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August 10, 2004

Hand Delivered

Case 13334

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

Dear Florene:

Enclosed are an original and one copy of an application for compulsory pooling, together with a proposed advertisement, filed on behalf of Devon Energy Production Company, L.P. Please set this matter for the September 2, 2004 Examiner hearing. Thank you.

The proposed advertisement is also on the enclosed disk.

Very truly yours,


James Bruce

Attorney for Devon Energy Production Company, L.P.

PARTIES BEING POOLED

Magnum Hunter Production, Inc.
Suite 200
3500 William D. Tate Avenue
Grapevine, Texas 76051

Carolyn Ann Nunnally
507 Meadowview Lane
Coppell, Texas 75019

Tex-Ok Energy Ltd. Partnership
P.O. Box 3010
Cody, Wyoming 82414

Cody Energy, Inc.
P.O. Box 3010
Cody, Wyoming 82414

Marbob Energy Corporation
P.O. Box 227
Artesia, New Mexico 88211

Pitch Energy Corporation
P.O. Box 304
Artesia, New Mexico 88211

Wadi Petroleum, Inc.
Suite 400
14405 Walters Road
Houston, Texas 77014

BK Exploration Corporation
Suite 208
810 South Cincinnati
Tulsa, Oklahoma 74119

James L. Pierce
2607 Ward Street
Midland, Texas 79705

Pozo Rico Partners, Ltd.
Suite D-202
900 N.E. Loop 419
San Antonio, Texas 78209

T.J. & Mary R. Sively Trust
c/o Bank of America, N.A.
P.O. Box 832407
Dallas, Texas 75283

Georgette Olmsted
8724 Madre Avenue N.E.
Albuquerque, New Mexico 87111

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF DEVON ENERGY PRODUCTION
COMPANY, L.P. FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

2004 AUG 10 PM 4 12
Case No. 13334

APPLICATION

Devon Energy Production Company, L.P. applies for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the W½ of Section 3, Township 22 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the W½ of Section 3, and has the right to drill a well thereon.

2. Applicant proposes to drill its Esperanza 3E Fee Well No. 2, at an orthodox location in the SW¼NW¼ of Section 3, and seeks to dedicate the following acreage to the well:

(a) The SW¼NW¼ of Section 3 for all pools or formations developed on 40 acre spacing within that vertical extent, including the Undesignated Esperanza-Delaware Pool and Esperanza-Bone Spring Pool;

(b) The NW¼ of Section 3 for all pools or formations developed on 160 acre spacing within that vertical extent; and

(c) The W½ of Section 3 for all pools or formations developed on 320 spacing within that vertical extent, including the Undesignated East Carlsbad-Wolfcamp Gas Pool, Undesignated La Huerta-Strawn Gas Pool, and Undesignated East Carlsbad-Morrow Gas Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the W½ of Section 3 for the purposes set forth herein.

4. 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 in the W½ of Section 3, pursuant to NMSA 1978 §70-2-17.

5. The W½ of Section 3 will be simultaneously dedicated, in the Morrow formation, to the proposed well and to the existing Esperanza 3N Fee Well No. 1, located in the SE¼SW¼ of Section 3.

6. The pooling of all mineral interests underlying the W½ of Section 3, as set forth above, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

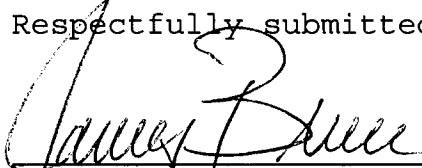
WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral interests in the W½ of Section 3, from the surface to the base of the Morrow formation;
- 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 supervision costs, together with a provision adjusting the rates as provided in

the COPAS accounting procedure; and

E. Setting a cost-plus 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,

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
Production Company, L.P.

PROPOSED ADVERTISEMENT

Case 13334: Application of Devon Energy Production Company, L.P. for compulsory pooling, Eddy County, New Mexico. 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 3, Township 22 South, Range 27 East, NMPM, and in the following manner: The W $\frac{1}{2}$ to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within that vertical extent, including the Undesignated East Carlsbad-Wolfcamp Gas Pool, Undesignated La Huerta-Strawn Gas Pool, and Undesignated East Carlsbad-Morrow Gas Pool; the NW $\frac{1}{4}$ to form a standard 160-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within that vertical extent; and the SW $\frac{1}{4}$ NW $\frac{1}{4}$ 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, including the Undesignated Esperanza-Delaware Pool and Esperanza-Bone Spring Pool. The units are to be dedicated to applicant's Esperanza 3E Fee Well No. 2, to be located at an orthodox location in the SW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 3. The W $\frac{1}{2}$ of Section 3 will be simultaneously dedicated, in the Morrow formation, to the proposed well and to the existing Esperanza 3N Fee Well No. 1, located in the SE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 3. 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 cost-plus 200% charge for the risk involved in drilling and completing the well. The units are located approximately 3 miles east of Carlsbad, New Mexico.

2009 AUG 10 PM 4 13