

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

2005 MAY 26 PM 2 57

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

CASE NO. 13368 (DE NOVO)

**APPLICATION OF DEVON ENERGY PRODUCTION COMPANY, L.P. FOR AN
ORDER AUTHORIZING THE DRILLING OF A WELL IN THE POTASH AREA,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 13372 (DE NOVO)

**APPLICATION OF DEVON ENERGY PRODUCTION COMPANY, L.P. FOR AN
UNORTHODOX WELL LOCATION AND AUTHORIZATION TO DRILL A WELL IN
THE POTASH AREA, EDDY COUNTY, NEW MEXICO.**

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 Production Company
Attn: Ken Gray
20 North Broadway
Oklahoma City, Oklahoma 73102-8260
(405) 552-8113

ATTORNEY

William F. Carr
Holland & Hart LLP
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Santa Fe, New Mexico 87504
(505) 988.4421

OPPOSITION

Mosaic Potash Carlsbad, Inc.
Attn: Dan Morehouse

ATTORNEY

Charles C. High, Jr.
Kemp Smith LLP
Post Office Box 2800
El Paso, Texas 79999-2800
(915) 533-4424

STATEMENT OF CASE

APPLICANT

In Case 13368, Devon Energy Production Company, L.P. seeks an order approving the drilling of its proposed Apache 24 Fee Well No. 6 within the Potash Area at a location 1980 feet from the North line and 660 feet from the West lines (Unit E) of Section 24, Township 22 South, Range 30 East, NMPM, Eddy County, New Mexico. This well will be drilled to an approximate depth of 7,900 feet to test all formations from the surface to the base of the Delaware formation, Southeast Quadada Ridge-Delaware Pool and will be at a standard location in all formations. Said location is within the Potash Area and approximately 8 miles east of Carlsbad, New Mexico.

In Case 13372, Devon Energy Production Company, L.P. seeks an order approving the drilling of its proposed Apache 24 Fee Well No. 7A within the Potash Area at an unorthodox location 1460 feet from the North line and 1150 feet from the West line (Unit E) of Section 24, Township 22 South, Range 30 East, NMPM, Eddy County, New Mexico. This well will be drilled to an approximate depth of 15,500 feet as a wildcat well to test all formations from the surface to the base of the Devonian formation, Southeast Quadada Ridge-Delaware Pool and will be at a standard location in all formations. Said location is within the Potash Area and approximately 8 miles east of Carlsbad, New Mexico.

PROPOSED EVIDENCE

APPLICANT:

<u>WITNESSES</u> (Name and Expertise)	<u>ESTIMATED TIME</u>	<u>EXHIBITS</u>
Ken Gray (Landman)	Approximately 15 Minutes	7

Mr. Gray will review Devon Energy Production Company, L.P.'s efforts to develop the oil and gas minerals under the 40-acre tract comprised of the SW/4 NW/4 of Section 24, Township 22 South, Range 30 East, NMPM, Eddy County, New Mexico. Mr. Gray's testimony will show that Devon holds the oil and gas lease on the tract on which it proposes to drill these wells. He will show that, pursuant to the provisions of Order No. R-111-P, Devon has reached agreement with the owners of the potash rights under these lands and all of these owners desire to have their oil and gas minerals developed prior to the potash reserves, if any.

Devon filed its APD for the Apache 24 Fee Well No. 6 and, pursuant to Order No. R-111-P and a directive from the OCD, provided notice to all potash lessees within one mile of the well location on January 23, 2004. No objection was timely filed and Devon's APD was

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approved. Thereafter, on April 12, 2004, IMC (now Mosaic Potash) wrote the Division and objected to the well because its location falls in an area designated as measured ore. The Oil Conservation Division rescinded Devon's Application for Permit to Drill on September 20, 2004.

Devon filed its APD for the Apache 24 Fee Well No. 7A on September 16, 2004_ and, pursuant to Order No. R-111-P, provided notice to all potash lessees within one mile of the well. No response to this application was received from IMC/Mosaic. However, Devon received an e-mail from the Oil Conservation Division's Artesia office rejecting the application because of what the Division said was an objection from IMC. Thereafter Devon found a copy of the IMC letter of objection, dated August 30, 2004, on the Division's web page.

Mr. Gray's testimony will show that Mosaic owns no potash rights in this tract and that Mosaic is asking the Commission to deny the owners of the oil and gas minerals and the potash reserves the right to develop their constitutionally protected property rights.

Mr. Gray will ask the Commission to approve its application and find, as the Division has on several prior occasions, that:

A. "Order No. R-111-P makes no provision for an LMR determination when the proposed well is located on fee lands, nor does Order No. R-111-P authorize a potash lessee to designate an LMR over lands not leased to a potash lessee;"

B. "Sub-part G (e) 3 of these rules, provides that '*application to drill in the LMR area, including buffer zones, may be approved only by mutual agreement of the lessor and lessees of both potash and oil and gas interests;*'" and

C. That the surface and all mineral owners have consented to the proposed well and desire to have their oil and gas minerals developed first in preference to any potash reserves underlying the subject acreage.

James Blount (Engineer)

Approximately 10 Minutes

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Mr. Blount will testify briefly and show that the proposed casing and cementing program for the well meets the criteria established by Order No. R-111-P.

PROCEDURAL MATTERS

Devon Energy Production Company, L.P. will request that Cases 13367, 13368 and 13372 be consolidated for the purposed of hearing.



William F. Carr

Attorney for Devon Energy Production Company, L.P.

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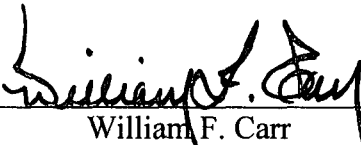
DEVON ENERGY PRODUCTION COMPANY, L.P.
INDEX OF EXHIBITS

Exhibit No. 1	BLM Map showing Devon leases and potash mines.
Exhibit No. 2	Nine Section Plat showing Devon's acreage.
Exhibit No. 3	Four Fee Oil and Gas Leases covering the SW/4 NW/4 of Section 24, Township 22 South, Range 30 East, NMPM, Eddy County, New Mexico.
Exhibit No. 4	Apache 24 Fee Well No. 6: Application for permit to drill and related forms and correspondence.
Exhibit No. 5	Apache 24 Fee Well No. 7A: Application for permit to drill and related forms and correspondence.
Exhibit No. 6	Letter of objection from IMC.
Exhibit No. 7	OCD Order No. R-12403.
Exhibit No. 8	Drilling Schematic – Apache 24 Fee Well No. 6.
Exhibit No. 9	Drilling Schematic – Apache 24 Fee Well No. 7A.

CERTIFICATE OF SERVICE

I hereby certify that on this 26th day of May 2006, I have caused to be delivered by facsimile a copy of Devon Energy Production Company, L.P.'s Pre-Hearing Statement and hearing exhibits in the above-captioned cases to the following:

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William F. Carr