

**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. 13,840

VERIFIED STATEMENT OF MEG MUHLINGHAUSE

Meg Muhlinghouse, 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 yet signed an operating agreement), or (ii) have not responded to the well proposal.
 - (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 10, Township 19 South, Range 31 East, N.M.P.M., and in the following manner: The S/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 SE/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 Pool; and the NE/4SE/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 and Undesignated West Lusk-Bone Spring Pool. The units are to be dedicated to the Acme "10" Fed. Com. Well No. 1, to be drilled at an orthodox gas well location in the NE/4SE/4 of Section 10.
 - (c) The parties being pooled, their working interests in the 320 acre well unit, and their addresses, are listed on Exhibit B.

Oil Conservation Division

Case No. 1

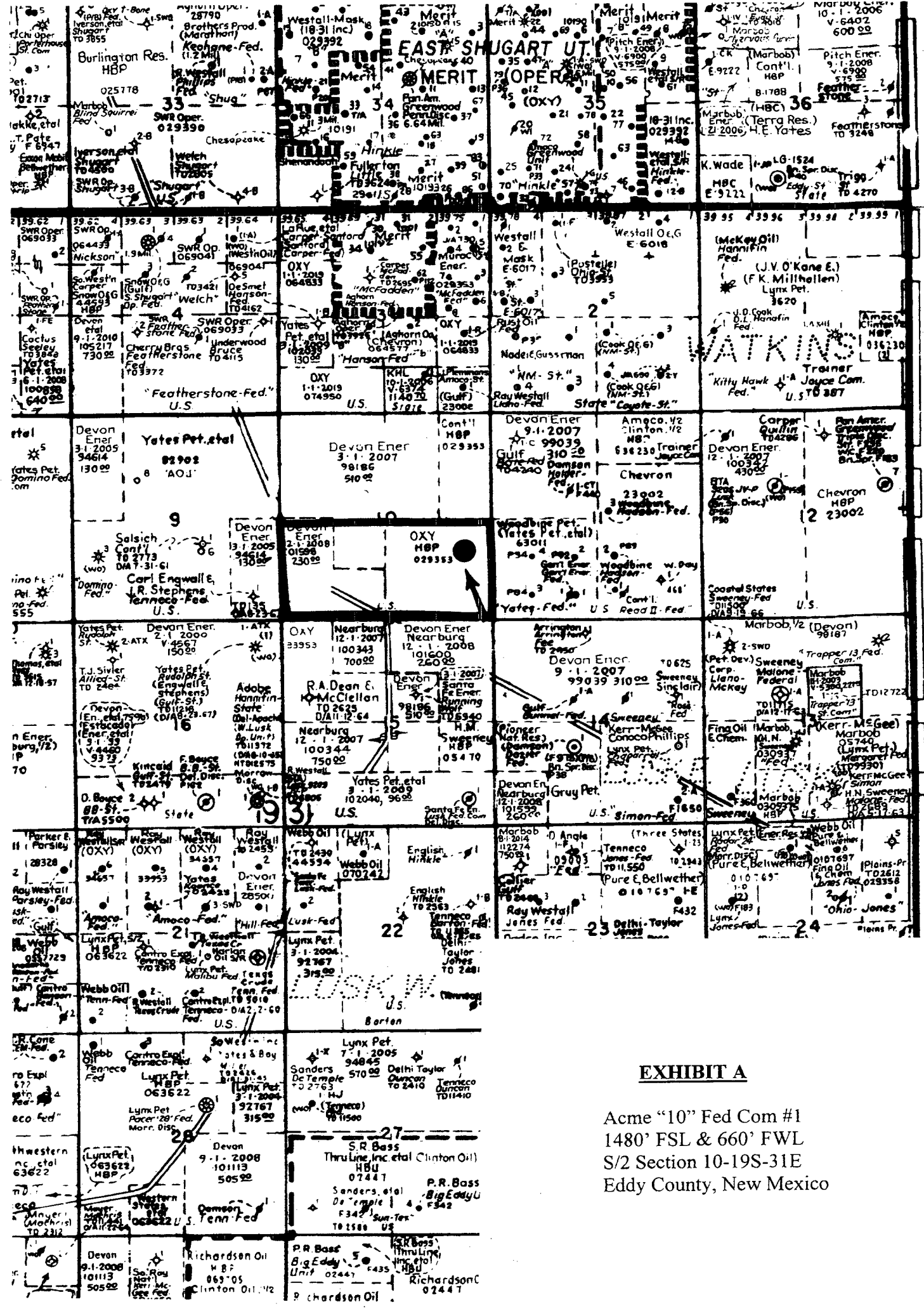
Exhibit No. 1

- ## VERIFICATION

Meg Muhlninghaus
Meg Muhlninghaus

Heather Robertson
Notary Public

RELLY W. ROBERTSON
NOTARY
05005789
EXP. 6/23/09
PUBLIC
STATE OF OKLAHOMA



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EXHIBIT A

Acme "10" Fed Com #1
1480' FSL & 660' FWL
S/2 Section 10-19S-31E
Eddy County, New Mexico

ACME 10 FED COM #1
S/2 Section 10, T-19-S, R-31-E
Eddy County, NM

BEFORE PAYOUT

Working Interest Owners	Land Description	Acres	Decimal Int	Net Acres	Pro Unit	WI	Use NRI	Net Rev Int	WI	NRI
MORROW										
Devon Energy Production Company, LP	NE/4SW/4	40	1.00000000	40.00000000	320	0.12500000	0.85500000	0.10687500	0.31250000	0.27093750
	W/2SW/4; SE/4SW/4	120	0.50000000	60.00000000	320	0.18750000	0.87500000	0.16406250		
Nearburg Exploration Company, L.L.C.	W/2SW/4; SE/4SW/4	120	0.50000000	60.00000000	320	0.18750000	0.87500000	0.16406250	0.18750000	0.16406250
ConocoPhillips Company	SE/4	160	0.50000000	80.00000000	320	0.25000000	0.77500000	0.19375000	0.25000000	0.19375000
Occidental Permian Limited Partnership	SE/4	160	0.50000000	80.00000000	320	0.25000000	0.82500000	0.20625000	0.25000000	0.20625000
TOTAL				320.00000000		1.00000000		0.83500000	1.00000000	0.83500000
STRAWN										
Devon Energy Production Company, LP	NE/4SW/4	40	1.00000000	40.00000000	320	0.12500000	0.85500000	0.10687500	0.31250000	0.27093750
	W/2SW/4; SE/4SW/4	120	0.50000000	60.00000000	320	0.18750000	0.87500000	0.16406250		
Nearburg Exploration Company, L.L.C.	W/2SW/4; SE/4SW/4	120	0.50000000	60.00000000	320	0.18750000	0.87500000	0.16406250	0.18750000	0.16406250
ConocoPhillips Company	SE/4	160	0.50000000	80.00000000	320	0.25000000	0.77500000	0.19375000	0.25000000	0.19375000
Amity Oil Co., Inc.	SE 4	160	0.06250000	10.00000000	320	0.03125000	0.81883330	0.02558854	0.03125000	0.02558854
Anadarko (previously Union Pacific Resources Co.)	SE 4	160	0.14583333	23.333333280	320	0.07291667	0.81883330	0.05970659	0.07291667	0.05970659
Badger Energy, Inc.	SE 4	160	0.07291667	11.66666720	320	0.03645834	0.81883330	0.02985330	0.03645834	0.02985330
Lynx Petroleum Consultants, Inc.	SE 4	160	0.14583333	23.333333280	320	0.07291667	0.81883330	0.05970659	0.07291667	0.05970659
Marbob Energy Corporation	SE 4	160	0.07291667	11.66666720	320	0.03645834	0.81883330	0.02985330	0.03645834	0.02985330
TOTAL				320.00000000		1.00000000		0.8345833	1.00000000	0.8345833

ACME 10 FED COM #1
S/2 Section 10, T-19-S, R-31-E
Eddy County, NM

Working Interest Owners		Land Description	Acres	Decimal Int	Net Acres	Pro Unit	WI	Use NRI	Net Rev Int	WI	NRI
AFTER PAYOUT											
MORROW											
Devon Energy Production Company, LP	NE/4SW/4		40	1.00000000	40.00000000						
	W/2SW/4; SE/4SW/4		120	0.50000000	60.00000000	320	0.12500000	0.85500000	0.10687500	0.31250000	0.27093750
Nearburg Exploration Company, L.L.C	W/2SW/4; SE/4SW/4		120	0.50000000	60.00000000	320	0.18750000	0.87500000	0.16406250		
	SE/4		160	0.50000000	80.00000000	320	0.25000000	0.57500000	0.14375000	0.25000000	0.14375000
Occidental Permian Limited Partnership	SE 4		160	0.50000000	80.00000000	320	0.25000000	0.82500000	0.20625000	0.25000000	0.20625000
	TOTAL				320.00000000		1.00000000		0.78500000	1.00000000	0.78500000
STRAWN											
Devon Energy Production Company, LP	NE/4SW/4		40	1.00000000	40.00000000	320	0.12500000	0.85500000	0.10687500	0.31250000	0.27093750
	W/2SW/4; SE/4SW/4		120	0.50000000	60.00000000	320	0.18750000	0.87500000	0.16406250		
Nearburg Exploration Company, L.L.C	W/2SW/4; SE/4SW/4		120	0.50000000	60.00000000	320	0.18750000	0.87500000	0.16406250	0.18750000	0.16406250
	SE/4		160	0.50000000	80.00000000	320	0.25000000	0.57500000	0.14375000	0.25000000	0.14375000
ConocoPhillips Company	SE 4		160	0.06250000	10.00000000	320	0.03125000	0.81883330	0.02558854	0.03125000	0.02558854
	SE 4		160	0.06250000	10.00000000	320	0.03125000	0.81883330	0.02558854	0.03125000	0.02558854
Anadarko (previously Union Pacific Resources Co.)	SE 4		160	0.14583333	23.33333330	320	0.07291667	0.81883330	0.05970659	0.07291667	0.05970659
	SE 4		160	0.07291667	11.66666720	320	0.03645834	0.81883330	0.02985330	0.03645834	0.02985330
Lynx Petroleum Consultants, Inc.	SE 4		160	0.14583333	23.33333330	320	0.07291667	0.81883330	0.05970659	0.07291667	0.05970659
	SE 4		160	0.07291667	11.66666720	320	0.03645834	0.81883330	0.02985330	0.03645834	0.02985330
Marbob Energy Corporation	SE 4		160	0.07291667	11.66666720	320	0.03645834	0.81883330	0.02985330	0.03645834	0.02985330
	TOTAL				320.00000000		1.00000000		0.78345833	1.00000000	0.78345833



Meg Muhlinghaus
Land Advisor

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

November 9, 2006

WORKING INTEREST OWNERS
(See Attached List)

RE: Acme 10 Federal Com 1
1480' FSL & 660' FEL Section 10-T19S-R31E
Eddy County, New Mexico

Gentlemen:

Reference is made to that certain letter dated September 14, 2006 whereby Devon Energy Production Company, L. P. ("Devon") proposed to drill and complete the Acme 10 Federal Com 1, a 12,725' Morrow/Strawn test, at a location 1480' FSL & 660' FEL of Section 10-T19S-R31E, Eddy County, New Mexico. The Working Interest Owner List in the September 14, 2006 letter indicated that the proration unit for this well would be the East half (E/2). Please be advised that Devon intends to the proration unit orientation to be the South half (S/2) of this Section.

The Working Interest Owners in the SE/4 of Section 10 currently own in either everything except the Strawn formation or in only the Strawn formation. Several of the owners have indicated a desire to blend their interests from the top of the Strawn formation through the base of the Morrow formation. Please review the attached Exhibit "A" for a proposed ownership change in the SE/4 of Section 10, whereby the owners in only the Strawn formation will trade one half (1/2) of their interest in exchange for one half (1/2) of the interest of the owners of the base of the Strawn formation to the base of the Morrow formation. Please advise in the space provided below if your company would be agreeable to this proposal. Upon approval by all, the appropriate paperwork to finalize this agreement can be prepared.

Additionally, there are several companies that have not responded to the September 14, 2006 proposal to drill this well, therefore, enclosed please find, in duplicate, for your review is an additional Authority for Expenditure (AFE No. 127810) in the amount of \$2,639,514.00 for this project. Please advise Devon as soon as possible of your election by placing a mark in the appropriate space provided on page two 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.

In the alternative to participating, Devon would still consider possibly purchasing or obtaining a farmout of your interest for reasonable terms.

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

Sincerely,

DEVON ENERGY PRODUCTION COMPANY, L. P.

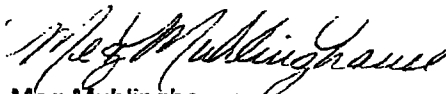

Meg Muhlinghaus
Land Advisor

EXHIBIT C

Acme 10 Federal Com 1
November 6, 2006
Page Two

_____ I/We hereby agree to the proposed blending of interests from the top of the Strawn formation through the base of the Morrow formation, as detailed in the spreadsheet attached as Exhibit "A" to this Letter Agreement.

_____ I/We hereby elect to participate in the drilling of the Acme 10 Federal Com 1 well.

_____ I/We hereby elect not to participate in the drilling of the Acme 10 Federal Com 1 well.

Company Name: _____

By: _____

Date: _____

E-Mail Address: _____

Fax No. _____

WORKING INTEREST OWNERS**ACME 10 FEDERAL COM #1
S/2 SECTION 10-T19S-R31E
EDDY COUNTY, NEW MEXICO**

Robert Pulliam
Amity Oil Company, Inc.
6116 North Central Expressway, Suite 1000
Dallas, TX 75206
Phone: 214-368-8900
Fax: 214-368-3377

Mike Nixon
Anadarko Petroleum Corporation
P.O. Box 1330
The Woodlands, TX 77251-1330
Phone: 832-636-3058
Fax: 832-636-8207

Greg Fizzell
ConocoPhillips Company
550 Westlake Park Blvd., WI 3-14048
Houston, TX 77079 or
P. O. Box 2197
Houston, TX 77252-2197
Phone: 832-486-2311
Fax: 832-486-2674

Badger Energy, Inc.
P.O. Box 1708
Hobbs, NM 88241
Email: lynxpet@leaco.net or
lrscott@leaco.net
Phone: 505-392-8252
Fax: 505-392-7886

Lynx Petroleum Consultants Inc.
P. O. Box 1708
Hobbs, NM 88241
Email: lynxpet@leaco.net
Phone: 505-392-6950
Fax: 505-392-7886

Joint Venture Manager
Occidental Permian Limited Partnership
P. O. Box 50250
Midland, TX 79710-0250
Phone: (432) 685-5769
Fax: (432) 685-5742

Marbob Energy Corporation
P. O. Box 227
Artesia, NM 88211-0227
Phone: 505-478-3303
Fax: 505-746-2523

Linda Hicks
Nearburg Exploration Company
3300 North "A" Street, Bldg. 2, Suite 120
Midland, Texas 79705
Phone: 432-686-8235
FAX: 432-686-7806

devonMeg Muhlinghouse
Land AdvisorDevon Energy Corporation
20 North Broadway
Oklahoma City, Oklahoma 73102-8260
(405) 228-4416
(405) 552-8113 FAX

November 2, 2006

ATTN: Mr. Greg Fizzell
ConocoPhillips Company
550 Westlake Park Blvd. WI 3-14048
Houston, Texas 77079RE: Acme 10 Federal Com 1
1480' FSL & 660' FEL Section 10-T19S-R31E
Eddy County, New Mexico

Gentlemen:

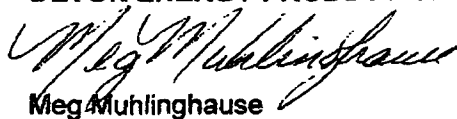
Reference is made to that certain letter dated September 14, 2006 whereby Devon Energy Production Company, L. P. ("Devon") proposed to drill and complete the Acme 10 Federal Com 1, a 12,725' Morrow/Strawn test, at a location 1480' FSL & 660' FEL of Section 10-T19S-R31E, Eddy County, New Mexico. The Working Interest Owner List in said letter indicated that the proration unit for this well would be the East half (E/2). Please be advised that Devon intends to the proration unit orientation to be the South half (S/2) of this Section.

ConocoPhillips indicated that it did not want to participate in this proposal. In our recent telephone conversation, we discussed the extremely low net revenue interest that ConocoPhillips has in this acreage and you indicated that ConocoPhillips may be ameanable to a proposal from Devon. Therefore, as an alternative to participating, Devon proposes to acquire a farmout of ConocoPhillips' interest in Section 10-T19S-R31E, whereby ConocoPhillips would retain a one percent (1%) overriding royalty interest, proportionately reduced. Please indicate in the space provided below by November 17, 2006 if ConocoPhillips is agreeable to this proposal.

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

AGREED to and ACCEPTED this _____ day of November, 2006.

CONOCOPHILLIPS COMPANY

By: _____

Printed Name/Title: _____

devonMeg Muhlinghouse
Land AdvisorDevon Energy Corporation
20 North Broadway
Oklahoma City, Oklahoma 73102-8260
(405) 228-4416
(405) 552-8113 FAX

November 2, 2006

ATTN: Ms. Linda Hicks
Nearburg Exploration Company, L.L.C
3300 North "A" Street, Bldg. 2, Suite 120
Midland, Texas 79705RE: Acme 10 Federal Com 1
1480' FSL & 660' FEL Section 10-T19S-R31E
Eddy County, New Mexico

Ladies and Gentlemen:

Devon Energy Production Company, L. P. ("Devon") hereby proposes to drill and complete the Acme 10 Federal Com 1, a 12,725' Morrow/Strawn test, at a location 1480' FSL & 660' FEL in the South half (S/2) of Section 10-T19S-R31E, Eddy County, New Mexico.

Enclosed, in duplicate, for your review is the Authority for Expenditure (AFE No. 127810) in the amount of \$2,639,514.00 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.

In the alternative to participating, Devon would consider possibly purchasing or obtaining a farmout of your interest for reasonable terms.

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 Acme 10 Federal Com 1 well.

_____ I/We hereby elect not to participate in the drilling of the Acme 10 Federal Com 1 well.

Nearburg Exploration Company, L.L.C

By: _____

Date: _____

E-Mail Address: _____

Fax No. _____

devonMeg Muhlinghouse
Land AdvisorDevon Energy Corporation
20 North Broadway
Oklahoma City, Oklahoma 73102-8260
(405) 228-4416
(405) 552-8113 FAX

September 14, 2006

ALL WORKING INTEREST OWNERS
(See Attached List)RE: Acme 10 Federal Com 1
1480' FSL & 660' FEL Section 10-T19S-R31E
Eddy County, New Mexico

Gentlemen:

Devon Energy Production Company, L. P. ("Devon") hereby proposes to drill and complete the Acme 10 Federal Com 1, a 12,725' Morrow/Strawn test, at a location 1480' FSL & 660' FEL of Section 10-T19S-R31E, Eddy County, New Mexico.

Enclosed, in duplicate, for your review is the Authority for Expenditure (AFE No. 127810) in the amount of \$2,639,514.00 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.

In the alternative to participating, Devon would consider possibly purchasing or obtaining a farmout of your interest for reasonable terms.

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 Acme 10 Federal Com 1 well.

_____ I/We hereby elect not participate and assign its interest to the participating parties in the proration unit for the Acme 10 Federal Com 1 well.

Company Name: _____

By: _____

Date: _____

E-Mail Address: _____

Fax No. _____

GAS X
OIL

devon

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

DRILLING
COMPLETION

AUTHORITY FOR EXPENDITURE
DRILLING/COMPLETION COST ESTIMATE

AFE NO.: 127810
Lease Name - Well #: Acme 10 Fed Com 1
Legal Description: 1480' FSL & 660' FEL, Sec. 10-T19S-R31E

County/Parish: Eddy
State: New Mexico
Prepared By: Singletary, Chris

AUTHORITY REQUESTED TO:

Drill and complete targeting the Morrow formation. TD is proposed at 12,725'.

Code	Intangible Description	Drilling Costs	Completion Costs	Dry Hole Costs	Total Costs
011	LAND, LEGAL	4,000	5,000	0	9,000
012	SURFACE DAMAGES / RIGHT OF WAY	3,000	0	0	3,000
012	SURFACE DAMAGES RIGHT OF WAY	0	6,000	0	6,000
013	LOCATION, ROADS, PITS, FENCES	30,000	0	0	30,000
019	OTHER SITE PREPARATION	10,000	1,000	0	11,000
043	DAYWORK	665,000	52,500	0	717,500
044	MOBILIZATION/DEMObILIZATION	65,000	0	0	65,000
045	DIRECTIONAL DRILLING	35,000	0	0	35,000
049	OTHER CONTRACTOR SERVICES	7,000	5,500	0	12,500
101	DRILL BITS	66,466	0	0	66,466
102	COMPLETION FLUIDS	0	12,000	0	12,000
102	DRILLING FLUIDS	49,000	0	0	49,000
103	SURFACE RENTAL TOOLS & EQUIPMENT	21,900	16,500	0	38,400
104	DOWNHOLE RENTAL TOOLS & EQUIPMENT	25,000	5,000	0	30,000
109	OTHER MATERIALS & SUPPLIES	2,000	500	0	2,500
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	15,000	4,000	0	19,000
204	PIPELINE INSTALLATION (Wellhead to LACT, CDP,	0	20,000	0	20,000
251	CEMENT & CEMENTING SERVICES	45,000	75,000	0	120,000
254	FLOWBACK EQUIPMENT--TESTING SERVICES	0	8,000	0	8,000
255	LOGGING	60,000	25,000	0	85,000
257	OPEN HOLE EVALUATION	20,000	0	0	20,000
259	CASING & TUBULAR SERVICES	12,000	0	0	12,000
263	FLUID DISPOSAL	80,000	3,500	0	83,500
265	STIMULATION & GRAVEL PACK	0	200,000	0	200,000
269	CONSULTANTS	43,750	20,000	0	63,750
271	FISHING SERVICES	0	3,000	0	3,000
281	COMMUNICATIONS SERVICES	3,500	0	0	3,500
302	WATER	25,000	1,000	0	26,000
306	OTHER POWER & FUEL	0	3,500	0	3,500
306	POWER & FUEL	77,000	0	0	77,000
501	PULLING & SWABBING UNITS	0	45,000	0	45,000
503	BACKFILL PITS/RESTORE LOCATION	10,000	2,000	0	12,000
552	SAFETY EQUIPMENT & TRAINING	5,400	1,000	0	6,400
559	ENVMT & SAFETY MISCELLANEOUS	0	1,000	0	1,000
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

Please include/attach well requirement data with ballot

EXHIBIT D

GAS ☒
OIL ☐

devon

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

DRILLING
COMPLETION ☐

AUTHORITY FOR EXPENDITURE
DRILLING/COMPLETION COST ESTIMATE

AFE NO.: 127810
Lease Name - Well #: Acme 10 Fed Corn 1
Legal Description: 1480' FSL & 660' FEL, Sec. 10-T19S-R31E

County/Parish: Eddy
State: New Mexico
Prepared By: Singletary, Chris

AUTHORITY REQUESTED TO:

Drill and complete targeting the Morrow formation. TD is proposed at 12,725'.

Code	Intangible Description	Drilling Costs	Completion Costs	Dry Hole Costs	Total Costs
895	TAXES - OTHER	139,502	25,000	0	164,502
Total Intangibles		1,534,518	556,200	0	2,090,718
Code	Tangible Description	Drilling Costs	Completion Costs	Dry Hole Costs	Total Costs
901	SURFACE CASING	18,700	0	0	18,700
902	INTERMEDIATE CASING	92,200	0	0	92,200
903	PRODUCTION CASING	0	256,230	0	256,230
915	TUBING	0	74,000	0	74,000
925	SUBSURFACE EQUIP	0	15,000	0	15,000
931	WELLHEAD VALVES & EQUIPMENT	8,666	16,000	0	24,666
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		119,566	429,230	0	548,796
TOTAL ESTIMATED COSTS		1,654,084	985,430	0	2,639,514

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: