

**DEVON ENERGY PRODUCTION COMPANY, LP
COTTON DRAW UNIT
PROPOSED UNIT EXPANSION**

LOCATION:

The proposed unit expansion consists of approximately 400 gross acres in T24S — R31E of Eddy County, New Mexico. Recommended acreage for inclusion in the expansion is the north half of Section 26 and the west half of the northwest of Section 25. The surrounding area consists of semi-arid rangeland with no organized drainage systems in the immediate area. Primary surface use is for grazing, though vegetation is sparse. The relevant acreage is within a Shinnery Oak habitat.

PETROLEUM GEOLOGY:

Summary

Recent drilling in and around the northwest portion of the Cotton Draw Unit has proven horizontal drilling to be an economic way to develop oil and gas reserves in the Lower Brushy Canyon Formation. Therefore, it is prudent to expand the Cotton Draw Unit in order to properly develop Devon's acreage in the immediate area.

Figure 1 displays the current unit boundaries and existing wells in and around the unit. The two eastern unit areas produce from the upper Delaware, while the western area was formed as a Devonian unit with subsequent PA's in the Morrow and Wolfcamp Formations. Bone Spring and Delaware completions in the western Cotton Draw Unit area have been uneconomic to date. Porosity mapping suggests this horizontal play is map be limited to the northwestern area of the unit. Therefore, the remainder of the figures will focus on this area.

Lower Brushy Canyon Horizontal Drilling

In 2009, Yates Petroleum drilled the Haracz AMO Federal #8H and 9H in the E2 of Section 23, T24S — R31E, just north of the Cotton Draw Unit (see Figure 2). These wells were drilled horizontally in the Lower Brushy Canyon and had initial potentials of 427 bopd and 535 bopd respectively.

In 2010, Devon Energy has drilled the Cotton Draw Unit 118H, 119H, 120H and 121H in Section 26, directly offsetting the Yates wells. The Cotton Draw Unit 118H well IP'd for over 355 bopd and 334 mcfg/d. The Cotton Draw Unit 119H IP'd for 370 bopd and 258 mcfg/d. The Cotton Draw Unit 120H is currently being completed and is testing similar or higher rates. The Cotton Draw Unit 121H is awaiting completion. It is very likely that all four wells will be economic.

Lower Brushy Canyon Geology

A type log for the Lower Brushy Canyon (the Haracz AMO Federal #8H pilot hole) is displayed in Figure 3. The Lower Brushy Canyon is approximately 300' thick in the area and is comprised of sandstone and siltstone. It lies conformably on the Bone Spring

Formation. Geological structure at the top of the Bone Spring (Figure 4) depicts an anticlinal nose in the expansion area, slightly altering the normal monoclinial dip to the east.

Devon Energy subdivides the Lower Brushy Canyon into six zones (A through F). In the Cotton Draw area, porous sands have been encountered in zones B through F. A PHIH map (Figure 5) was calculated over zones B through F using a 10% density porosity cutoff. The map shows a clear porosity development trending NE-SW over the northwest portion of the Cotton Draw Unit. All three of the existing horizontal wells were landed in the lowermost porosity of the B zone. Multiple frac's were initiated along the horizontal section to access in the upper porous intervals.

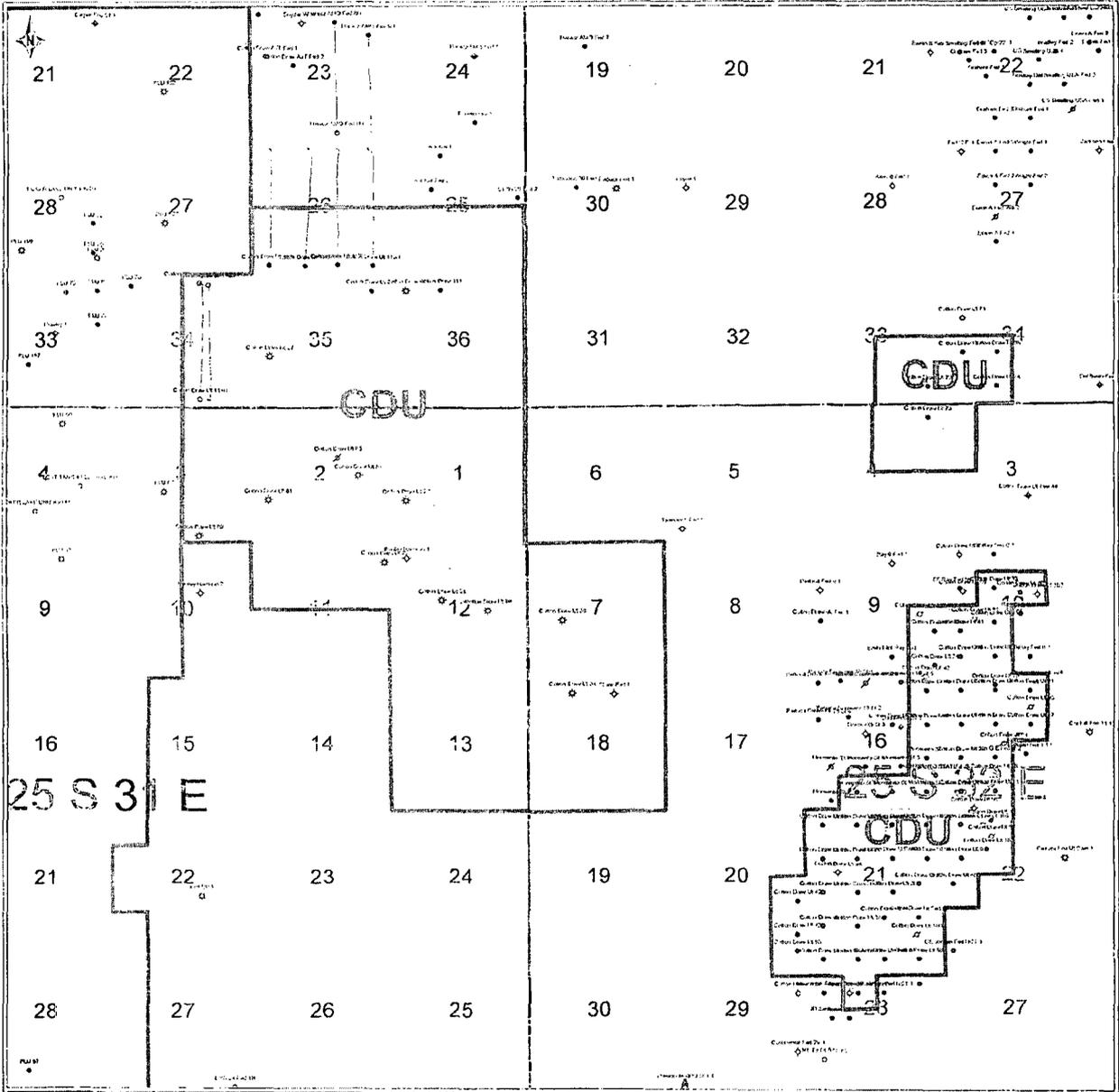
Figures 6 and 7 highlight Lower Brushy Canyon porosity development in the immediate area of the proposed unit expansion. Cross-section A-A' is flattened on the top of the Lower Brushy Canyon and shows how Lower Brushy Canyon porosity is distributed in the expansion area. Porosity in the B zone drops off in the southeastern wells, while the upper zones are more continuous in the proposed expansion area.

RECOMMENDATION:

It is recommended to expand the Cotton Draw Unit as proposed. There are four wells, Cotton Draw Unit 119H – 121H, that have been drilled across the unit boundary (see Figure 6). The Cotton Draw Unit #110H to be drilled from the unit into the W2 NW of Section 25.

Cotton Draw Unit Expansion

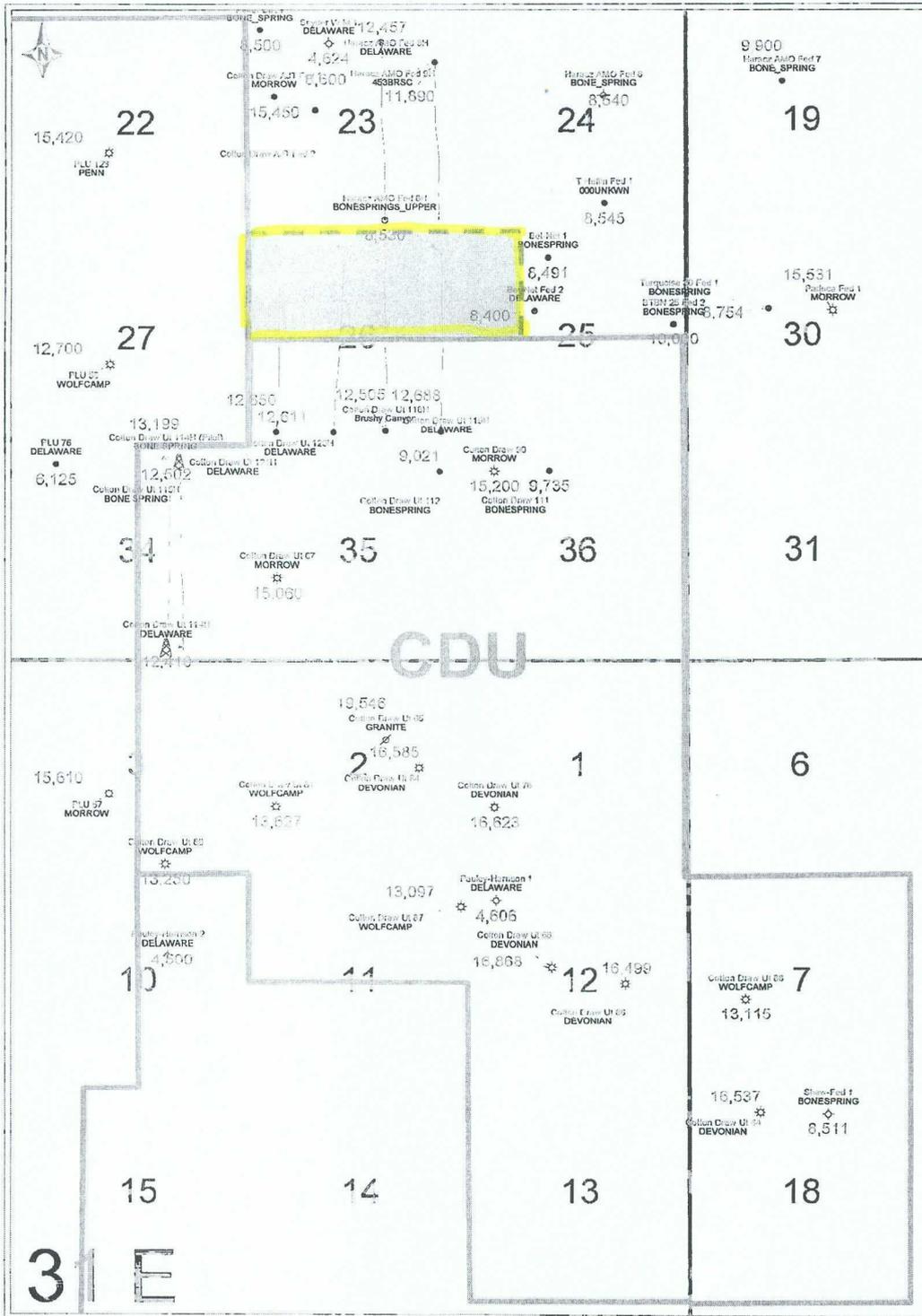
Figure 1 Base Map – Full Unit Area



Unit Acreage in Green

Cotton Draw Unit Expansion

Figure 2: Base Map

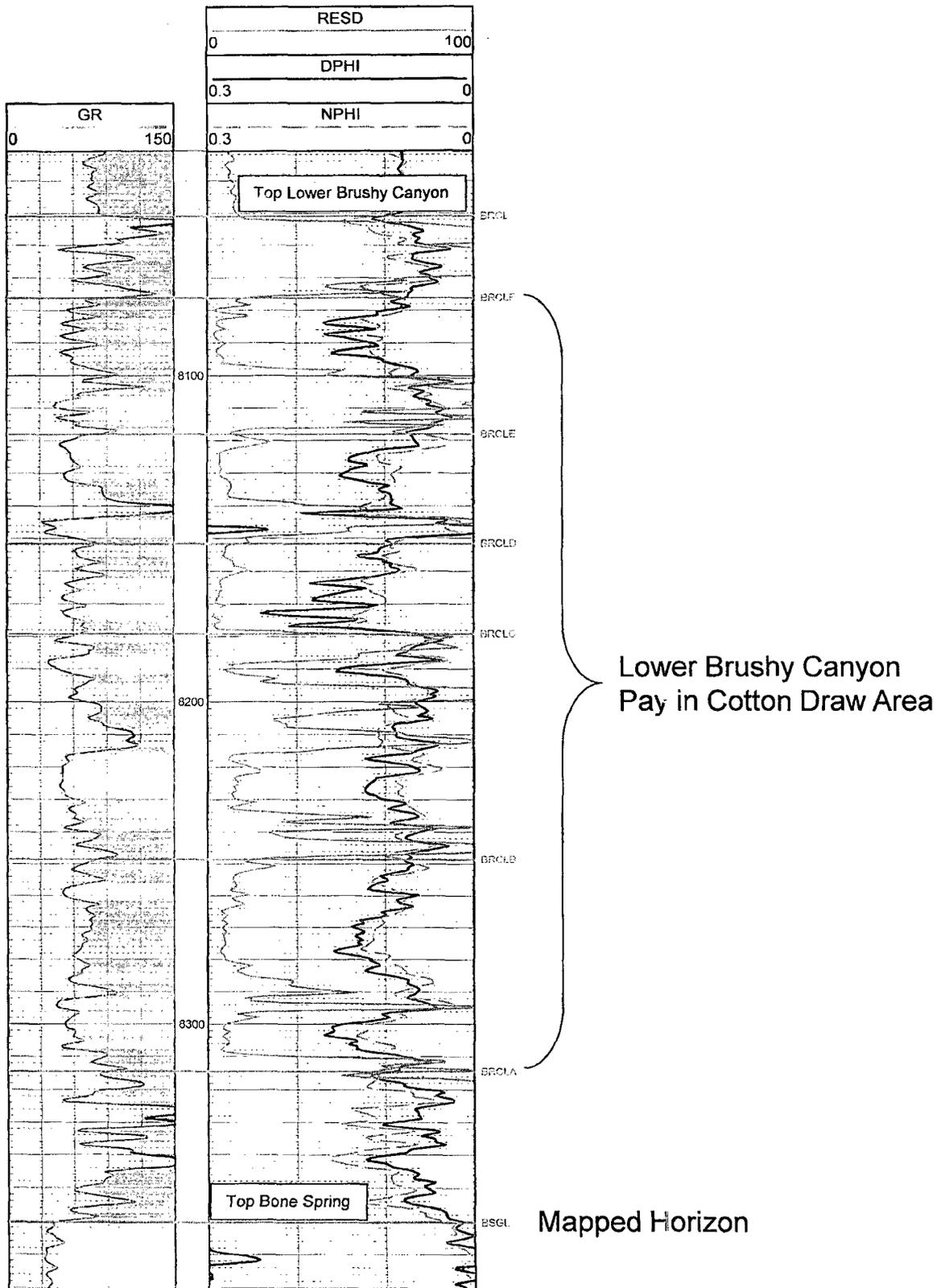


Well Name
 Formation at TD
 TD Measured Depth

Figure 3: Type Log

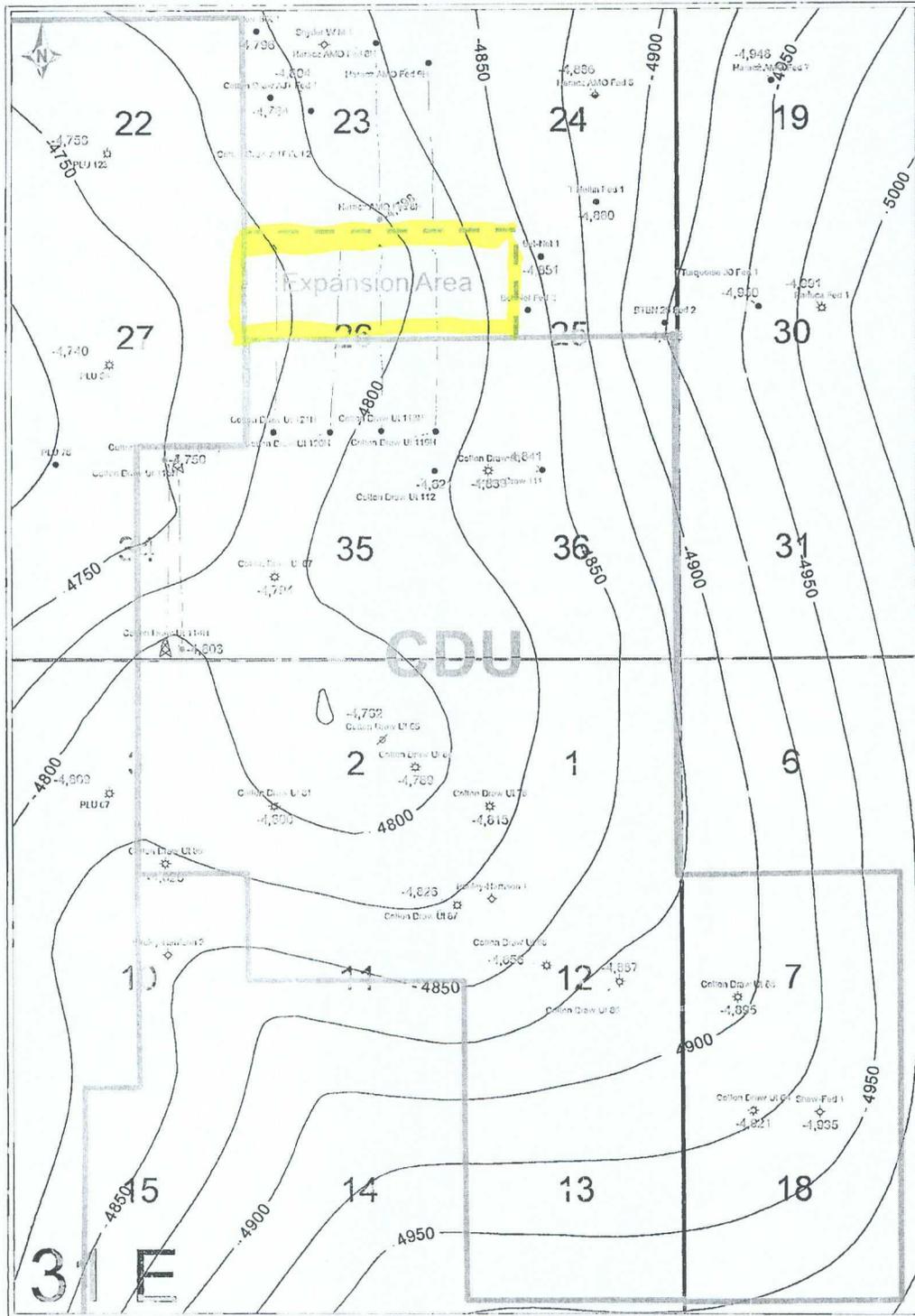
Cotton Draw Unit Expansion

Haracz AMO Fed 8H



Cotton Draw Unit Expansion

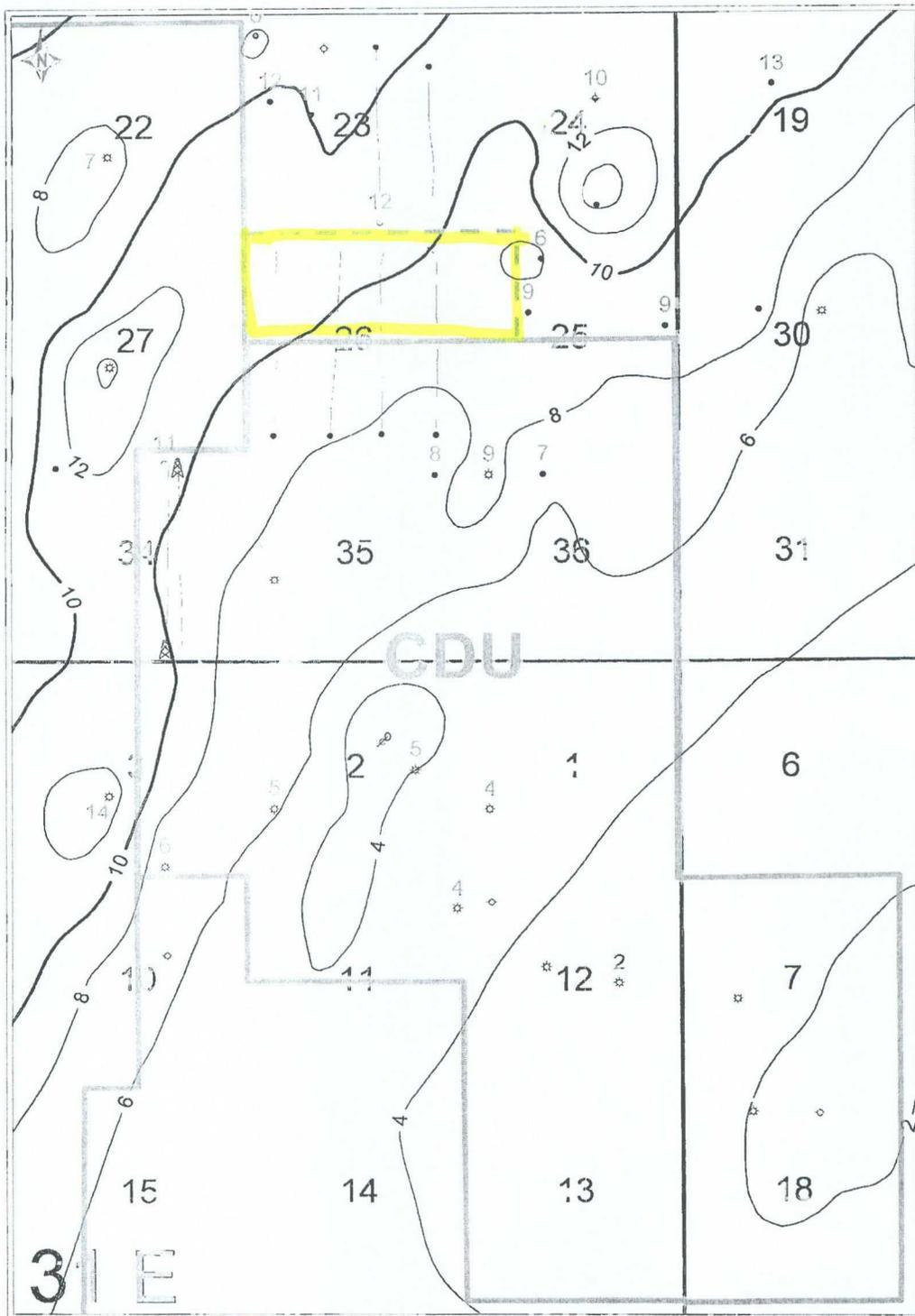
Figure 4. Structure Top Bone Spring Formation



Contour Interval: 25' (TVDSS)

Cotton Draw Unit Expansion

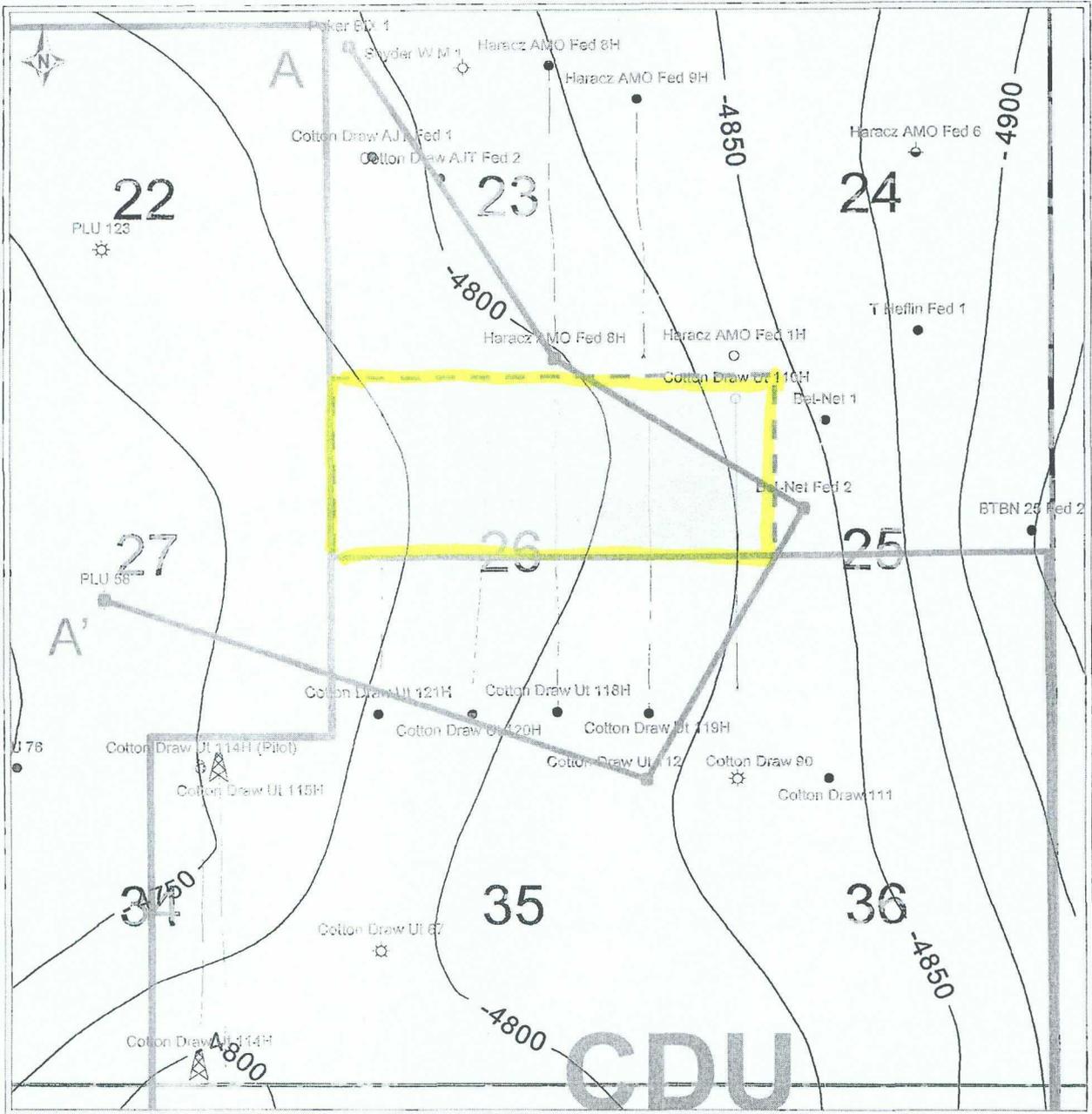
Figure 5 Isopach of PHIH for Lower Brushy Canyon



Contour Interval: 2 Porosity Feet

Cotton Draw Unit Expansion

Figure 6 Line of Section in Expansion Area



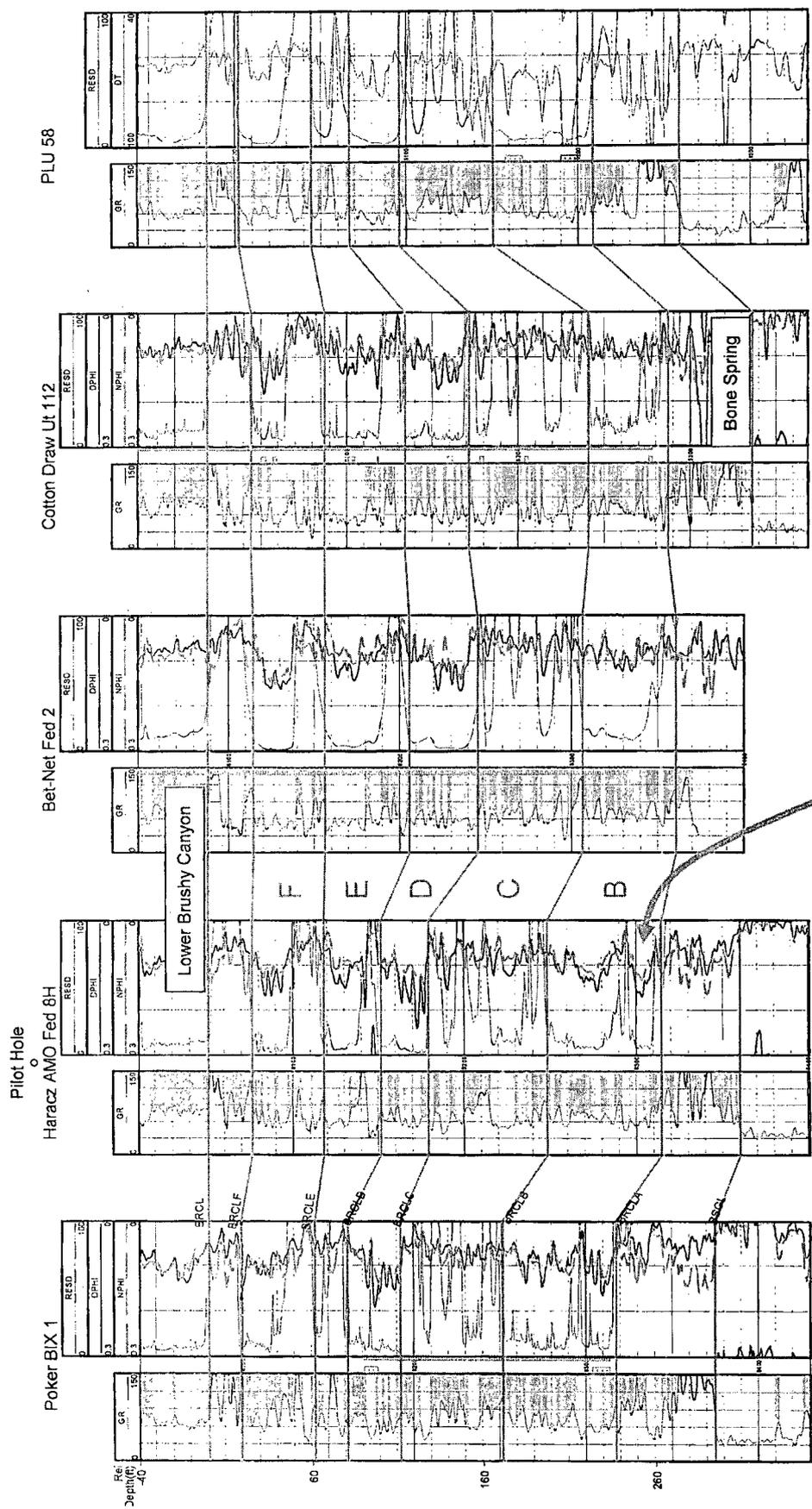
Bone Spring Structure Contour Interval: 25' (TVDSS)

Cotton Draw Unit Expansion

Figure 7 Stratigraphic Section Flattened on Top Lower Brushy Canyon

A'

A



Horizontal Landing Depth