a pit or below-grade tank ☒ Closure of a pit or below-grade tank ☐

Operator: _Devon Energy Production Company, LP_____Telephone: __405-552-8198_____e-mail address: _norvella.adams@dvn.com_____
Address: __PO Box 250 Artesia NM 88211_____
Facility or well name: __Paloma Blanco 17 Federal Com 2__API #: 30-025-38024 U/L or Qtr/Qtr _N_____ Sec __17_____ T __23S____ R __34E___
County: _Lea_____ Latitude _N32'17'57.0"_____ Longitude _W103'29'39.3"_____ NAD: 1927 ☐ 1983 ☐
Surface Owner: Federal ☒ State ☐ Private ☐ Indian ☐

Pit	**Below-grade tank**	
Type: Drilling ☒ Production ☐ Disposal ☐ Workover ☐ Emergency ☐ Lined ☒ Unlined ☐ Liner type: Synthetic ☒ Thickness _12__mil Clay ☐ Pit Volume _____bbl	Volume: _____bbl Type of fluid: _____ Construction material: _____ Double-walled, with leak detection? Yes ☐ If not, explain why not.	
Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)	Less than 50 feet 50 feet or more, but less than 100 feet 100 feet or more	(20 points) (10 points) (0 points)
Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)	Yes No	(20 points) (0 points)
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)	Less than 200 feet 200 feet or more, but less than 1000 feet 1000 feet or more	(20 points) (10 points) (0 points)
	Ranking Score (Total Points)	0 Points

If this is a pit closure: (1) Attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location: (check the onsite box if your are burying in place) onsite ☐ offsite ☐ If offsite, name of facility_____. (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No ☐ Yes ☐ If yes, show depth below ground surface_____ ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

Additional Comments:



I hereby certify that the information above is true and complete to the best of my knowledge and belief. **I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☐, a general permit ☒, or an (attached) alternative OCD-approved plan ☐.**

Date: __6/13/06__
Printed Name/Title Norvella Adams / Sr. Staff Engineering Technician_____ Signature _____

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval:
Printed Name/Title PETROLEUM ENGINEER Signature _____ Date: JUL 26 2006