BEATTY & WOZNIAK, P.C.

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CANDACE CALLAHAN

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DIRECT: (505) 983-8764 E-MAIL: CCALLAHAN@BWENERGYLAW.COM

May 10, 2018

VIA CERTIFIED MAIL-RETURN RECEIPT

To: Pooled Parties (Exhibit "A")

 Re: New Mexico Oil Conservation Division Application for Non-Standard Spacing and Proration Unit and Compulsory Pooling, Case No. 16164
 Spud Muffin 31-30 623H Well; Spud Muffin 31-30 736H Well; Spud Muffin 31-30 624H Well; Spud Muffin 31-30 738H Well

Dear Ladies and Gentlemen:

This letter is to advise you that Devon Energy Production Company, L.P. has filed the enclosed application for non-standard spacing and compulsory pooling with the New Mexico Oil Conservation Division. This application will be set for hearing before a Division Examiner at 8:15 a.m. on May 31, 2018. The hearing will be held in the Oil Conservation Division's Santa Fe Offices located at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an interest owner in the well unit you may be affected by this application, and you may appear and present testimony. Failure to appear at that time and become a part of record will preclude you from challenging the matter at a later date.

A party appearing in a Division case is required by Division Rule 19.15.4.13:B to file a Pre-Hearing Statement four days in advance of a scheduled hearing. This statement must be filed with the Division's Santa Fe office at the above address and should include: the names of the party and its attorney; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that need to be resolved prior to the hearing. The Pre-Hearing Statement must also be provided to the undersigned and to the persons listed on Exhibit A.

If you have any questions about this matter, please contact Joe Hammond at (405) 552-8102 or Joe.Hammond@dvn.com.

Very truly yours,

Candace Callahan Attorney for Devon Energy Production Company, L.P.



CASPER

CHEYENNE

DENVER

SALT LAKE CITY

SANTA FE

NAV 10 2018 ANOS:31

STATE OF NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES OIL CONSERVATION DIVISION

APPLICATION OF DEVON ENERGY PRODUCTION COMPANY, L.P. FOR A NON-STANDARD SPACING AND PRORATION UNIT AND COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO.

CASE NO. 16164

AMENDED APPLICATION

Devon Energy Production Company, L.P. ("Devon"), through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. §70-2-17, for an order (1) authorizing a non-standard spacing unit in the Purple Sage Wolfcamp Gas Pool (98220); (2) creating a 640-acre non-standard spacing and proration unit comprised of the E/2 of Section 30 and the E/2 of Section 31, Township 23 South, Range 29 East, Eddy County, New Mexico; and (3) pooling all uncommitted interests in the Wolfcamp formation underlying this acreage. In support of its application, Devon states:

1. Devon (OGRID 6137) is a working interest owner in the subject acreage and has the right to drill thereon.

2. Devon proposes to dedicate the above-referenced spacing and proration unit as the project area for four proposed initial wells:

- a. The proposed **Spud Muffin 31-30 623H Well**, which will be horizontally drilled from a surface location in the SW/4SE/4 of Section 31 (Unit O) to a bottom hole location in the NW/4NE/4 of Section 30 (Unit B);
- b. The proposed **Spud Muffin 31-30 736H Well**, which will be horizontally drilled from a surface location in the SW/4SE/4 of Section 31 (Unit O) to a bottom hole location in the NW/4NE/4 of Section 30 (Unit B);

- c. The proposed **Spud Muffin 31-30 624H Well**, which will be horizontally drilled from a surface location in the SE/4SE/4 of Section 31 (Unit P) to a bottom hole location in the NE/4NE/4 of Section 30 (Unit A);
- d. The proposed **Spud Muffin 31-30 738H Well**, which will be horizontally drilled from a surface location in the SE/4SE/4 of Section 31 (Unit P) to a bottom hole location in the NE/4NE/4 of Section 30 (Unit A).

These wells will be pad-drilled sequentially and batch completed. All four wells will be drilled in the upper/lower Wolfcamp.

3. The Division's district office has placed these wells in the Purple Sage Wolfcamp Gas Pool (Pool Code 98220), which is subject to Special Rules pursuant to Order R-14262. The Special Rules for the Purple Sage Pool require 320-acre standard spacing for all wells. Devon requests approval of a standard 320-acre spacing unit to be combined with a 320-acre standard spacing unit for the purposes of drilling four 2-mile wells. The completed interval for each well will remain within the 330-foot standard offset required by the Special Rules.

4. Devon has sought and has been unable to obtain voluntary agreement for the development of these lands from all of the working interest owners in the subject spacing unit.

5. The pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

6. As the proposed wells will be simultaneously drilled and completed, Devon requests an extension of the 120-day time period to drill and complete the wells provided by the standard pooling order.

7. In order to permit Devon to obtain it's just and fair share of the oil and gas underlying the subject lands, all mineral interests in this non-standard spacing unit should be pooled and Devon Energy Production Company, L.P. should be designated the operator of these proposed horizontal wells and spacing unit.

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Notice of this application is being given in accordance with Division rules.
 WHEREFORE, Devon requests that this application be set for hearing before an
 Examiner of the Oil Conservation Division on May 31, 2018, and, after notice and hearing as
 required by law, the Division enter an order:

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A. Authorizing a non-standard spacing unit in the Purple Sage Wolfcamp Gas Pool
 (98220) comprised of the E/2 of Section 30 and the E/2 of Section 31, Township 23 South,
 Range 29 East, Eddy County, New Mexico;

B. Creating a non-standard 640-acre non-standard spacing and proration unit
 comprised of the E/2 of Section 30 and the E/2 of Section 31, Township 23 South, Range 29
 East, Eddy County, New Mexico, for compulsory pooling;

C. Pooling all uncommitted interests in the non-standard spacing and proration unit;

D. Dedicating the initial wells to the non-standard spacing and proration unit;

E. Providing an extension of the 120-day requirement to drill and complete the wells;

F. Designating Devon Energy Production Company, L.P. operator of this nonstandard spacing unit and the horizontal wells to be drilled thereon;

G. Authorizing Devon to recover its costs of drilling, equipping and completing each of the four wells;

H. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and

I. Imposing a 200% penalty for the risk assumed by Devon in drilling and completing each of the initial wells against any working interest owner who does not voluntarily participate in the drilling of the wells.

Respectfully submitted,

BEATTY & WOZMAK, P.C. By:

Candace Callahan 500 Don Gaspar Avenue Santa Fe, New Mexico 87505 (505) 983-8545 or (505) 983-8765 (direct) (800) 886-6566 (fax) <u>ccallahan@bwenergylaw.com</u> ATTORNEYS FOR DEVON ENERGY PRODUCTION COMPANY, L.P.

PROPOSED ADVERTISEMENT

Case No. 16164: Application of Devon Energy Production Company, L.P. for a non-standard spacing and proration unit, and compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (1) authorizing a non-standard spacing unit in the Purple Sage Wolfcamp Gas Pool (98220); (2) creating a 640-acre non-standard spacing and proration unit comprised of the E/2 of Section 30 and the E/2 of Section 31, Township 23 South, Range 29 East, Eddy County, New Mexico; and (3) pooling all uncommitted interests in the Wolfcamp formation underlying this acreage. Said non-standard unit is to be dedicated to the applicant's four proposed initial wells:

• The proposed **Spud Muffin 31-30 623H Well**, which will be horizontally drilled from a surface location in the SW/4SE/4 of Section 31 (Unit O) to a bottom hole location in the NW/4NE/4 of Section 30 (Unit B);

• The proposed **Spud Muffin 31-30 736H Well**, which will be horizontally drilled from a surface location in the SW/4SE/4 of Section 31 (Unit O) to a bottom hole location in the NW/4NE/4 of Section 30 (Unit B);

• The proposed **Spud Muffin 31-30 624H Well**, which will be horizontally drilled from a surface location in the SE/4SE/4 of Section 31 (Unit P) to a bottom hole location in the NE/4NE/4 of Section 30 (Unit A);

• The proposed **Spud Muffin 31-30 738H Well**, which will be horizontally drilled from a surface location in the SE/4SE/4 of Section 31 (Unit P) to a bottom hole location in the NE/4NE/4 of Section 30 (Unit A);

The completed interval for each well will remain within the 330-foot standard offset required by the Special Rules for the Purple Sage Pool. Also to be considered will be the cost of drilling and completing each well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Devon Energy Production Company, L.P. as operator of the wells and a 200% charge for risk involved in drilling each well. Said area is located approximately 16 miles Southeast of Carlsbad, New Mexico.

Exhibit A

WI Owners within Pooled Unit in the Wolfcamp Formation:

Oxy USA, Inc. 5 Greenway Plaza Suite 110 Houston, TX 77046 Attn: Jeremy D. Murphrey

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Nortex Corporation 3009 Post Oak Blvd. Ste 1212 Houston TX 77056 Attn: Robert W. Kent

Chevron North America Exploration and Production Co., A Division of Chevron USA Inc 1400 Smith Street Houston TX 77002 Attn: Irvin Gutierrez

PT Resources, LP 1904 Western Midland, TX 79705

RSC Resources, LP P.O Box 8329 Horseshoe Bay, TX 78657

ORRI Owners within Pooled Unit

Lanell Joy Honeyman 406 Skywood Midland, TX 79705

Lanell Joy Honeyman, as Trustee of the Leslie Robert Honeyman Trust 406 Skywood Midland TX 79705 John S. TIttl 7304 Valencia Grove Court Fort Worth TX 76132

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Michael A, Kulenguski 279 Jones Mtn Rd Madison, VA 22727

Beverly Gay Nichols 1118 Pike Place Charlottesville, VA 22901

Occidental Permian, LP (formerly Altura Energy ltd) 5 Greenway Plaza, Suite 110 Houston TX 77046

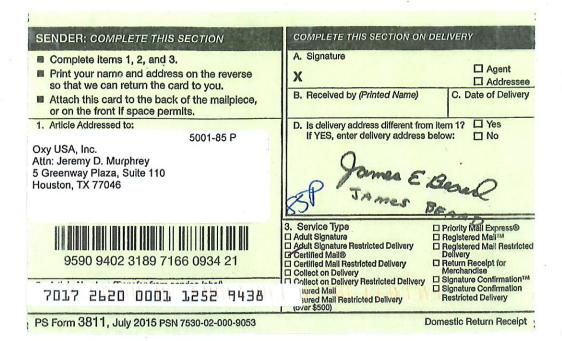
Mid-Continent Energy Inc 4127 Gulf of Mexico Drive Longboat Key, FL 34228

Mid-Continent Energy Inc. 3500 S. Blvd, Ste 3D Edmond, OK 73013

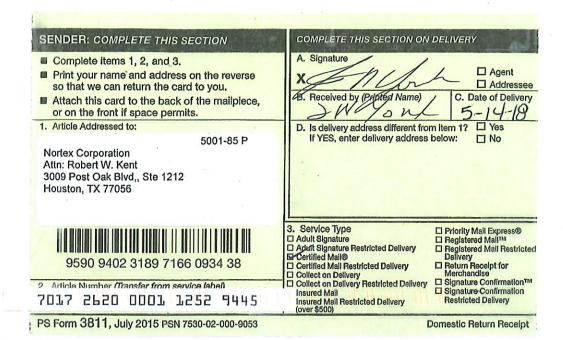
Roden Participants, Ltd. 2603 Augusta Drive, Ste 430 Houston, TX 77057

Roden Exploration Company 2603 Augusta Drive, Ste 430 Houston, TX 77057

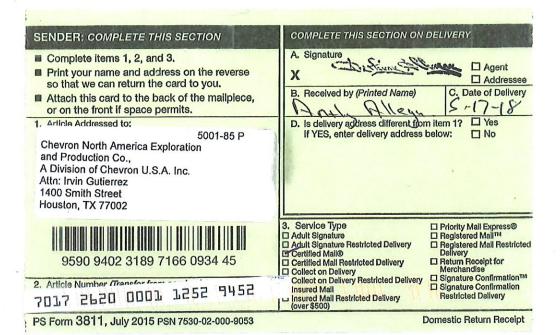
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FI	Bireet Houston, TX 77046	
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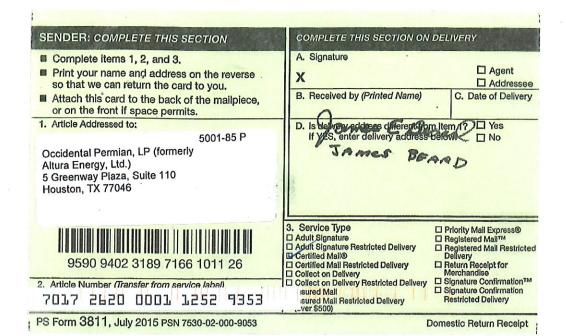






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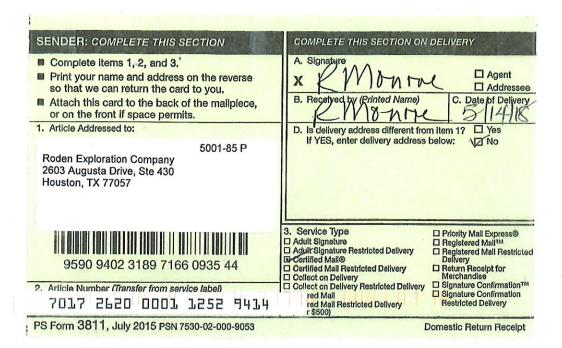


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