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July 21, 2010

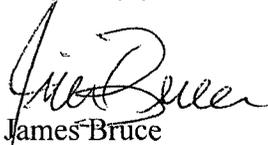
Florene Davidson
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Case 14528

Dear Florene:

Enclosed for filing, on behalf of Devon Energy Production Company, L.P., are an original and one copy of an application for compulsory pooling, *etc.*, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please set this matter for the August 19, 2010 Examiner hearing. Thank you.

Very truly yours,



James Bruce

Attorney for Devon Energy Production Company, L.P.

PERSONS BEING NOTIFIED

Samedan Royalty Corporation

Chisos, Ltd.

Pure Energy Group, Inc.

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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APPLICATION OF DEVON ENERGY
PRODUCTION COMPANY, L.P. FOR
APPROVAL OF A NON-STANDARD
GAS SPACING AND PRORATION UNIT,
AN UNORTHODOX OIL WELL LOCATION,
AND COMPULSORY POOLING, CHAVES
COUNTY, NEW MEXICO.

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Case No. 14528

APPLICATION

Devon Energy Production Company, L.P. applies for an order (a) approving a non-standard gas spacing and proration unit in the Mississippian formation comprised of the S $\frac{1}{2}$ NE $\frac{1}{4}$ and N $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 7 and the S $\frac{1}{2}$ NW $\frac{1}{4}$ and N $\frac{1}{2}$ SW $\frac{1}{4}$ of Section 8, Township 10 South, Range 29 East, N.M.P.M., Chaves County, New Mexico, (b) pooling all mineral interests (i) from the surface to the base of the Siluro-Devonian formation underlying the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 7, and the Mississippian formation underlying the non-standard unit, and (c) approving an unorthodox oil well location, and in support thereof, states:

1. Applicant is an interest owner in the S $\frac{1}{2}$ NE $\frac{1}{4}$ and N $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 7 and the S $\frac{1}{2}$ NW $\frac{1}{4}$ and N $\frac{1}{2}$ SW $\frac{1}{4}$ of Section 8, and proposes to drill a well thereon.
2. Applicant proposes to drill the Loving 7 Fee Well No. 1 vertically, at an unorthodox oil well location 2500 feet from the north line and 1400 feet from the east line of Section 7, to test the Siluro-Devonian formation, and then drilled horizontally in the Mississippian formation with an entry point in the Mississippian formation approximately 2500 feet from the north line and 1100 feet from the east line of Section 7, and a terminus 2500 feet from the north line and 1980 feet from the west line of Section 8.

3. Applicant seeks to pool all mineral interests (i) from the surface to the base of the Siluro-Devonian formation underlying the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 7 to form a standard 40 acre oil spacing and proration unit for any formations and/or pools developed on 40 acre spacing within that vertical extent, and (ii) the Mississippian formation underlying the S $\frac{1}{2}$ NE $\frac{1}{4}$ and N $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 7 and the S $\frac{1}{2}$ NW $\frac{1}{4}$ and N $\frac{1}{2}$ SW $\frac{1}{4}$ of Section 8 to form a non-standard 320 acre gas spacing and proration unit (project area).

4. Applicant further requests approval of an unorthodox oil well location in the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 7 for all oil zones developed on 40 acre spacing.

5. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in underlying the S $\frac{1}{2}$ NE $\frac{1}{4}$ and N $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 7 and the S $\frac{1}{2}$ NW $\frac{1}{4}$ and N $\frac{1}{2}$ SW $\frac{1}{4}$ of Section 8 for the purposes set forth herein.

6. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners as set forth above, pursuant to NMSA 1978 §§70-2-17, 18.

7. Approval of the non-standard unit, the pooling of all mineral interests underlying the S $\frac{1}{2}$ NE $\frac{1}{4}$ and N $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 7 and the S $\frac{1}{2}$ NW $\frac{1}{4}$ and N $\frac{1}{2}$ SW $\frac{1}{4}$ of Section 8, and the unorthodox location will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

- A. Approving a non-standard gas spacing and proration unit (project area) in the Mississippian formation comprised of underlying the S $\frac{1}{2}$ NE $\frac{1}{4}$ and N $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 7 and the S $\frac{1}{2}$ NW $\frac{1}{4}$ and N $\frac{1}{2}$ SW $\frac{1}{4}$ of Section 8;
- B. Pooling all mineral interests (i) from the surface to the base of the Siluro-Devonian formation underlying the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 7, and (ii) the Mississippian formation underlying the S $\frac{1}{2}$ NE $\frac{1}{4}$ and N $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 7 and the S $\frac{1}{2}$ NW $\frac{1}{4}$ and N $\frac{1}{2}$ SW $\frac{1}{4}$ of Section 8;
- C. Designating applicant as operator of the well;
- D. Considering the cost of drilling and completing the well, and allocating the cost among the well's working interest owners;
- E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- F. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,



James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Devon Energy Production
Company, L.P.

PROPOSED ADVERTISEMENT

Case No. 14528 :

Application of Devon Energy Production Company, L.P. for a non-standard gas spacing and proration unit, an unorthodox oil well location, and compulsory pooling, Chaves County, New Mexico. Devon Energy Production Company, L.P. seeks an order approving a 320-acre non-standard gas spacing and proration unit (project area) in the Mississippian formation comprised of the S/2NE/4 and N/2SE/4 of Section 7 and the S/2NW/4 and N/2SW/4 of Section 8, Township 10 South, Range 29 East, NMPM. Applicant further seeks the pooling of all mineral interests (i) from the surface to the base of the Siluro-Devonian formation underlying the SW/4NE/4 of Section 7 to form a standard 40 acre oil spacing and proration unit for any formations and/or pools developed on 40 acre spacing within that vertical extent, and (ii) in the Mississippian formation underlying the non-standard 320 acre unit (project area). The units are to be dedicated to the Loving 7 Fee Well No. 1, to be drilled vertically at an unorthodox surface location 2500 feet from the north line and 1400 feet from the east line of Section 7 to test the Siluro-Devonian formation, and then drilled horizontally in the Mississippian formation with an entry point in the Mississippian formation approximately 2500 feet from the north line and 1100 feet from the east line of Section 7 and a terminus 2500 feet from the north line and 1980 feet from the west line of Section 8. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The units are located approximately 18 miles west-northwest of Caprock, New Mexico.

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