

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:

ORIGINAL

APPLICATION OF DEVON ENERGY PRODUCTION
COMPANY LP TO EXPAND THE COTTON DRAW
UNIT, EDDY AND LEA COUNTIES, NEW MEXICO.

Case No. 14590

REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER'S HEARING

BEFORE: WILLIAM V. JONES, Technical Examiner
DAVID K. BROOKS, Legal Examiner

January 20, 2011

Santa Fe, New Mexico

This matter came on for hearing before the New
Mexico Oil Conservation Division, WILLIAM V. JONES, Technical
Examiner, and DAVID K. BROOKS, Legal Examiner, on January 20,
2011, at the New Mexico Energy, Minerals and Natural
Resources Department, 1220 South St. Francis, Drive, Room
102, Santa Fe, New Mexico.

REPORTED BY: Irene Delgado, NM CCR 253.
Paul Baca Professional Court Reporters.
500 Fourth Street, NW, Suite 105.
Albuquerque, New Mexico 87102.

RECEIVED OCD
2011 FEB - 8 P 2:45

A P P E A R A N C E S

FOR THE APPLICANT:

JAMES BRUCE

P.O. Box 1056

Santa Fe, New Mexico 87504-1056

I N D E X

EXHIBITS

A	Verified Statement of Sam McCurdy	06
B	Affidavit of Carl Burdick	06
C	Affidavit of Notice	06

1 HEARING EXAMINER JONES: Next case on the docket
2 is -- let's call Case 14590, application of Devon Energy
3 Production Company LP to expand the Cotton Draw Unit, Eddy
4 and Lea County. Call for appearances.

5 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe for
6 the applicant. I'm submitting this case by affidavit.

7 HEARING EXAMINER JONES: Any other appearances?

8 (No response.)

9 MR. BRUCE: Mr. Examiner, I've handed you a set of
10 three exhibits. Exhibit A is the affidavit of Sam McCurdy, a
11 landman for Devon Energy. This case involves a Cotton Draw
12 Unit which was created in 1978 and covered over 35,000 acres.
13 Over the years it was contracted into its participating areas
14 and currently covers a little over 9,000 acres.

15 Recently Devon has drilled five wells, which include
16 acreage -- you know, horizontal wells which include
17 acreage -- the project areas include acreage inside and
18 outside the unit and the desire to add the non-unit acreage
19 into the Cotton Draw unit. If you look at the land plat
20 attached to the landman's affidavit, you can see that the
21 unit currently is comprised of three separate and unconnected
22 participating areas. The acreage that is --

23 HEARING EXAMINER BROOKS: Is this the third page?

24 MR. BRUCE: Yes. It's Exhibit 1 to the landman's
25 affidavit.

1 HEARING EXAMINER BROOKS: Okay.

2 MR. BRUCE: You can see the highlighted acreage, 400
3 acres, which is part of the single federal lease which the
4 applicant seeks to include into the unit. The next page,
5 Exhibit 2, is the letter submitted to the BLM regarding the
6 proposed expansion. The next few pages are Exhibit 3. That
7 is the updated Exhibit B to the unit agreement which would
8 list all lands and identify all interest owners in the unit
9 area as expanded.

10 One thing I would -- and then the final two exhibits
11 are the letters of preliminary approval. I should state that
12 it's federal -- mainly federal and some state land in the
13 unit. There is no fee land in the unit.

14 Exhibit 4 to the landman's affidavit is the BLM's
15 letter of preliminary approval. And Exhibit 5 is the
16 Commissioner of Public Lands letter of preliminary approval.
17 One thing I should point out is if you look at the final
18 letter, the Commissioner of Public Lands, in numbered
19 Paragraph 2, they state that the total acreage after
20 expansion is 9624 point 90 acres. The BLM's letter actually
21 has an incorrect number in it, so the Land Office's letter is
22 correct.

23 The reason that -- submitted as Exhibit B is the
24 affidavit of Carl Burdick who is the geologist for Devon
25 Energy, and he has attached as Exhibit 1 his geologic summary

1 of the data. He does indicate why there are separate
2 participating areas. The two easternmost trunks of the
3 Cotton Draw unit were primarily, I believe he said, based on
4 Delaware participating areas, whereas the westernmost
5 participating area was originally based on Devonian Wells
6 and, later, Atoka and Morrow wells. The additional acreage
7 is being added to that westernmost block.

8 You can see, as you leaf through the figures
9 attached to the geologist's geologic write-up, you can see
10 the wells that have been drilled. At the time these plats
11 were put together, four of the wells had been drilled,
12 although as the geologist now states, five wells have been
13 drilled containing both unit acreage and non-unit acreage.

14 The horizontal wells are Lower Brushy Canyon wells,
15 and the new participating area will have to be set up for
16 this particular Delaware producing area.

17 One thing I would -- if you would like, I do have
18 these on the computer. I couldn't print up color. I can
19 e-mail you the geologic data if you would like that.

20 HEARING EXAMINER JONES: Sure. Thank you.

21 MR. BRUCE: That's probably clearer than the copies
22 I have. But, anyway, with that, they simply would like to
23 expand the unit to include all of the acreage that is in
24 these particular Bone -- not Bone Spring -- Delaware well
25 units or project areas, and the pertinent government

1 authorities, the BLM and the Land Office have approved it.

2 Exhibit C is my affidavit of notice. I gave notice
3 to the BLM, the Land Office and to XTO Energy, Inc., which is
4 the only other working interest owner in this particular
5 participating area and would be the only working interest
6 owner whose approval is needed to expand the unit agreement
7 or expand the unit area pursuant to the terms of the
8 agreement.

9 And, of course, as a voluntary unit, I do not know
10 the status of joinder of overriding royalties, but of course
11 they -- if they join the unit, they would share in production
12 on a participating area basis. If they have not joined in
13 the unit, they would share on a well-by-well basis, so they
14 would be unaffected regardless.

15 With that, I would move the admission of Exhibits A,
16 B, and C and ask that the matter be taken under advisement.

17 HEARING EXAMINER JONES: Exhibits A, B, and C will
18 be admitted.

19 (Exhibits A, B and C offered and admitted.)

20 HEARING EXAMINER JONES: I have no questions. Do
21 you have any questions?

22 HEARING EXAMINER BROOKS: I have no questions,
23 either.

24 HEARING EXAMINER JONES: Case 14590 will be taken
25 under advisement. (Case 14590 adjourned.)

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 14590
heard by me on Jan 20, 2011

PAUL BACA PROFESSIONAL COURT REPORTERS

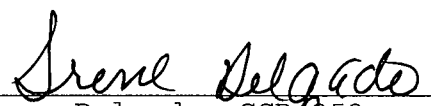
Oil Conservation Division 879c82a9-6d77-41a4-984d-643032b47466

REPORTER'S CERTIFICATE

I, IRENE DELGADO, New Mexico CCR 253, DO HEREBY
CERTIFY THAT ON January 20, 2011, proceedings in the
above-captioned case were taken before me and that I did
report in stenographic shorthand the proceedings set forth
herein, and the foregoing pages are a true and correct
transcription to the best of my ability.

I FURTHER CERTIFY that I am neither employed by nor
related to nor contracted with any of the parties or
attorneys in this case and that I have no interest whatsoever
in the final disposition of this case in any court.

WITNESS MY HAND this _____ day of February
2011.


Irene Delgado, CCR 253
Expires: 12-31-2011