

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

2006 FEB 23 PM 4 22

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

**APPLICATION OF DEVON ENERGY CORPORATION
FOR COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.**

CASE NO. 13603

**APPLICATION OF LCX ENERGY, LLC FOR
COMPULSORY POOLING, EDDY COUNTY, NEW
MEXICO.**

CASE NO. 13628

SECOND REVISED PRE-HEARING STATEMENT

This Pre-Hearing Statement is submitted by Holland & Hart LLP, as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

Devon Energy Corporation
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OPPOSITION

LCX Energy, LLC.

ATTORNEY

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OTHER PARTIES

ATTORNEY

Parallel Petroleum Corporation
Capstone Oil & Gas Company, LP

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STATEMENT OF CASE

CASE NO. 13603:

In this case Devon Energy Corporation seeks an order pooling all mineral interests from the surface through the base of the Wolfcamp formation in the following described acreage in Section 6, Township 17 South, Range 25 East: the W/2 to form a standard 320-acre spacing and proration unit for all formations developed on 320-acre spacing within that vertical extent which includes but is not necessarily limited to the Undesignated West Cottonwood Creek-Wolfcamp Gas Pool, and the NW/4 to form a standard spacing and proration unit for all formations developed on 160-acre spacing within that vertical extent. Said spacing and proration units are to be dedicated to the 1725 Federal Com Well No. 61 (API No. 30-015-34340) that has been drilled from a surface location 660 feet from the North line and 760 feet from the West line of said Section 6 to an appropriate depth to be horizontally drilled in a southerly direction in the Wolfcamp formation for a sufficient distance to enable the well to drain the W/2 of Section 6 and test all formations from the surface to the base of the Wolfcamp formation. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as operating costs and charges for supervision, designation of Devon Energy Corporation as operator of the well and imposition of a 200% penalty on any working interest owner's share of the costs of drilling and completing the well incurred by Devon, if any, against any working interest owner who does not voluntarily participate in the well.

CASE NO. 13628:

In this case, LCX Energy, LLC seeks an order pooling all mineral interests from the surface through the base of the Wolfcamp formation in the following described acreage in Section 6, Township 17 South, Range 25 East: the W/2 to form a standard 320-acre spacing and proration unit for all formations developed on 320-acre spacing within that vertical extent which includes but is not necessarily limited to the Undesignated West Cottonwood Creek-Wolfcamp Gas Pool, and the NW/4 to form a standard spacing and proration unit for all formations developed on 160-acre spacing within that vertical extent. Said spacing and proration units are to be dedicated to the 1725 Federal Com Well No. 61 (API No. 30-015-34340) currently being drilled from a surface location 660 feet from the North line and 760 feet from the West line of said Section 6 to an appropriate depth to be horizontally drilled in a southerly direction in the Wolfcamp formation for a sufficient distance to enable the well to effectively drain the W/2 of Section 6 and test all formations from the surface to the base of the Wolfcamp formation. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as operating costs and charges for supervision, designation of LCX Energy, LLC as operator of the well and imposition of a 200% penalty on any working interest owner's share of the costs of drilling and completing the well incurred by Devon, if any, against any working interest owner who does not voluntarily participate in the well.

OPPOSITION TO APPLICATION IN CASE 13628:

Devon will appear and oppose the application of LCX and request that the application of LCX be denied. Devon seeks an order rescinding the Application for Permit to Drill previously approved for LCX because recent actions by LCX raise questions concerning whether or not LCX has adequate experience in operating wells in New Mexico and in compliance with the Rules and Regulations of the Oil Conservation Division and, therefore, whether or not is a prudent operator. Devon believes LCX should not be allowed to operate a well into which Devon interests are pooled. Devon intends to show that LCX has established a pattern of drilling first and contacting affected owners later. Devon therefore seeks to be designated operator of the well.

Devon will also challenge the 200% risk charge sought by LCX. Devon seeks and order declaring that the 200% risk penalty is inappropriate after LCX has unilaterally assumed the risk by drilling. Devon will request that if the Division grants the application of LCX that the order impose no risk penalty on any pooled interest. LCX seems to believe that good faith negotiations with other interest owners in a spacing unit consist of drilling first, gathering and keeping tight data on the well, and then contacting others who own interest in the affected spacing unit. Its actions are inconsistent with the Oil and Gas Act, Division policy and prior Orders of the Division and Commission.

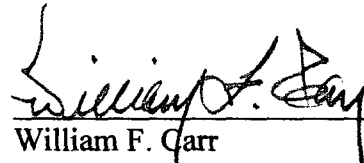
PROPOSED EVIDENCE

APPLICANT

WITNESSES	ESTIMATED TIME	EXHIBITS
Meg Muhlinghouse (Land Advisor)	Approx. 20 Minutes	Approx. 8
Raye Miller (Practical Oilman)	Approx. 10 Minutes	Approx. 2
Chris Singletary (Operations Engineer) May Call	Approx. 10 Minutes	Approx. 3
Andrew Stalings (Geologist) May Call	Approx. 10 Minutes	Approx. 3

PROCEDURAL MATTERS

Devon Energy Corporation will request that Cases 13603 and 13628 be consolidated for purposes of hearing.



William F. Carr
Attorney for Devon Energy Corporation

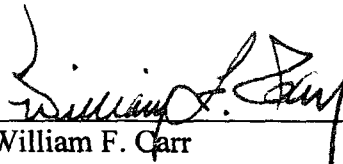
CERTIFICATE OF SERVICE

I certify that on February 23, 2006 I served a copy of the foregoing document to the following
by

- ☐ U.S. Mail, postage prepaid
- ☐ Hand Delivery
- ☒ Fax
- ☐ Electronic Service by LexisNexis File & Serve

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