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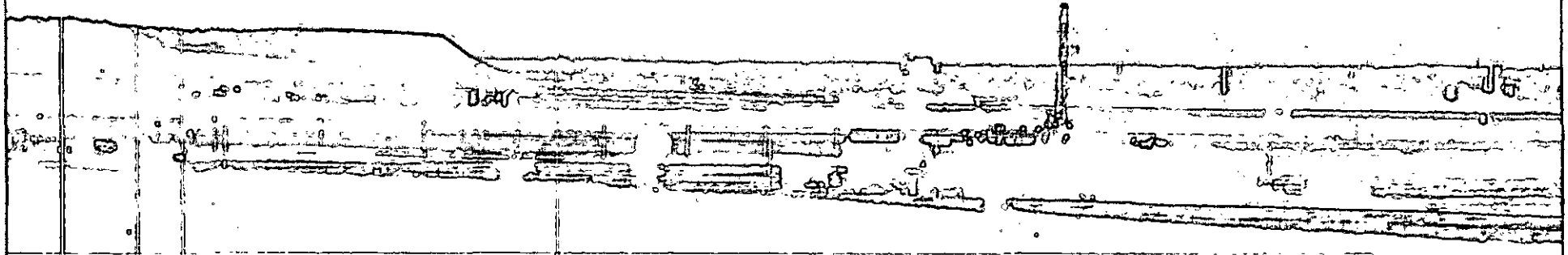

Parkway West Unit Increase Allowable

December 3, 2015 | Santa Fe, NM

NYSE: DVN
devonenergy.com

Oil Conservation Division
Case No. ____
Exhibit No. 16

Parkway West Unit Allowable

19S-29E: SEC 20, 21, 22, 27, 28, 29

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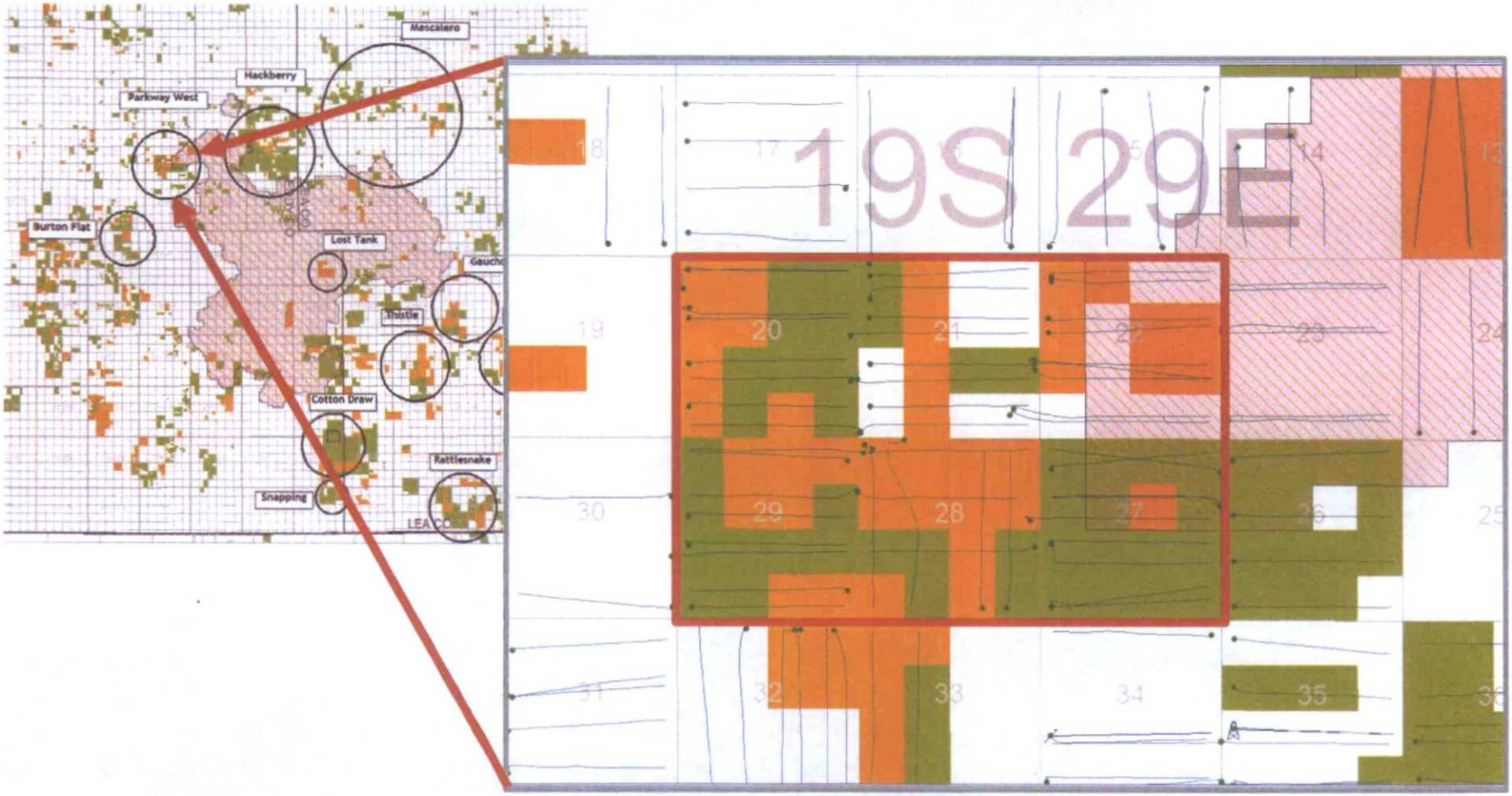

Existing 1st and 2nd bone spring producers

Parkway West Unit Allowable

Overview

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- Current maximum allowable on existing 1st and 2nd bone spring allowable
  - 230 bopd/40 acre unit = 920 bopd/160 acre unit = 1,840 bop/320 acre unit
  - 2,000 scf/stb

- Requesting an allowable increase to develop 3rd bone springs
  - 562.5 bopd/40 acre unit = 2,250 bopd/160 acre unit = 4500 bopd/320 acre unit
  - 5,625 mscfd/40 acre unit = 22,500 mscfd/160 acre unit = 45,000 mscfd/320 acre unit or (GOR = 10,000 scf/stb)

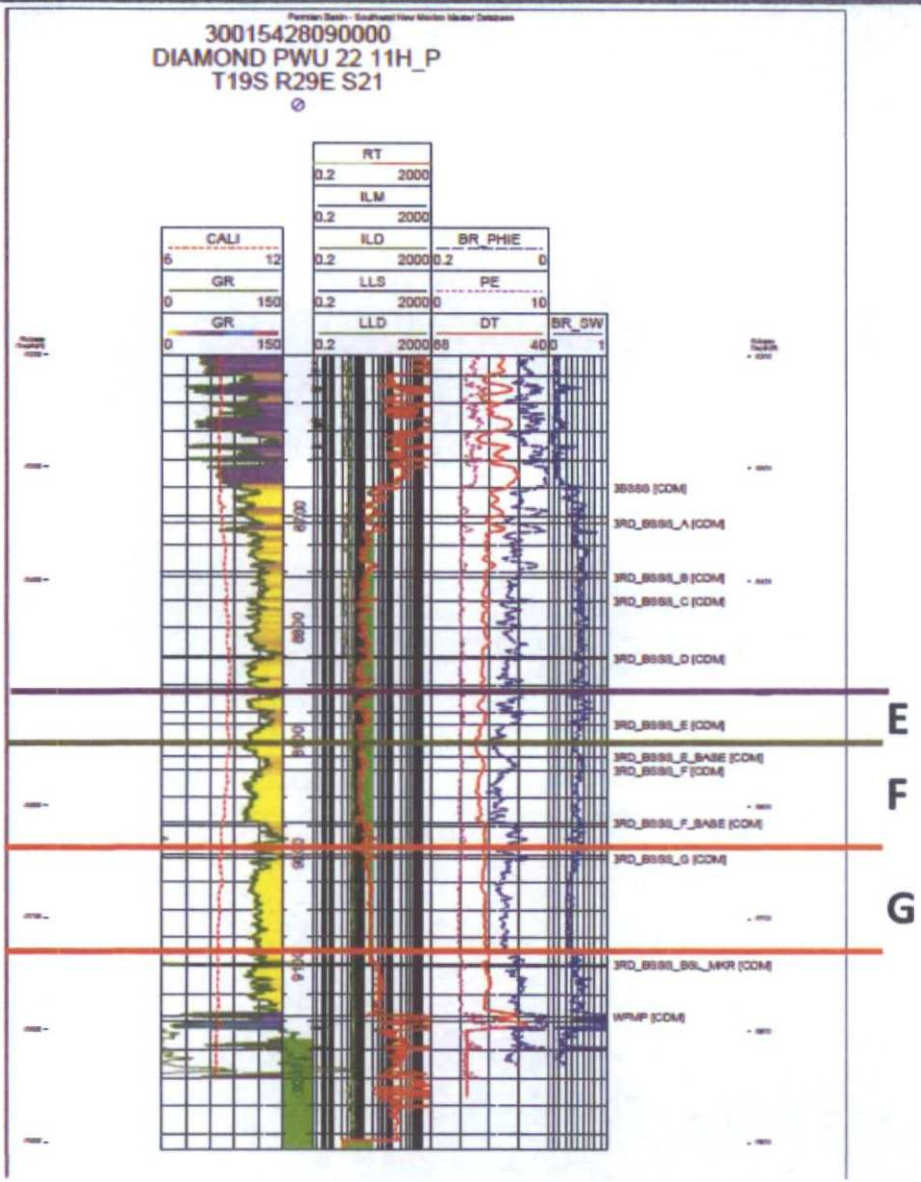
- Increased allowable will allow for increased well density from 4 wells/section to 10 wells/section for future development in the 3rd bone spring

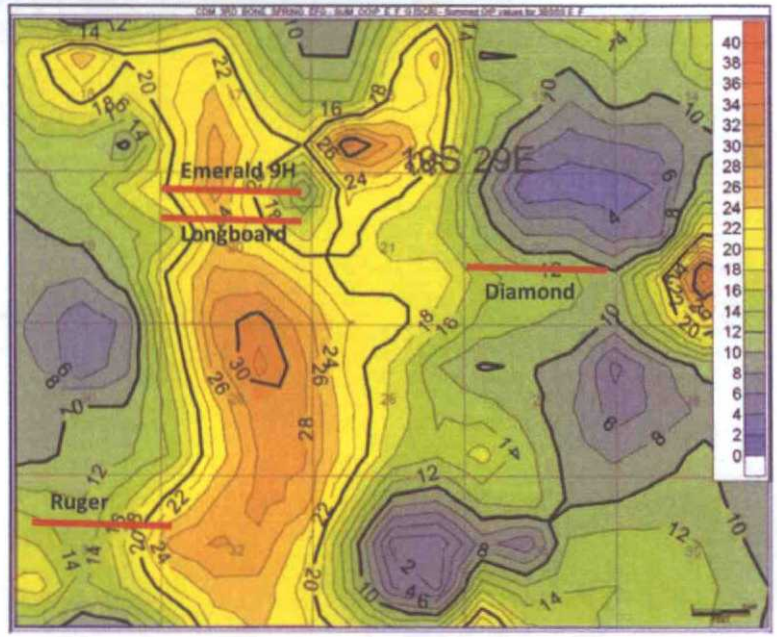
- This increased well density will allow for optimum project economics and maximize resource recovery.

- Numerical modeling technique, Tag Frac & pressure build-up monitoring were used in predicting production rates in each spacing scenario.

Parkway West Unit Allowable

3rd Bsp Landing Targets





- Devon Longboard: F Sand (540 bopd IP)
- Mewbourne Ruger 31 B3 Fed 2H: F Sand (895 bopd IP)
- Devon Diamond PWU 22 11H: G Sand (801 bopd IP)
- Devon Emerald PWU 20 9H: G Sand

2 Prospective sands.
6 wells in G sand
4 wells in F sand

Parkway West Unit Allowable

3rd Bone Spring Historical Production

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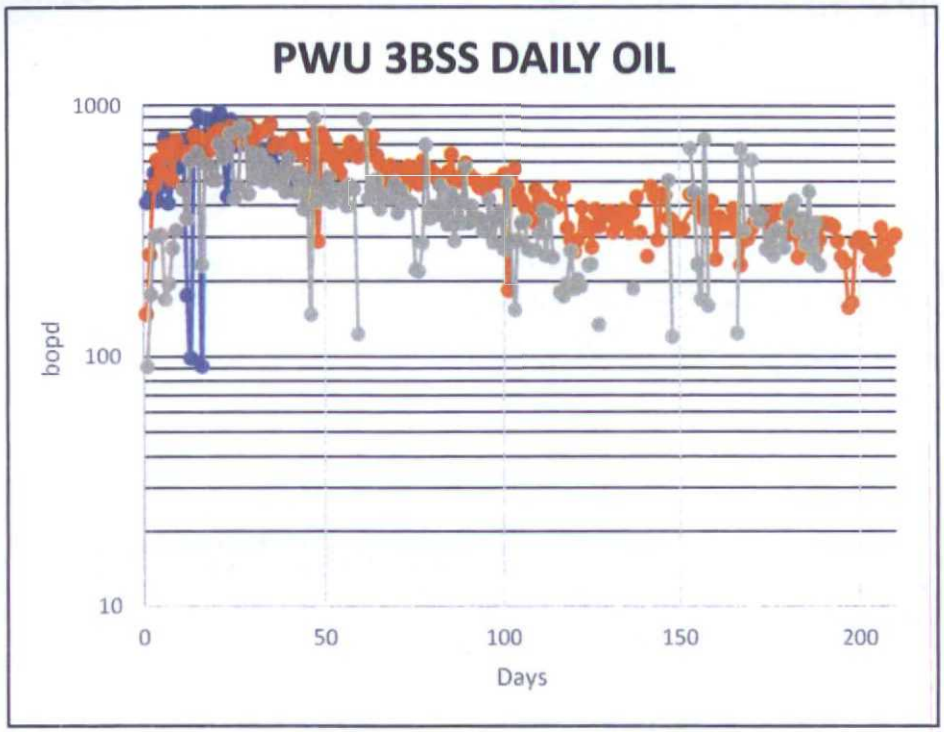

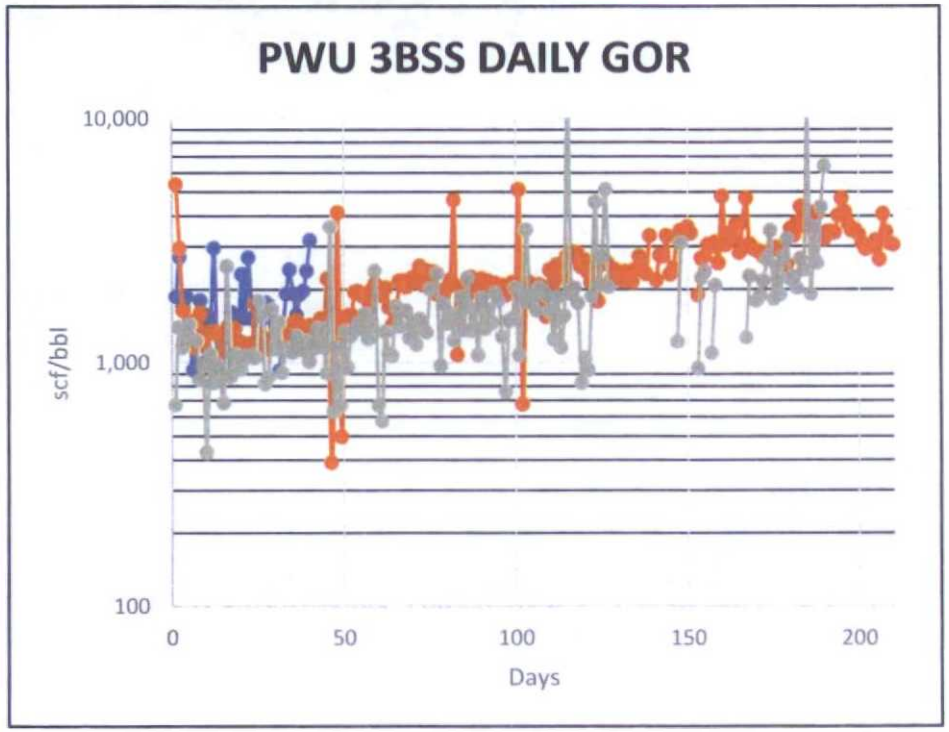

- 3 wells currently producing (2 from the G sand and 1 from the F sand)
- Peak Rate Avg 850 bopd
- GOR increases from 1250 scf/bbl to 4000 scf/bbl in 6 months ✓
- Propose new allowable of 562.5 bbl/40 acre & GOR of 10,000 scf/bbl

Parkway West Unit Allowable

Other Bone Springs Historical Production

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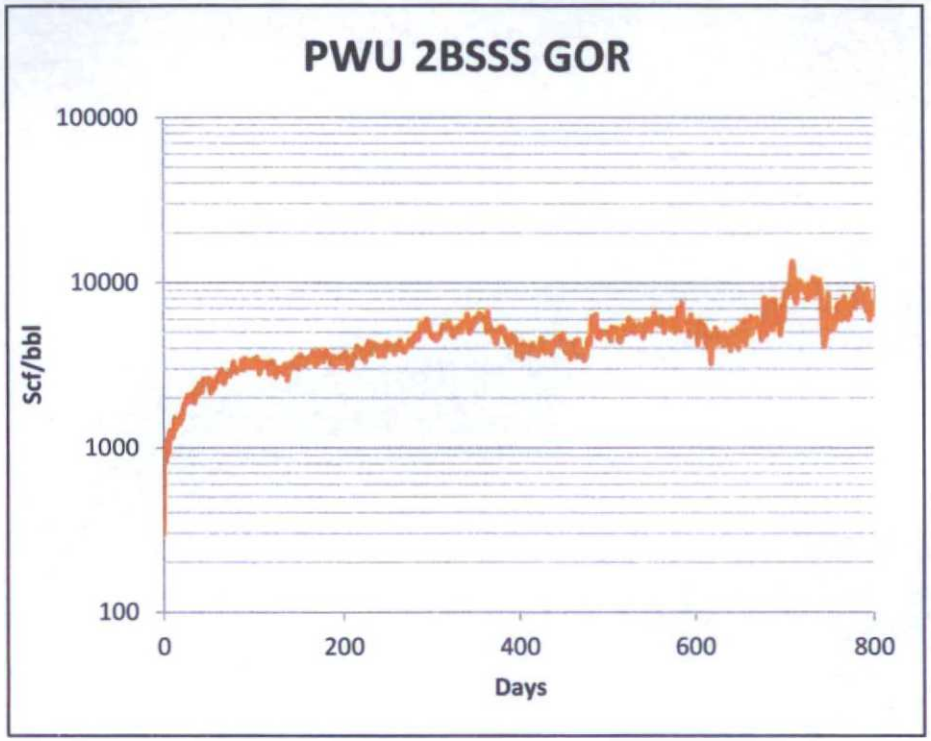

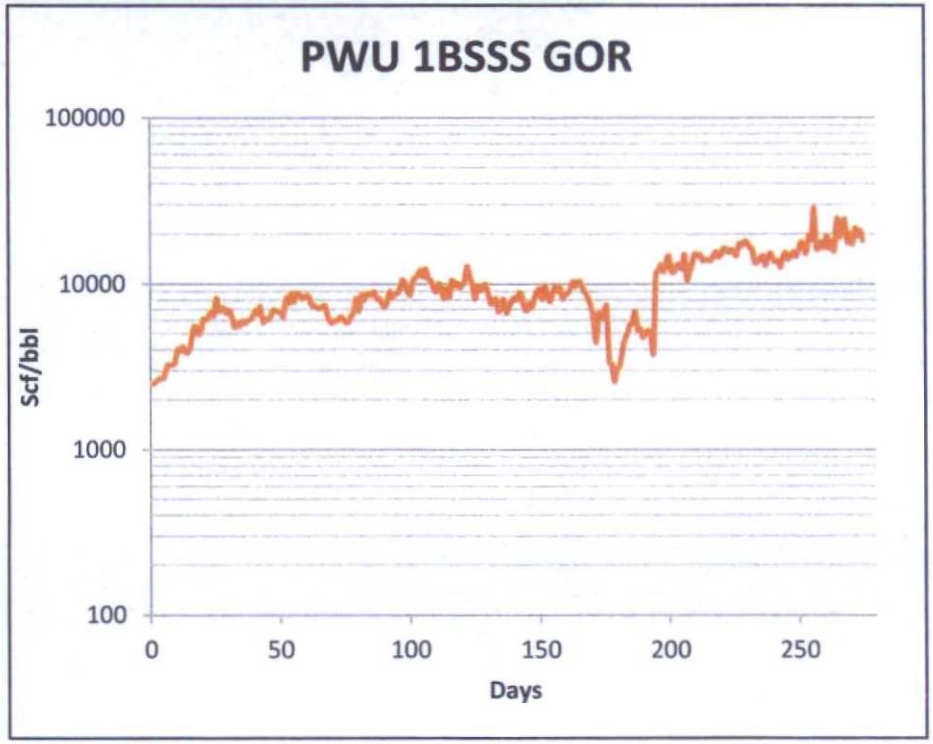

- 2nd bsp GOR increases from 1000 scf/bbl to 10,000 scf/bbl
- 1st bsp GOR increases from 2500 scf/bbl to 20,000 scf/bbl

Parkway West Unit Allowable

Staggered Lateral

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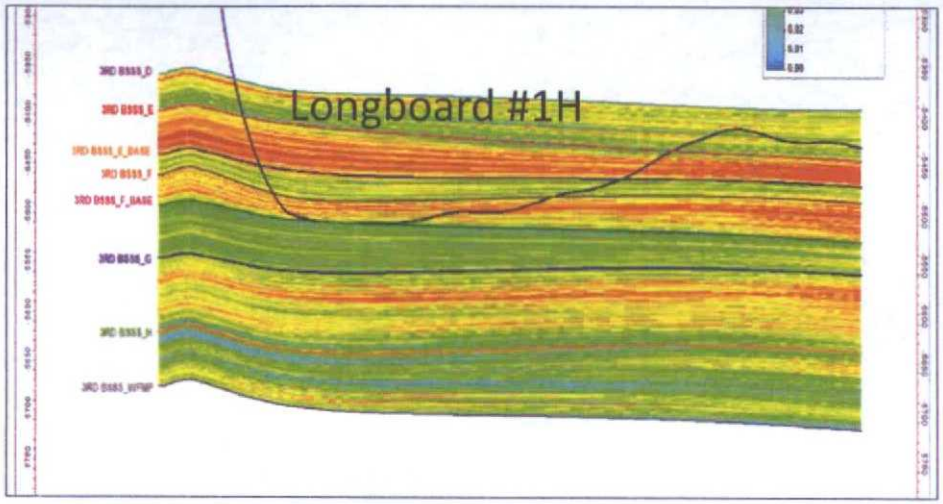
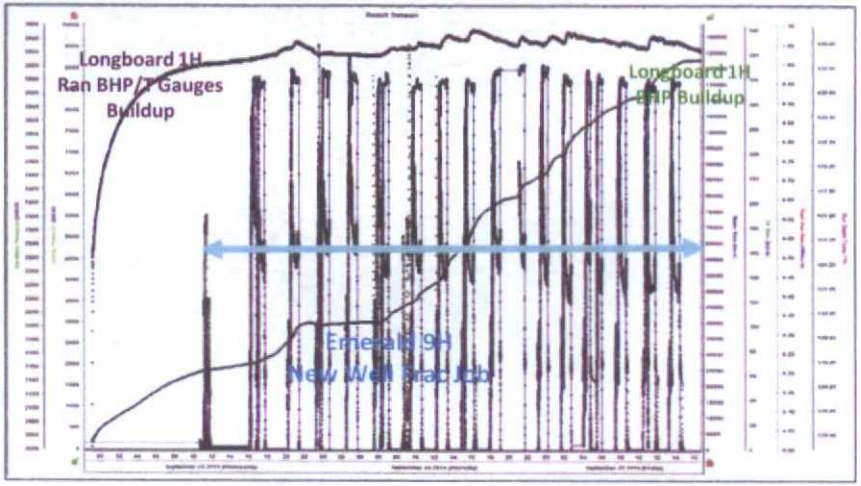
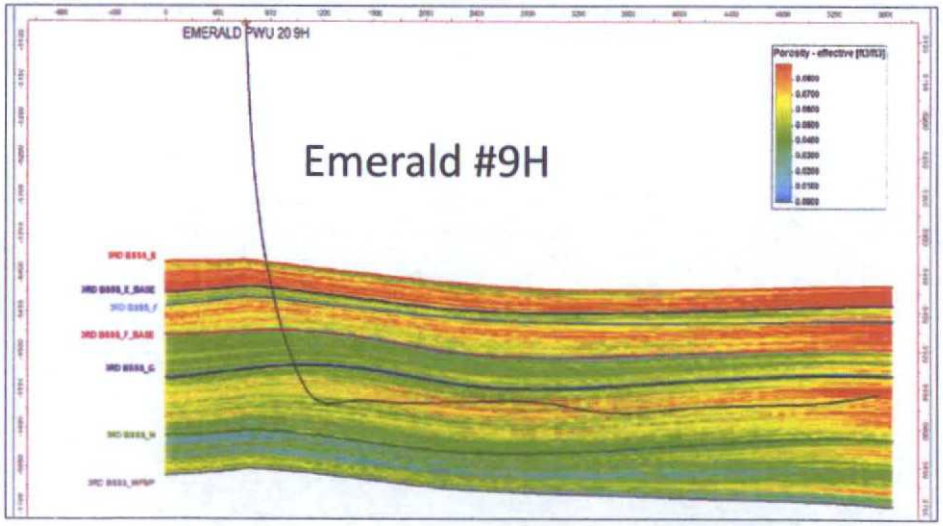
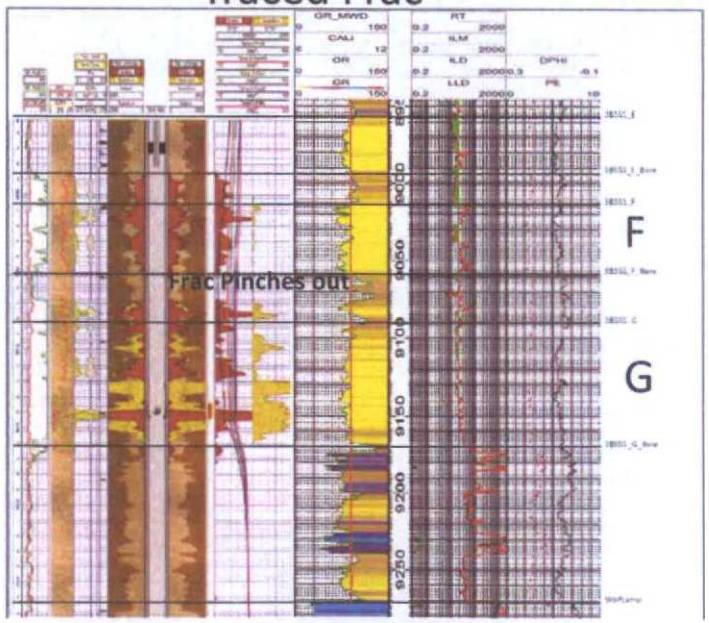


Build Up Test





Traced Frac



Parkway West Unit Allowable

Fekete Harmony Numerical Model Work Flow

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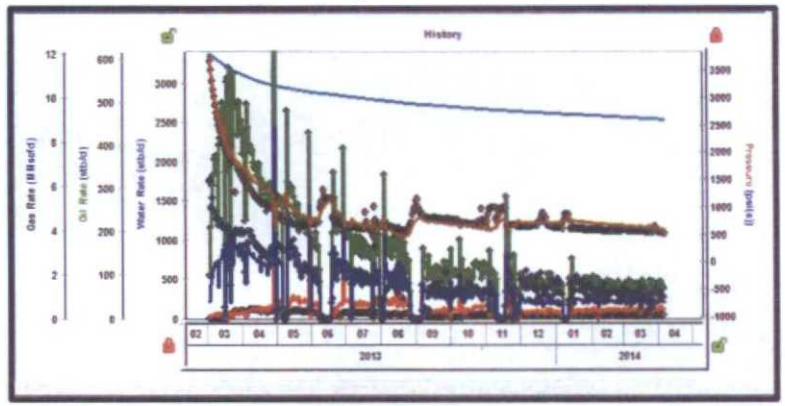
Disciplines	Inputs	Sources
Geology	TVD Net Pay Porosity Fluid Saturation Matrix Perm	Logs, Core
Reservoir	Res. Pressure Res. Temperature API FVF Viscosity Bubble Point Compressibility GOR	DFIT PVT
Drilling & Operation	Deviation Survey Csg/Tbg Sizes Perfs Production Rates FBH Pressures	Wellview OFM

Fekete Harmony

History Match



Use to make business decisions regarding to:

- Reserves Forecast & Estimation
- Recovery Factor
- Field Development Scenario (**Spacing**, Facilities development, drilling Pattern scenarios)

Parkway West Unit Allowable

3rd Bsp Landing Targets

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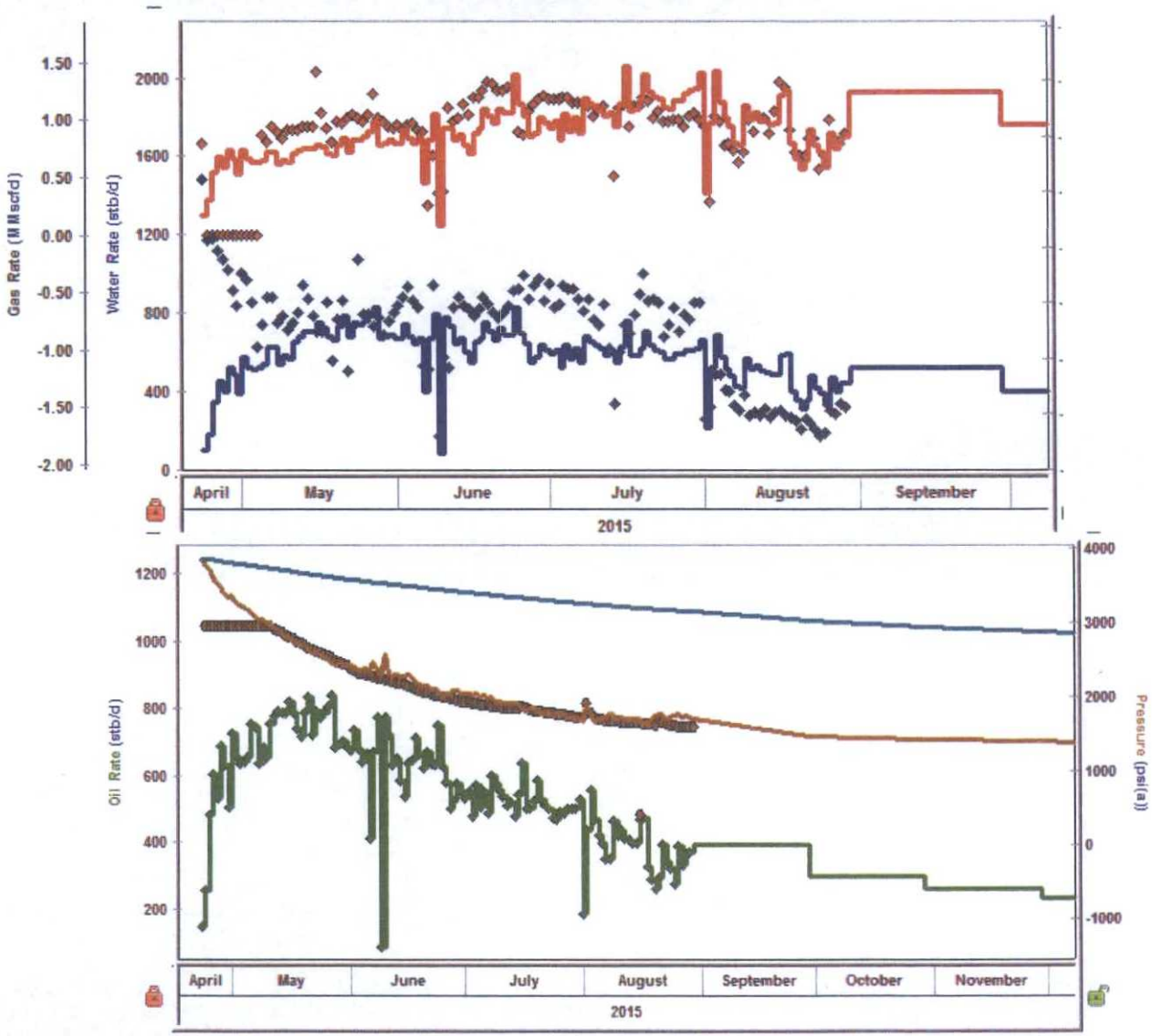
Variable	Value
Reservoir P	3850 psi
# fractures	40
1/2 length	250’
Height	85’
k1	15 µD
k2	5 µD
Sw	55%
A(SRV)	73 acres
OOIP	1636 Mstb



Parkway West Unit Allowable

Economics Sensitivities

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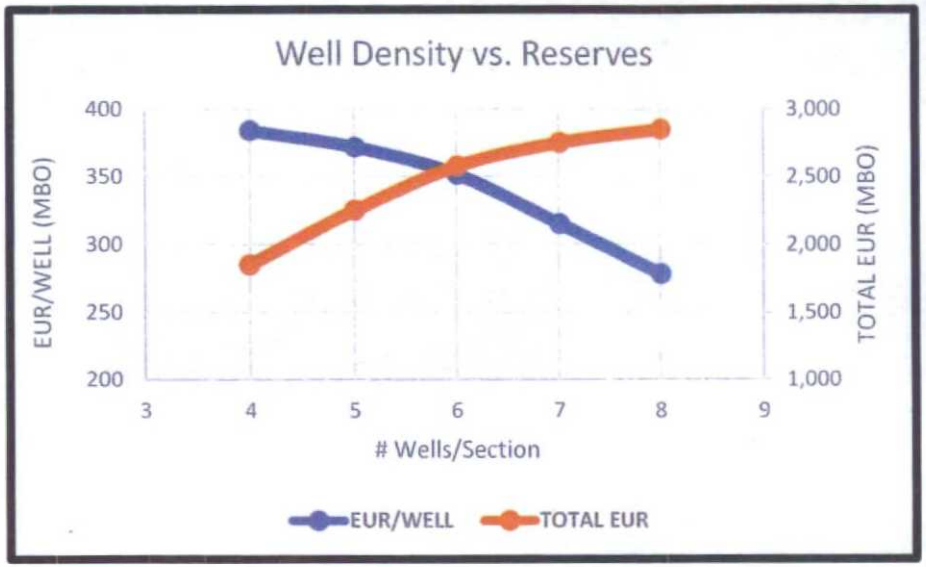

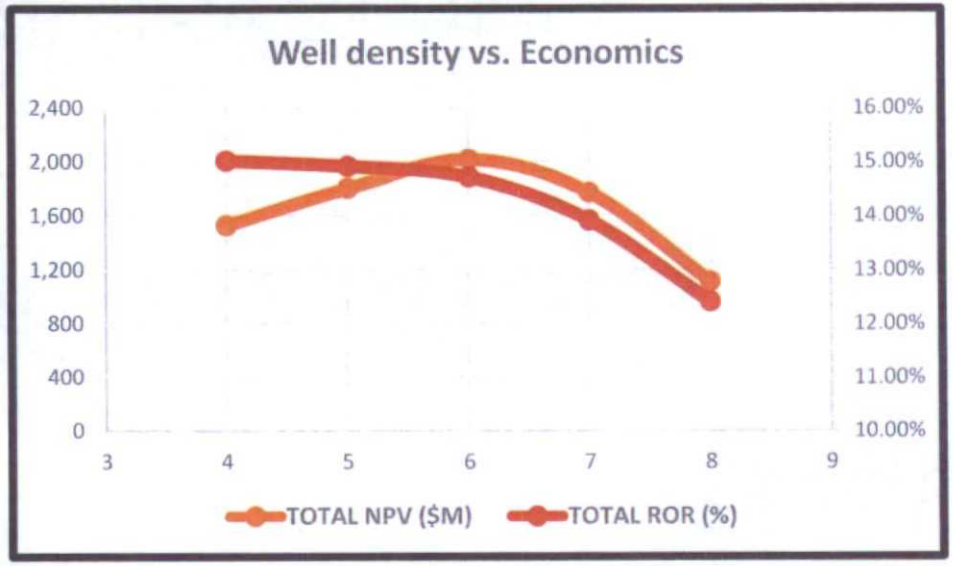

- **Reserves Recovery Acceleration with increase well density**
- **ROR Degrade with increase well density**
- **6 Wells/section is Optimal well density based on NPV**
- **7-8 wells/section still profitable but provide less "bang for the buck" compare to 6**

Parkway West Unit Allowable

3rd Bone Spring Downspacing

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- Observed A_{srv} is less than 80 Acres
- High remaining residual oil Saturation on current spacing, need for an acceleration/downspacing program
- Optimal well density is 6 wells/section in thickest sand based on NPV10
- Tag Frac analysis and no bashing effect observed during fracking show no communication between the two productive sands
- Pressure build up test and Traced Frac monitoring show potential for staggered laterals in the second prospective sand of the 3rd bone spring. 4 additional wells in the F sand
- Peak rates average of 850 bopd/well is expected with a total of 10 wells/section
- GOR expected to increase with time