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Sam McCurdy
Landman

Devon Energy Corporation
20 North Broadway
Oklahoma City, Oklahoma 73102-8260
Office: (405) 228-2406
Fax: (405) 552-8113

March 13, 2012

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

Re: Proposed Expansion of the
Cotton Draw Unit
Eddy County, New Mexico

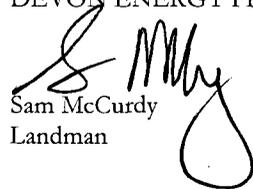
Gentlemen:

Devon Energy Production Company, L.P. ("Devon") received preliminary approval for the expansion of the Cotton Draw Unit ("Unit") to include the S/2 Section 11 Township 25 South, Range 31 East, Eddy County, NM. As a regulatory State agency within the state of New Mexico please accept this notice of the expansion of the Unit. Per the preliminary approval, the effective date of the expansion is to be January 1, 2012 or from the onset of production of unitized substances. Enclosed please find the preliminary expansion approval letter and a plat showing the current Unit boundary and the proposed expansion.

If you have any questions please feel free to give me a call at (405) 228-2406.

Yours very truly,

DEVON ENERGY PRODUCTION COMPANY, L.P.

A handwritten signature in black ink, appearing to read "S. McCurdy".
Sam McCurdy
Landman



Ray Powell, M.S., D.V.M.
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL
P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

COMMISSIONER'S OFFICE

Phone (505) 827-5760
Fax (505) 827-5766
www.nmstatelands.org

October 4, 2011

Devon Energy Corporation
20 North Broadway
Oklahoma City, Oklahoma 73102-8260

Attention: Mr. Sam McCurdy

Re: Preliminary Approval for Proposed 2nd Unit Boundary Expansion
Cotton Draw Unit
S/2 Sec. 11-25S-31E
Eddy County, New Mexico

Dear Mr. McCurdy:

This office has received your letter of September 19, 2011 wherein you have requested preliminary approval for the 2nd expansion of the Cotton Draw Unit area, Eddy County, New Mexico. The proposed expansion meets the general requirements of the Commissioner of Public Lands, who has this date granted you preliminary approval to expand the unit area.

Preliminary approval shall not be construed to mean final approval of this agreement in any way and will not extend any short term leases, until final approval and an effective date have been given.

When submitting your agreement for final approval, please submit the following:

1. The unit expansion date should be prior to any production.
2. On Exhibit "B", Tract No. 33, the correct lessee of record for Lease No. E-2129-7 is Devon Energy Prod. and Chevron U.S.A., Inc.
3. On Exhibit "B", Tract No. 34, the correct lessee of record for Lease No. E-5009-1 is ConocoPhillips Company.
4. On Exhibit "B", Tract No. 35, the correct lessee of record for Lease No. K-4562-4 is Devon Energy Prod. and Chevron U.S.A., Inc.
5. On Exhibit "B", Tract No. 39, the correct lessee of record for Lease No. E-9127-6 is Devon Energy Prod. and Chevron U.S.A., Inc.
6. On Exhibit "B", Tract No. 40, the correct lessee of record for Lease No. E-9789-10 is Pogo Producing Co.
7. Application for final approval by the Commissioner setting forth the tracts that have been committed.

8. Pursuant to SLO Rule 19.2.100.51, applications for approval shall contain a statement of facts showing:
 - a. That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy.
 - b. That under the proposed unit operation, the State of New Mexico will receive its fair share of the recoverable oil and gas in place under its lands in the proposed unit area.
 - c. That each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the unit area.
 - d. That such unit agreement is in other respects for the best interest of the trust.
3. All ratifications from the Lessees of Record and Working Interest Owners. All signatures should be acknowledged by a notary and one set must contain original signatures.
4. Designation/concurrence from the Bureau of Land Management.
5. Order of the New Mexico Oil Conservation Division. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.
6. The filing fee for a Unit expansion is \$30.00 for every section or partial section thereof. Please submit a filing fee in the amount of \$30.00.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

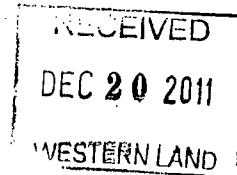
RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY:


Larry J. Roybal, Director
Oil, Gas and Minerals Division
(505) 827-5744

RP/LR/pm

cc: Reader File,
OCD-Attention: Mr. Ed Martin
BLM Carlsbad, Attn: Mr. Wesley Ingram



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. 14748
ORDER NO. R-1186-B

APPLICATION OF DEVON ENERGY
PRODUCTION COMPANY, L.P. TO EXPAND
THE COTTON DRAW UNIT, EDDY AND LEA
COUNTIES, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 10, 2011, at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 7th day of December, 2011, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

- (1) Due notice has been given, and the Division has jurisdiction of the subject matter of this case.
- (2) The Cotton Draw Unit (the Unit) in Eddy and Lea Counties is a voluntary exploratory unit consisting entirely of federal and State of New Mexico minerals. The Unit, which originally included 35,144 acres, more or less, was approved by the Oil Conservation Commission in Order No. R-1186, issued in Case No. 1446 on June 4, 1958.
- (3) The Unit has since been contracted and expanded at various times, and now comprises 9,784.52 acres, more or less, described as follows:

Township 24 South, Range 31 East, NMPM
Section 25: W/2 NW/4 and S/2
Section 26: All
Section 34: E/2

(c) The United States Bureau of Land Management and the New Mexico State Land Office have issued preliminary approvals for this proposed Unit expansion.

(d) The lands within the proposed Unit expansion are productive from the same zones as adjoining Unit lands.

(6) No other party appeared at the hearing or otherwise signified opposition to the granting of this application.

(7) The lands within the proposed Unit expansion should be incorporated into the Unit and should share proportionately in the costs and benefits of oil and gas production from the Unit Area.

(8) Approval of the proposed Unit expansion will prevent waste and protect correlative rights within the lands comprising the Unit Area.

IT IS THEREFORE ORDERED THAT:

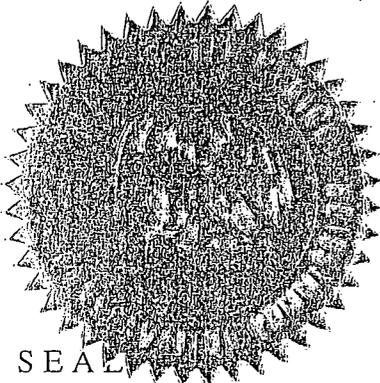
(1) The expansion of the Cotton Draw Unit area to include the lands described in Finding Paragraph (4) above is hereby approved. The Unit as expanded shall consist of 10,104.52 acres, more or less, of federal and State of New Mexico minerals.

(2) This approval shall not be considered as waiving or relinquishing, in any manner, any right, duty or obligation that is now, or may hereafter be, vested in the Division to supervise or control operations of the Unit Area and production of oil or gas therefrom.

(3) This order shall become effective upon final approval of the proposed Unit expansion by the United States Bureau of Land Management and the New Mexico State Land Office.

(4) 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.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Jami Bailey".

JAMI BAILEY
Director



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Pecos District

Carlsbad Field Office

620 E. Greene

Carlsbad, New Mexico 88220-6292

www.blm.gov/nm/st/en.html



NM 70928X
3180 (P0220)

Your Reference:

Proposed Expansion of the
Cotton Draw Unit NM-70928X
Eddy County, New Mexico

OCT 06 2011

CERTIFIED—RETURN RECEIPT REQUESTED

7008 3230 0002 0987 5233

Devon Energy Corporation
20 North Broadway
Oklahoma City, Oklahoma 73102-8260

Gentlemen:

Your application of September 19, 2011, requests preliminary approval of the proposed expansion of the Cotton Draw Unit Area, Eddy County, New Mexico. This expansion will add 320 acres to the 9,784.52 acres, resulting in an enlarged unit area of 10,104.52 acres, more or less, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act as amended.

The expansion is regarded as acceptable on the basis of the geologic/reservoir information accompanying your application. We hereby concur in the proposed expansion, provided it is accomplished pursuant to Section 2 of the unit agreement. The effective date of the proposed expansion will be September 1, 2011, and it shall become effective as of this date or from the onset of production of unitized substance, whichever is earlier upon execution of the necessary parties, notwithstanding the date of execution, and in accordance with your application, pursuant to Section 2(a).

A minimum of four copies of the application for final approval, accompanied by the appropriate joinders and supplements to Exhibits "A" and "B" should be filed with the Authorized Officer. The format of Exhibit "A" and "B" attached with your application is acceptable.

Please contact Edward G. Fernandez, Petroleum Engineer at 575-234-2220 if you have any questions.

Sincerely,



 Jim Stovall
Field Manager,
Carlsbad Field Office

cc: Commissioner of Public Lands
ONRR, Denver (MS357B-1)
New Mexico Taxation & Revenue Dept.
Revenue Processing Division
LLNM9210
NMP0220, Unit File