

OIL CONSERVATION DIV.
BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION
00 APR 11 PM 12:43

APPLICATION OF DEVON ENERGY OPERATING
COMPANY, L.P. TO AMEND DIVISION ORDER
NO. R-11264 AND FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

Case No. 12402

APPLICATION

Devon Energy Operating Company, L.P. applies for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying Lots 3, 4, E $\frac{1}{2}$ SW $\frac{1}{4}$, and SE $\frac{1}{4}$ (S $\frac{1}{2}$ equivalent) of Section 7, Township 24 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. KCS Medallion Resources, Inc. obtained Order No. R-11264 from the Division, pooling all mineral interests from the surface to the base of the Morrow formation underlying the S $\frac{1}{2}$ of Section 7. By Sundry Notice approved by the Division on February 23, 2000, the operator of the well was changed to Devon Energy Corporation (Nevada), which via merger is now known as Devon Energy Operating Company, L.P.

2. Applicant is a working interest owner in the S $\frac{1}{2}$ of Section 7, and has the right to drill a well thereon.

3. Order No. R-11264 approved the drilling of a well at a location 1800 feet from the south line and 1980 feet from the west line of Section 7. Applicant requests that the order be amended to approve pooling for the State 7 Well No. 2Y located 1836 feet from the south line and 2000 feet from the west line of Section 7, to a depth sufficient to test the Morrow formation, and seeks to dedicate the following acreage to the well:

(a) The SW¼ of Section 7 for all pools or formations developed on 160 acre spacing; and

(b) The S½ of Section 7 for all pools or formations developed on 320 acre spacing, including the Undesignated Mosley Canyon Gas-Strawn Gas Pool and the Undesignated Baldridge Canyon-Morrow Gas Pool.

4. Applicant has in good faith sought the voluntary joinder of all other mineral interest owners in the S½ of Section 7.

5. 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 to the well. Therefore, applicant seeks an order pooling all mineral interest owners in the S½ of Section 7, pursuant to NMSA (1978) §70-2-17.

6. The pooling of all interests underlying the S½ of Section 7, as set forth above, 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. Amending Order No. R-11264, and pooling all mineral interests in the S½ of Section 7 from the surface to the base of the Morrow formation, for the State 7 Well No. 2Y;

B. Designating applicant as operator of the well;

C. Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working

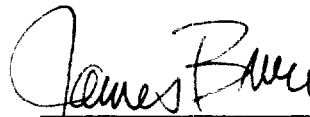
interest owners;

D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting said rates as provided in the COPAS accounting procedure;

E. Setting a penalty for the risk involved in drilling the well in the event a working interest owner elects not to participate in the well; and

F. Reducing the election period allowed working interest owners under a pooling order to five days.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "James Bruce", is written over a horizontal line.

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

Attorney for Devon Energy Operating
Company, L.P.