

**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:**

**APPLICATION OF DEVON ENERGY PRODUCTION
COMPANY, L.P. FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

Case No. 13,732

VERIFIED STATEMENT OF MEG MUHLINGHAUSE

Meg Muhlinghause, being duly sworn upon her oath, deposes and states:

1. I am a landman for Devon Energy Production Company, L.P., and have personal knowledge of the matters stated herein.

2. Pursuant to Division Rule 1207.A(1)(b), the following information is submitted in support of the compulsory pooling application filed herein:

(a) No opposition is expected because the working interest owners being pooled have either (i) indicated they will join in the well (although they have not signed an operating agreement), or (ii) have requested that applicant force pool them into the well.

(b) A plat outlining the spacing unit being pooled, and marking the location of the subject well, is attached hereto as Exhibit A. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 22, Township 19 South, Range 31 East, N.M.P.M., and in the following manner: The W/2 to form a standard 320-acre gas spacing and proration unit for any and all formations or pools developed on 320-acre spacing within that vertical extent, including the Undesignated West Lusk-Morrow Gas Pool; the SW/4 to form a standard 160-acre oil or gas spacing and proration unit for any and all formations or pools developed on 160-acre spacing within that vertical extent, including the Undesignated Lusk-Strawn Gas Pool; and the SE/4SW/4 to form a standard 40-acre oil spacing and proration unit for any and all formations or pools developed on 40-acre spacing within that vertical extent, including the Undesignated West Lusk-Yates Pool, Undesignated Hackberry-Delaware Pool, and Undesignated Hackberry-Bone Spring Pool. The units are to be dedicated to the Arenoso "22" Fed. Com. Well No. 1, to be drilled at an orthodox location in the SE/4SW/4 of Section 22.

(c) The parties being pooled and their respective working interests in the 320 acre well unit are as listed on the spreadsheet attached hereto as Exhibit B.

OIL CONSERVATION DIVISION

CASE NUMBER

EXHIBIT NUMBER

1

- ## VERIFICATION

Meg Muhlinghouse
Meg Muhlinghouse

Heather W. Robertson
Notary Public

KELLY W. ROLLSTON
NOTARY
#08005240
EXP. 02/25/09
FIDELITY
STATE OF CALIFORNIA

Arenoso "22" Fed Com #1
990' FSL & 1650' FWL
W/2 Section 22-19S-31E
Eddy County, New Mexico

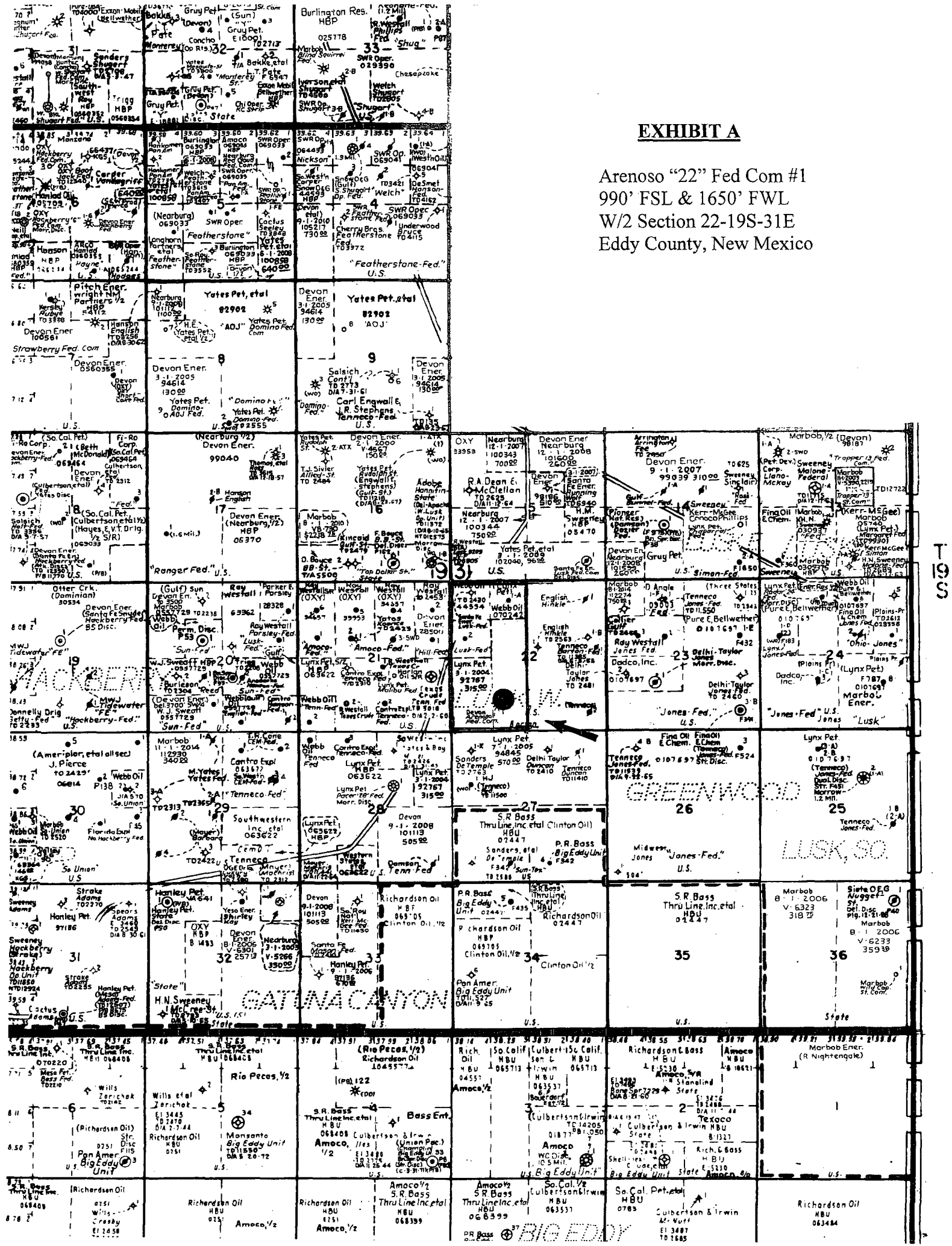


EXHIBIT B

Owners	Land Description	Acres	Decimal Int	Net Acres	Pro Unit	WI	Use NRI	Net Rev Int	WI	NRI
Working Interest										
Lothian Oil Inc.	W/2 NW/4	80	0.75000000	60.00000000	320	0.18750000	0.75000000	0.14062500	0.18750000	0.14062500
Shackelford Oil Company	W/2 NW/4	80	0.25000000	20.00000000	320	0.06250000	0.87500000	0.05468750	0.15625000	0.13671875
Shackelford Oil Company	SE/4 NW/4, E/2 SW/4	120	0.25000000	30.00000000	320	0.09375000	0.87500000	0.08203125		
Devon Energy Production Company, LP	SE/4 NW/4, E/2 SW/4	120	0.75000000	90.00000000	320	0.28125000	0.87500000	0.24609375	0.28125000	0.24609375
Powder Horn Investments, LLC (Formerly AA Oilfield Service, Inc.)	NE/4 NW/4	40	0.05000000	2.00000000	320	0.00625000	0.82500000	0.00515625	0.00625000	0.00515625
ABC Rental Tool Company	NE/4 NW/4	40	0.05000000	2.00000000	320	0.00625000	0.82500000	0.00515625	0.01650000	0.01318542
ABC Rental Tool Company	W/2 SW/4	80	0.04100000	3.28000000	320	0.01025000	0.78333333	0.00802917		
Ben Alexander	NE/4 NW/4	40	0.10000000	4.00000000	320	0.01250000	0.82500000	0.01031250	0.03455000	0.02758500
Ben Alexander	W/2 SW/4	80	0.08820000	7.05600000	320	0.02205000	0.78333333	0.01727250		
DASCO Energy Corporation	NE/4 NW/4	40	0.05000000	2.00000000	320	0.00625000	0.82500000	0.00515625	0.01727500	0.01379250
DASCO Energy Corporation	W/2 SW/4	80	0.04410000	3.52800000	320	0.01102500	0.78333333	0.00863625		
Foray Oil & Gas, LLC (formerly FJK Investments)	NE/4 NW/4	40	0.03000000	1.20000000	320	0.00375000	0.82500000	0.00309375	0.01125000	0.00896875
Foray Oil & Gas, LLC (formerly FJK Investments)	W/2 SW/4	80	0.03000000	2.40000000	320	0.00750000	0.78333333	0.00587500		
Kent Gabel	NE/4 NW/4	40	0.02500000	1.00000000	320	0.00312500	0.82500000	0.00257813	0.00312500	0.00257813
Marbob Energy Corporation	NE/4 NW/4	40	0.17500000	7.00000000	320	0.02187500	0.82500000	0.01804688	0.06562500	0.05231771
Marbob Energy Corporation	W/2 SW/4	80	0.17500000	14.00000000	320	0.04375000	0.78333333	0.03427083		
McVay Drilling Company	NE/4 NW/4	40	0.02500000	1.00000000	320	0.00312500	0.82500000	0.00257813	0.01022500	0.00813979
McVay Drilling Company	W/2 SW/4	80	0.02840000	2.27200000	320	0.00710000	0.78333333	0.00556167		
EGL Resources, Inc. (formerly S.E.S. Investments, Ltd.)	NE/4 NW/4	40	0.03000000	1.20000000	320	0.00375000	0.82500000	0.00309375	0.01227500	0.00977167
EGL Resources, Inc. (formerly S.E.S. Investments, Ltd.)	W/2 SW/4	80	0.03410000	2.72800000	320	0.00852500	0.78333333	0.00667792		
Larry R. Scott	NE/4 NW/4	40	0.01000000	0.40000000	320	0.00125000	0.82500000	0.00103125	0.00125000	0.00103125
Powder Horn Investments LLC	W/2 SW/4	80	0.04410000	3.52800000	320	0.01102500	0.78333333	0.00863625	0.01102500	0.00863625

7/18/2006

Original Title Opinion Interest with Lynx, et al sharing burdens

EXHIBIT B

Owners	Land Description	Acres	Decimal Int	Net Acres	Pro Unit	WI	Use NRI	Net Rev Int	WI	NRI
Moutray Properties, LLC (formerly Seven Rivers, Inc.)	NE/4 NW/4	40	0.10000000	4.00000000	320	0.01250000	0.82500000	0.01031250	0.03455000	0.02758500
Moutray Properties, LLC (formerly Seven Rivers, Inc.)	W/2 SW/4	80	0.08820000	7.05600000	320	0.02205000	0.78333333	0.01727250		
Watson Truck & Supply, Inc.	NE/4 NW/4	40	0.05000000	2.00000000	320	0.00625000	0.82500000	0.00515625	0.01880000	0.01498708
Watson Truck & Supply, Inc.	W/2 SW/4	80	0.05020000	4.01600000	320	0.01255000	0.78333333	0.00883083		
Lynx Petroleum Consultants, Inc.	NE/4 NW/4	40	0.30500000	12.20000000	320	0.03812500	0.82500000	0.03145313	0.13230000	0.10622354
Lynx Petroleum Consultants, Inc.	W/2 SW/4	80	0.37670000	30.13600000	320	0.09417500	0.78333333	0.07377042		
Total				320.00000000		1.00000000		0.82239583	1.00000000	0.82239583



EXHIBIT C

Meg Muhlinghouse
Land Advisor

Devon Energy Corporation
20 North Broadway
Oklahoma City, Oklahoma 73102-8260
(405) 228-4416
(405) 552-8113 FAX

April 13, 2006

ALL WORKING INTEREST OWNERS
(See Attached List)

RE: Re-proposal - Arenoso 22 Federal Com 1
SE/4 SW/4 Section 22-T19S-R31E
Eddy County, New Mexico

Gentlemen:

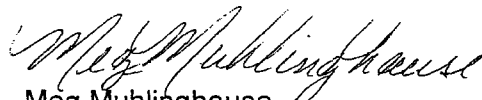
Devon Energy Production Company, L. P. ("Devon") hereby proposes to drill and complete the Arenoso 22 Federal Com 1, a 13,000' Morrow test, at a location 990' FSL & 1650' FWL of Section 22-T19S-R31E, Eddy County, New Mexico.

Enclosed, in duplicate, for your review is the Authority for Expenditure (AFE No. 121412) in the amount of \$2,566,300.00 for this project. Please advise Devon, within thirty (30) days of receipt hereof, of your election by placing a mark in the appropriate space provided below and return a copy of this letter to my attention at the address above or by fax to (405) 552-8113. If you elect to participate, a fully executed copy of the AFE should also be returned. It is imperative that you provide your e-mail address and fax number below in order to receive well information in a timely manner.

Should you have any questions or concerns, please feel free to contact me at (405) 228-4416.

Sincerely,

DEVON ENERGY PRODUCTION COMPANY, L. P.


Meg Muhlinghouse
Land Advisor

_____ I/We hereby **elect to participate** in the drilling of the Arenoso 22 Federal Com 1 well.

_____ I/We hereby **elect not participate** and assign its interest to the participating parties in the proration unit for the Arenoso 22 Federal Com 1 well.

Company Name: _____

By: _____

Date: _____

E-Mail Address: _____

Fax No. _____

WORKING INTEREST OWNERS

ARENOSO 22 FED COM 1 SECTION 22-T19S-R31E EDDY COUNTY, NEW MEXICO

ABC RENTAL TOOL CO INC
P O BOX 1500
HOBBS NM 88241
Email: harry.teague@teacoenerg.com
FAX No. 505-393-9889

BEN ALEXANDER
4002 16TH ST #4315
LUBBOCK TX 79416
Email: benalexander@jmcpcpa.com
FAX No. 806-281-6244

DASCO ENERGY CORPORATION
c/o AMERICAN ST BANK TRUST DEPT
P O BOX 1401
LUBBOCK TX 79408
Email: benalexander@jmcpcpa.com
FAX No. 806-281-6244

EGL RESOURCES INC
P O BOX 10886
MIDLAND TX 79702
Email: wes@egresources.com
FAX No. 432-682-5852

FONAY OIL & GAS LLC
P O BOX 1708
HOBBS NM 88241
Email: gwfonay@leaco.net
FAX No. 432-682-5852

KENT GABEL
C/O SUDAN FEEDYARD
P O BOX 9
SUDAN TX 79371

LOTHIAN OIL INC
ATTN VINCE BORELLO
P O BOX 13
MIDLAND TX 79702

LYNX PETROLEUM CONSULTANTS
INC
P O BOX 1708
HOBBS NM 88241
Email: lynxpet@leaco.net
FAX No. 505-392-7886

MARBOB ENERGY CORPORATION
P O BOX 227
ARTESIA NM 88211-0227
FAX No. 505-746-2523

MCVAY DRILLING COMPANY
P O DRAWER 1348
HOBBS NM 88241
Email: tmcvay@valornet.com
FAX No. 505-393-7455

MOUTRAY PROPERTIES LLC
P O BOX 1598
CARLSBAD NM 88241
Email: SEVENRIVERS@PUTN.NET
FAX No. 505-457-2294

POWDER HORN INVESTMENTS LLC
P O BOX 2503
HOBBS NM 88241
Email: bpeters03@aol.com
FAX No. 505-393-7333

LARRY R SCOTT
P O BOX 1708
HOBBS NM 88241
Email: lrscott@leaco.net
FAX No. 505-392-7886

SHACKLEFORD OIL COMPANY
P O BOX 10665
MIDLAND TX 79702

WATSON TRUCK & SUPPLY INC
P O BOX 10
HOBBS NM 88241
Email: csmith@watsonauto.com
FAX No. 505-397-1443

WORKING INTEREST OWNERS

ARENOSO 22 FED COM 1
SECTION 22-T19S-R31E
EDDY COUNTY, NEW MEXICO

ABC RENTAL TOOL CO INC
P O BOX 1500
HOBBS NM 88241

BEN ALEXANDER
4002 16TH ST #4315
LUBBOCK TX 79416

DASCO ENERGY CORPORATION
c/o AMERICAN ST BANK TRUST DEPT
P O BOX 1401
LUBBOCK TX 79408

EGL RESOURCES INC
P O BOX 10886
MIDLAND TX 79702

FONAY OIL & GAS LLC
P O BOX 1708
HOBBS NM 88241

KENT GABEL
C/O SUDAN FEEDYARD
P O BOX 9
SUDAN TX 79371

LOTHIAN OIL INC
ATTN VINCE BORELLO
P O BOX 13
MIDLAND TX 79702

LYNX PETROLEUM CONSULTANTS INC
P O BOX 1708
HOBBS NM 88241

MARBOB ENERGY CORPORATION
P O BOX 227
ARTESIA NM 88211-0227

MCVAY DRILLING COMPANY
P O DRAWER 1348
HOBBS NM 88241

MOUTRAY PROPERTIES LLC
P O BOX 1598
CARLSBAD NM 88241

POWDER HORN INVESTMENTS LLC
P O BOX 2503
HOBBS NM 88241

LARRY R SCOTT
P O BOX 1708
HOBBS NM 88241

SHACKLEFORD OIL COMPANY
P O BOX 10665
MIDLAND TX 79702

WATSON TRUCK & SUPPLY INC
P O BOX 10
HOBBS NM 88241

GAS - ☒
OIL - ☐



EXHIBIT D

20 N. BROADWAY, SUITE 1500, OKLAHOMA CITY, OK 73102

DRILLING ☐
COMPLETION ☐

AUTHORITY FOR EXPENDITURE
DRILLING/COMPLETION COST ESTIMATE

AFE NO.: 121412
Lease Name - Well #: Arenoso 22 Fed Com 1
Legal Description: 990' FSL & 1650' FWL Section 22-T19S-31E

County/Parish: Eddy
State: New Mexico
Prepared By: Abbitt, Wyatt

AUTHORITY REQUESTED TO:

Drill and complete targeting the Morrow formation. TD is proposed at 13,000 feet.

Code	Intangible Description	Drilling Costs	Completion Costs	Dry Hole Costs	Total Costs
011	LAND, LEGAL	5,000	500	0	5,500
012	SURFACE DAMAGES / RIGHT OF WAY	10,000	0	0	10,000
012	SURFACE DAMAGES RIGHT OF WAY	0	6,000	0	6,000
013	LOCATION, ROADS, PITS, FENCES	40,000	0	0	40,000
019	OTHER SITE PREPARATION	5,000	1,000	0	6,000
043	DAYWORK	563,000	52,500	0	615,500
044	MOBILIZATION/DEMOBILIZATION	100,000	0	0	100,000
049	OTHER CONTRACTOR SERVICES	0	5,500	0	5,500
101	DRILL BITS	65,000	0	0	65,000
102	COMPLETION FLUIDS	0	12,000	0	12,000
102	DRILLING FLUIDS	70,000	0	0	70,000
103	SURFACE RENTAL TOOLS & EQUIPMENT	28,000	16,500	0	44,500
104	DOWNHOLE RENTAL TOOLS & EQUIPMENT	55,000	5,000	0	60,000
109	OTHER MATERIALS & SUPPLIES	10,000	500	0	10,500
201	WELDING, ROUSTABOUTS & OTHER SERV	0	11,000	0	11,000
201	WELDING, ROUSTABOUTS & OTHER SERVICES	10,000	0	0	10,000
202	DIRT WORK & HEAVY EQUIPMENT	5,000	1,000	0	6,000
203	TRUCKING & HOTSHOT	12,000	4,000	0	16,000
204	PIPELINE INSTALLATION (Wellhead to LACT, CDP,	0	20,000	0	20,000
251	CEMENT & CEMENTING SERVICES	55,000	75,000	0	130,000
254	FLOWBACK EQUIPMENT--TESTING SERVICES	0	8,000	0	8,000
255	LOGGING	90,000	25,000	0	115,000
257	OPEN HOLE EVALUATION	20,000	0	0	20,000
259	CASING & TUBULAR SERVICES	17,500	0	0	17,500
263	FLUID DISPOSAL	15,000	3,500	0	18,500
265	STIMULATION & GRAVEL PACK	0	200,000	0	200,000
269	CONSULTANTS	36,000	20,000	0	56,000
271	FISHING SERVICES	0	3,000	0	3,000
301	ELECTRICITY USAGE	44,500	0	0	44,500
302	WATER	40,000	1,000	0	41,000
306	OTHER POWER & FUEL	0	3,500	0	3,500
501	PULLING & SWABBING UNITS	0	45,000	0	45,000
503	BACKFILL PITS/RESTORE LOCATION	80,000	2,000	0	82,000
552	SAFETY EQUIPMENT & TRAINING	10,000	1,000	0	11,000
559	ENVMT & SAFETY MISCELLANEOUS	5,000	1,000	0	6,000
711	COMPANY SUPERVISION	0	1,200	0	1,200
731	CONSTRUCTION OVERHEAD	0	1,500	0	1,500
831	VEHICLE EXPENSE	0	500	0	500
895	TAXES - OTHER	120,000	25,000	0	145,000
Total Intangibles		1,511,000	551,700	0	2,062,700

Please include/attach well requirement data with ballot.

GAS Y
OIL



20 N. BROADWAY, SUITE 1500, OKLAHOMA CITY, OK 73102

DRILLING
COMPLETION

AUTHORITY FOR EXPENDITURE
DRILLING/COMPLETION COST ESTIMATE

AFE NO.: 121412
Lease Name - Well #: Arenoso 22 Fed Com 1
Legal Description: 990' FSL & 1650' FWL Section 22-T19S-31E

County/Parish: Eddy
State: New Mexico
Prepared By: Abbitt, Wyatt

AUTHORITY REQUESTED TO:

Drill and complete targeting the Morrow formation. TD is proposed at 13,000 feet.

Code	Tangible Description	Drilling	Completion	Dry Hole	Total
		Costs	Costs	Costs	Costs
901	SURFACE CASING	21,000	0	0	21,000
902	INTERMEDIATE CASING	101,600	0	0	101,600
903	PRODUCTION CASING	0	192,000	0	192,000
904	CONDUCTOR CASING/DRIVE PIPE	4,000	0	0	4,000
915	TUBING	0	74,000	0	74,000
925	SUBSURFACE EQUIP	0	15,000	0	15,000
931	WELLHEAD VALVES & EQUIPMENT	12,000	16,000	0	28,000
941	TANKS	0	33,000	0	33,000
945	TREATING EQUIPMENT	0	20,000	0	20,000
961	LINE PIPE, METERS & FITTINGS	0	5,000	0	5,000
986	SURFACE - OTHR TANG. EQUIP	0	10,000	0	10,000
Total Tangibles		138,600	365,000	0	503,600
TOTAL ESTIMATED COSTS		1,649,600	916,700	0	2,566,300

Note: Costs and participations are generally estimates. Billings will be based on actual expenditures

WORKING INTEREST OWNER APPROVAL

Company name: _____

Signature: _____

Print Name: _____

Title: _____

Date: _____

Email: _____

Please include/attach well requirement data with ballot.