



Devon Energy Corporation
333 W. Sheridan Ave
Oklahoma City, OK 73102-8260
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shelley.klingler@dvn.com

www.devonenergy.com

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Ezeanyim

April 10, 2014

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO POOLED WORKING INTEREST OWNERS
ADDRESS LIST ATTACHED

Re: New Mexico Oil Conservation Division
Case No. 15086
Order No. R-13812
Lone Tree Draw 14 State Com 2H
W/2 E/2 Section 14-21S-27E
Eddy County, NM

Dear Working Interest Owner(s):

Enclosed you will find the referenced order, pooling all uncommitted interests in the Bone Spring formation underlying the applicable project area as set forth in ordering paragraphs 1 through 3 naming Devon Energy Production Company, L.P. ("Devon") as operator in ordering paragraph 8 for the purpose of drilling and completing the referenced horizontal well in the Bone Spring formation.

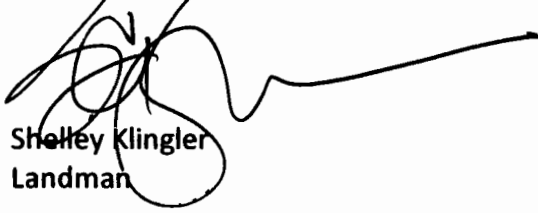
An itemized schedule of estimated costs of drilling, completing, and equipping the proposed well is enclosed per ordering paragraph 11 in the form of Devon's Authority for Expenditure which reflects an estimated cost of the well to be approximately \$5,541,442.00.

Pursuant to the referenced ordering paragraph 10, please make your election within thirty (30) days from receipt of the enclosed documents to (1) participate in the drilling and completion of the well by paying your proportionate share of the well costs or (2) elect to be a non-consenting working interest owner subject to the applicable risk penalty for the well per ordering paragraph 13.

Please review the entire order. If you have any questions regarding this matter, please give me a call at (405) 228-8882 or email Shelley.Klingler@dvn.com.

Very truly yours,

DEVON ENERGY PRODUCTION COMPANY, L.P.

A handwritten signature in black ink, appearing to read 'Shelley Klingler', with a long horizontal flourish extending to the right.

Shelley Klingler
Landman

cc: James Bruce
P. O. Box 1056
Santa Fe, NM 87504

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

POOLED WORKING INTEREST
NMOCD Case No. 15086
Order No. R-13812

Trustees of E. G. Holden Testamentary Trust
8758 Chalk Hill Road
Healdsburg, CA 95448
Certified Mail #: 9171999991703296830510

Isaac A. Kawasaki (or heirs)
734 Kalanipuu Street
Honolulu, HI 96825
Certified Mail #: 9171999991703296830527

Betsy H. Keller
8758 Chalk Hill Road
Healdsburg, CA 95448
Certified Mail #: 9171999991703296830534

J. W. Gendron (or heirs)
And Gendron Family Revocable Trust
c/o CMDDB Attorneys at Law
131 N. El Molino Avenue, Suite 350
Pasadena, CA 91101
Certified Mail #: 9171999991703296830541

J. Fredrick Van Vranken (or heirs)
P O Box 264
Jericho, NY 11753
Certified Mail #: 9171999991703296830558

EnerVest Energy Institutional Fund XI-A, L.P.
1020 Andrews Highway, Suite B
Midland, TX 79701
Attn: Abby Shaw
Certified Mail #: 9171999991703296830565

EnerVest Energy Institutional Fund XI-WI, L.P.
1020 Andrews Highway, Suite B
Midland, TX 79701
Attn: Abby Shaw
Certified Mail #: 9171999991703296830572

POOLED STRANGERS TO TITLE

Jalapeno Corporation
P O Box 1608
Albuquerque, NM 87103-1608
Certified Mail #: 9171999991703296830589

Argo Royalty Partners, Ltd.
P O Box 1808
Corsicana, TX 75151
Certified Mail #: 9171999991703296830596

Shauna Seltzer Redwine Trust and
Charles W. Seltzer Trust, dated January 27, 2006
1006 West Pecan
Midland, TX 79705
Certified Mail #: 9171999991703296830602

Nelda Lee Davis
P. O. Box 8403
Midland, TX 79708
Certified Mail #: 9171999991703296830619

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 15086
ORDER NO. R-13812**

**APPLICATION OF DEVON ENERGY PRODUCTION COMPANY, L.P. FOR A
NON-STANDARD OIL SPACING AND PRORATION UNIT AND
COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on March 20, 2014, at Santa Fe, New Mexico, before Examiner Richard I. Ezeanyim.

NOW, on this 1st day of April, 2014, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) Case Nos. 15085 and 15086 were consolidated at the hearing for the purpose of testimony; however, separate orders should be issued.

(3) In Case 15086, Devon Energy Production Company, L.P. ("Devon" or "Applicant") seeks approval of a non-standard 160-acre, more or less, oil spacing and proration unit (project area) in the Bone Spring formation, East Carlsbad-Bone Spring Pool, (pool code 96144), comprised of the W/2 E/2 of Section 14, Township 21 South, Range 27 East, NMPM, in Eddy County, New Mexico. Applicant further seeks an order pooling all uncommitted interests in the Unit.

(4) The Unit will be dedicated to Applicant's Lone Tree Draw 14 State Com. Well No. 2H ("the proposed well"); (API No. 30-015-pending), a horizontal well to be drilled from a surface location 150 feet from the North line and 1875 feet from the East line (Unit B) of Section 14, to a standard terminus 330-feet from the South line and 2200

feet from the East line (Unit O) of Section 14. The completed interval of the proposed well in the Bone Spring formation will be orthodox.

(5) The proposed well is within the East Carlsbad-Bone Spring Pool (pool code 96144). Spacing in this pool is governed by statewide Rule 19.15.15.9A. NMAC, which provides for standard 40-acre units, each comprising a governmental quarter-quarter section. The proposed Unit and project area consists of four adjacent quarter-quarter sections.

(6) Applicant appeared at the hearing through counsel and presented land and geologic evidence to the effect that:

- (a) The Bone Spring formation in this area is suitable for development by horizontal drilling;
- (b) the proposed orientation of the horizontal well North to South or South to North is appropriate for the proposed Unit; and
- (c) all quarter-quarter sections to be included in the Unit are expected to be productive in the Bone Spring formation, so that formation of the Unit as requested will not impair correlative rights.

(7) No other party appeared at the hearing, or otherwise opposed the granting of this application.

The Division concludes that:

(8) Approval of the proposed unit will enable Applicant to drill a horizontal well that will efficiently produce the reserves underlying the Unit, thereby preventing waste, and will not impair correlative rights.

(9) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(10) Applicant is owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill the proposed well to a common source of supply within the Unit.

(11) There are interest owners in the Unit that have not agreed to pool their interests.

(12) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they

may be, in the oil and gas within the Unit.

(13) Devon Energy Production Company, L.P. should be designated the operator of the proposed well and of the Unit.

(14) Any pooled working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs, plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the proposed well.

(15) Reasonable charges for supervision (combined fixed rates) should be fixed at \$7,000 per month while drilling and \$700 per month while producing, provided that these rates should be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "Accounting Procedure-Joint Operations."

IT IS THEREFORE ORDERED THAT:

(1) A non-standard 160-acre, more or less, oil spacing and proration unit (the "Unit") is hereby established for the Bone Spring formation, East Carlsbad-Bone Spring Pool (pool code 96144), consisting of the W/2 E/2 of Section 14, Township 21 South, Range 27 East, NMPM, in Eddy County, New Mexico.

(2) Pursuant to the application of Devon Energy Production Company, L.P., all uncommitted interests, whatever they may be, in the oil and gas in the Bone Spring formation underlying the Unit, are hereby pooled.

(3) The Unit shall be dedicated to Applicant's Lone Tree Draw 14 State Com. Well No. 2H ("the proposed well"); (API No. 30-015-pending), a horizontal well to be drilled from a surface location 150 feet from the North line and 1875 feet from the East line (Unit B) to a standard terminus 330 feet from the South line and 220 feet from the East line (Unit O) of Section 14. The completed interval of the proposed well in the Bone Spring formation will be orthodox.

(4) The operator of the Unit shall commence drilling the proposed well on or before April 30, 2015, and shall thereafter continue drilling the proposed well with due diligence to test the Bone Spring formation.

(5) In the event the operator does not commence drilling the proposed well on or before April 30, 2015, Ordering Paragraphs (1) and (2) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause demonstrated by satisfactory evidence.

(6) Should the proposed well not be drilled and completed within 120 days after commencement thereof, then Ordering Paragraphs (1) and (2) shall be of no further effect, and the unit and project area created by this order shall terminate, unless the operator appears before the Division Director and obtains an extension of the time for

completion of the proposed well for good cause shown by satisfactory evidence. If the proposed well is not completed in all of the quarter-quarter sections included in the proposed Unit within 120 days after commencement of drilling, then the operator shall apply to the Division for an amendment to this Order to contract the Unit so that it includes only those quarter-quarter sections in which the well is completed.

(7) Upon final plugging and abandonment of the proposed well and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled Unit created by this Order shall terminate, unless this Order has been amended to authorize further operations.

(8) Devon Energy Production Company, L.P. (OGRID 6137) is hereby designated the operator of the well and the Unit.

(9) After pooling, uncommitted working interest owners are referred to as pooled working interest owners. ("Pooled working interest owners" are owners of working interests in the Unit, including unleased mineral interests, who are not parties to an operating agreement governing the Unit.) After the effective date of this order, the operator shall furnish the Division and each known pooled working interest owner in the Unit an itemized schedule of estimated costs of drilling, completing and equipping the proposed well ("well costs").

(10) Within 30 days from the date the schedule of estimated well costs is furnished, any pooled working interest owner shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges. Pooled working interest owners who elect not to pay their share of estimated well costs as provided in this paragraph shall thereafter be referred to as "non-consenting working interest owners."

(11) The operator shall furnish the Division and each known pooled working interest owner (including non-consenting working interest owners) an itemized schedule of actual well costs within 90 days following completion of the proposed well. If no objection to the actual well costs is received by the Division, and the Division has not objected, within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.

(12) Within 60 days following determination of reasonable well costs, any pooled working interest owner who has paid its share of estimated costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator the amount, if any, that the estimated well costs it has paid exceed its share of reasonable well costs.

(13) The operator is hereby authorized to withhold the following costs and charges from production from each well:

- (a) the proportionate share of reasonable well costs attributable to each non-consenting working interest owner; and
- (b) as a charge for the risk involved in drilling the well, 200% of the above costs.

(14) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.

(15) Reasonable charges for supervision (combined fixed rates) for the well are hereby fixed at \$7,000 per month while drilling and \$700 per month while producing, provided that these rates shall be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "*Accounting Procedure-Joint Operations*." The operator is authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to pooled working interest owners.

(16) Except as provided in Paragraphs (13) and (15) above, all proceeds from production from the proposed well that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not disbursed, such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 70-8A7-8A-28, as amended).

(17) Any unleased mineral interests shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(18) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this Order, this order shall thereafter be of no further effect.

(19) The operator of the well and Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the compulsory pooling provisions of this Order.

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

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, appearing to read "Jami Bailey". The signature is written in dark ink and is positioned above the printed name and title.

JAMI BAILEY
Director



Authorization for Expenditure

AFE # 02433A1

Well Name: Lone Tree Draw 14 State Com 2H

Cost Center Number: 1090088901

Legal Description: W/2 E/2 Section 14-T21S-R27E

Revision:

AFE Date: 1/6/2014

State: NM

County/Parish: Eddy

Explanation and Justification:

Drill and complete 2nd Bone Spring horizontal oil well

Code	Intangible Description	Drilling Costs	Completion Costs	Dry Hole Costs	Total Costs
6060100	DYED LIQUID FUELS	129,644.00	0.00	0.00	129,644.00
6060110	LIQUID FUELS - OTHER	0.00	86,621.00	0.00	86,621.00
6080100	DISPOSAL - SOLIDS	185,500.00	0.00	0.00	185,500.00
6080110	DISP-SALTWATER & OTH	0.00	210,000.00	0.00	210,000.00
6080120	HAZ WASTE & DISP SVC	81,312.00	0.00	0.00	81,312.00
6090100	FLUIDS - WATER	0.00	35,900.00	0.00	35,900.00
6100100	PERMIT SURVEY&TITLE	15,000.00	5,000.00	0.00	20,000.00
6110100	ROAD & LOCN RECOVERY	0.00	15,000.00	0.00	15,000.00
6110130	ROAD&SITE PREP SVC	70,000.00	5,000.00	0.00	75,000.00
6110170	DAMAGE & REMEDIATION	10,000.00	0.00	0.00	10,000.00
6130130	COMM SERVICE - SCADA	7,807.00	0.00	0.00	7,807.00
6130170	COMM SVCS - OTHER	0.00	779.00	0.00	779.00
6140120	ENV-DECO,DIS,REC SVC	3,795.00	0.00	0.00	3,795.00
6140160	ENV-SERVICES	0.00	486.00	0.00	486.00
6150100	LOG PERFORATG&WL SVC	0.00	95,000.00	0.00	95,000.00
6170100	PULLING&SWABBING SVC	0.00	90,000.00	0.00	90,000.00
6190100	TRCKG&HL-SOLID&FLUID	111,300.00	0.00	0.00	111,300.00
6190110	TRUCKING&HAUL OF EQP	0.00	15,900.00	0.00	15,900.00
6200110	INSPECTION SERVICES	124,020.00	20,000.00	0.00	144,020.00
6200130	CONSLT-TECH&PROF SVC	0.00	35,900.00	0.00	35,900.00
6310120	STIMULATION SERVICES	0.00	1,350,054.00	0.00	1,350,054.00
6310200	CASING & TUBULAR SVC	0.00	20,600.00	0.00	20,600.00
6310240	CEMENT	106,000.00	0.00	0.00	106,000.00
6310250	CEMENTING SERVICES	0.00	83,210.00	0.00	83,210.00
6310270	CRANE SERVICES	437,780.00	0.00	0.00	437,780.00
6310280	DAYWORK COSTS	0.00	77,703.00	0.00	77,703.00
6310290	TURNKEY COSTS	171,680.00	0.00	0.00	171,680.00
6310300	DIRECTIONAL SERVICES	108,819.00	0.00	0.00	108,819.00
6310310	DRILL BITS	0.00	5,000.00	0.00	5,000.00
6310320	DRILL BITS SERVICES	34,980.00	0.00	0.00	34,980.00
6310360	FOOTAGE COSTS	175,521.00	0.00	0.00	175,521.00
6310370	MOB & DEMOBILIZATION	56,286.00	0.00	0.00	56,286.00
6310450	WELL CONTROL SVC	26,500.00	0.00	0.00	26,500.00
6310480	TSTNG-WELL, PL & OTH	0.00	175,000.00	0.00	175,000.00
6310520	PROD ENHANCEMENT SVC	24,403.00	0.00	0.00	24,403.00
6320100	EQUIPMENT SERVICES	101,488.00	132,037.00	0.00	233,525.00
6320110	EQUIP SVC - DOWNHOLE	0.00	50,000.00	0.00	50,000.00
6320160	WELDING SERVICES	0.00	39,770.00	0.00	39,770.00
6550100	MISCELLANEOUS COSTS	37,100.00	0.00	0.00	37,100.00
	Total Intangibles	2,018,935.00	2,548,960.00	0.00	4,567,895.00

Code	Tangible Description	Drilling Costs	Completion Costs	Dry Hole Costs	Total Costs
6150110	LOG PERFORATG&WL EQP	7,950.00	0.00	0.00	7,950.00

Costs on this form are estimates only. Working Interest Owners should not consider these estimates as establishing any limit on the monies which will be required to perform the proposed operation.



Authorization for Expenditure

AFE # 02433A1

Well Name: Lone Tree Draw 14 State Com 2H

Cost Center Number: 1090088901

Legal Description:W/2 E/2 Section 14-T21S-R27E

Revision:

AFE Date: 1/6/2014

State: NM

County/Parish: Eddy

Code	Tangible Description	Drilling Costs	Completion Costs	Dry Hole Costs	Total Costs
6310130	ARTIFICIAL LIFT EQP	42,400.00	110,000.00	0.00	152,400.00
6310170	CASG-LINERS&TIEBACKS	42,400.00	0.00	0.00	42,400.00
6310410	SUCKER RODS	0.00	40,000.00	0.00	40,000.00
6310420	TUBING & COMPONENTS	0.00	56,000.00	0.00	56,000.00
6310460	WELLHEAD EQUIPMENT	0.00	11,000.00	0.00	11,000.00
6310530	SURFACE CASING	118,961.00	0.00	0.00	118,961.00
6310550	PRODUCTION CASING	0.00	255,609.00	0.00	255,609.00
6310580	CASING COMPONENTS	174,707.00	0.00	0.00	174,707.00
6320150	WELDING EQUIPMENT	44,520.00	0.00	0.00	44,520.00
6320180	EQUIPMENT OTHER	0.00	10,000.00	0.00	10,000.00
6330100	PIPE,FIT,FLANG,CPLNG	0.00	60,000.00	0.00	60,000.00
	Total Tangibles	430,938.00	542,609.00	0.00	973,547.00

TOTAL ESTIMATED COST	2,449,873.00	3,091,569.00	0.00	5,541,442.00
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WORKING INTEREST OWNER APPROVAL

Company Name:

Signature:

Print Name:

Title:

Date:

Email:

Note: Please include/attach well requirement data with ballot.

Costs on this form are estimates only. Working Interest Owners should not consider these estimates as establishing any limit on the monies which will be required to perform the proposed operation.