

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

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

Case No. 14748

VERIFIED STATEMENT OF SAM MCCURDY

Sam McCurdy, being duly sworn upon his oath, deposes and states:

1. I am a landman for Devon Energy Production Company, L.P., and have personal knowledge of the matters stated herein.

2. The Cotton Draw Unit (the "Unit") was approved by Commission Order No. R-1186, and originally covered approximately 35,144 acres, more or less, of state and federal lands in Eddy and Lea Counties. The Unit was subsequently contracted, and later expanded pursuant to Division Order No. R-1186-A, and currently covers the following lands:

Township 24 South, Range 31 East, N.M.P.M.

Section 25: W $\frac{1}{2}$ NW $\frac{1}{4}$  and S $\frac{1}{2}$   
Section 26: All  
Section 34: E $\frac{1}{2}$   
Section 35: All  
Section 36: All

Township 24 South, Range 32 East, N.M.P.M.

Section 33: SE $\frac{1}{4}$   
Section 34: SW $\frac{1}{4}$

Township 25 South, Range 31 East, N.M.P.M.

Section 1: All  
Section 2: All  
Section 3: E $\frac{1}{2}$   
Section 11: N $\frac{1}{2}$   
Section 12: All  
Section 13: All

Township 25 South, Range 32 East, N.M.P.M.

Section 3: W $\frac{1}{2}$ NW $\frac{1}{4}$   
Section 4: NE $\frac{1}{4}$   
Section 7: All  
Section 9: E $\frac{1}{2}$ SE $\frac{1}{4}$

Oil Conservation Division  
Case No. \_\_\_\_\_  
Exhibit No. B

Section 10: SW $\frac{1}{4}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ NW $\frac{1}{4}$ , and SW $\frac{1}{4}$   
 Section 15: W $\frac{1}{2}$ NE $\frac{1}{4}$  and W $\frac{1}{2}$   
 Section 16: E $\frac{1}{2}$ E $\frac{1}{2}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$ , and SW $\frac{1}{4}$ SE $\frac{1}{4}$   
 Section 18: All  
 Section 20: E $\frac{1}{2}$ SE $\frac{1}{4}$   
 Section 21: All  
 Section 22: NW $\frac{1}{4}$  and NW $\frac{1}{4}$ SW $\frac{1}{4}$   
 Section 28: N $\frac{1}{2}$ N $\frac{1}{2}$  and SE $\frac{1}{4}$ NW $\frac{1}{4}$   
 Section 29: NE $\frac{1}{4}$ NE $\frac{1}{4}$

Containing 9,784.52 acres, more or less.

3. Four horizontal wells have been drilled with well units which include lands inside and outside the Unit. As a result, applicant, pursuant to the terms of the Unit Agreement, requests approval to expand the Unit to include the following lands which are in the well units:

Township 25 South, Range 31 East, N.M.P.M.

Section 11: S $\frac{1}{2}$

Containing 320.00 acres, more or less.

4. The lands in the Unit, as expanded, are described in the revised Exhibit B to the Unit Agreement, which is attached hereto as Exhibit 1. The expanded Unit will cover 10,104.52 acres of state and federal lands.

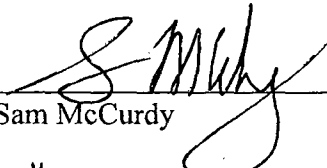
5. The Bureau of Land Management and the Commissioner of Public Lands have preliminarily approved the proposed expansion of the Unit, and those letters are attached hereto as Exhibits 2 and 3. The Division's approval is required before those agencies grant final approval.

6. The granting of this application is in the interests of conservation and the prevention of waste.

VERIFICATION

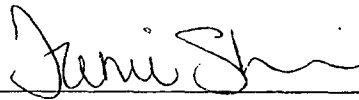
STATE OF OKLAHOMA            )  
  ) ss.  
COUNTY OF OKLAHOMA        )

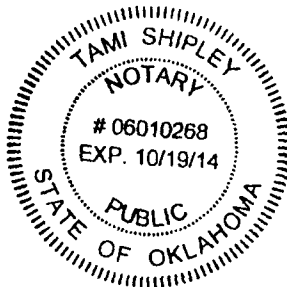
Sam McCurdy, being duly sworn upon his oath, deposes and states that: He is a landman for Devon Energy Production Company, L.P.; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge, information, and belief.

  
\_\_\_\_\_  
Sam McCurdy

SUBSCRIBED AND SWORN TO before me this 26<sup>th</sup> day of October, 2011 by Sam McCurdy.

My Commission Expires: 10-19-14

  
\_\_\_\_\_  
Notary Public



# EXHIBIT

## EXHIBIT "B"

Revised as of 09-15-2011

But to be effective as of 1-01-2012

COTTON DRAW UNIT AREA

LEA AND EDDY COUNTIES, NEW MEXICO

### SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS OF ALL LANDS IN THE UNIT AREA

Tract No.	Description of Land	No. of Acres	Serial No. and Date of Lease or Application	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner
<b>FEDERAL LAND</b>							
1-A	T-25-S, R-31-E Section 1: Lots 1, 2, 3 & 4 and S1/2 N1/2 and S1/2 (All) Section 11: N1/2 Section 12: N1/2 and SW1/4	1,440.80	NM 0503 2-1-50	USA (All) 12 1/2%	XTO Energy Inc. Devon Energy Production Company, L.P.	1/2 Tom W. Heflin et ux, Frieda B. E. Spencer Estate 1/2	XTO Energy Inc. Devon Energy Production Company, L.P. 1/2
7	T-24-S, R-31-E Section 25: S1/2 Section 26: S1/2 Section 35: NE1/4	800.00	NM 012121 12-1-50	USA (All) 12 1/4%	XTO Energy Inc. Devon Energy Production Company, L.P.	1/2 Clara Loving 1/2 B. E. Spencer Estate 1/2 Robert E. Ferguson J. S. Ward and Son, Inc. 1/4 of 1% 1/4 of 1%	XTO Energy Inc. Devon Energy Production Company, L.P. 1/2
11	T-25-S, R-31-E Section 3: Lots 1 & 2 and S 1/2 NE1/4	159.38	NM 042625 3-1-58	USA (All) 12 1/2%	XTO Energy Inc. Devon Energy Production Company, L.P.	None	XTO Energy Inc. Devon Energy Production Company, L.P. 1/2
12	T-25-S, R-31-E Section 3: E1/2 SE1/4	80.00	NM 042626 3-1-58	USA (All) 12 1/2%	XTO Energy Inc. Devon Energy Production Company, L.P.	None	XTO Energy Inc. Devon Energy Production Company, L.P. 1/2
13	T-25-S, R-31-E Section 3: W1/2 SE1/4	80.00	NM 046525 6-1-58	USA (All) 12 1/2%	XTO Energy Inc. Devon Energy Production Company, L.P.	3%	XTO Energy Inc. Devon Energy Production Company, L.P. 1/2
14	T-24-S, R-31-E Section 34: Lots 3 & 4 and N1/2 SE1/4 Section 35: Lots 1, 2, 3 & 4 and N1/2 S1/2 and NW1/4	628.68	NM 036379 8-1-57	USA (All) 12 1/2%	XTO Energy Inc. Devon Energy Production Company, L.P.	None	XTO Energy Inc. Devon Energy Production Company, L.P. 1/2

Tract No.	Description of Land	No. of Acres	Serial No. and Date of Lease or Application	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty Owner And Percentage	Working Interest Owner
15	T-24-S, R-31-E Section 34: NE1/4	160.00	NM 037489 10-1-57	USA (All) 12 1/2%	XTO Energy Inc. Devon Energy Production Company, L.P.	1/2 None	XTO Energy Inc. Devon Energy Production Company, L.P. 1/2 1/2
17-A	T-25-S, R-31-E Section 12: SE1/4 Section 13: All	800.00	LC 061862 6-1-50	USA (All) 12 1/2%	XTO Energy Inc. Devon Energy Production Company, L.P.	1/2 H. L. Arnold J. L. Prude 1/2 C. L. Cameron B. E. Spencer Estate	XTO Energy Inc. Devon Energy Production Company, L.P. 1/2 1/2
18-B	T-25-S, R-32-E Section 7: Lots 1 & 2 and E1/2 NW1/4 and NE1/4	320.15	LC 061863-A 6-1-50	USA (All) 12 1/2%	XTO Energy Inc. Devon Energy Production Company, L.P.	1/2 B. E. Spencer Estate Marshall Rowley 1/2	XTO Energy Inc. Devon Energy Production Company, L.P. 1/2 1/2
19-A	T-25-S, R-32-E Section 21: S1/2, E1/2NE1/4, and E1/2 NW1/4	480.00	LC 061869 1-1-51	USA (All) 12 1/2%	Perry R. Bass, Inc. Lee M. Bass, Inc. Sid R. Bass, Inc. Keystone, Inc. Thru Line, Inc.	25% J. A. Fahey 18.75% H. L. Arnold 18.75% 18.75% 18.75%	Surface to 5,000' Lee M. Bass 25% Sid R. Bass, Trustee 25% Keystone, Inc. 25% Fine Line, Inc. 25%
19-B	T-25-S, R-32-E Section 21: W1/2 NE1/4 and W1/2 NW1/4	160.00	LC 061869 1-1-51	USA (All) 12 1/2%	Perry R. Bass, Inc. Lee M. Bass, Inc. Sid R. Bass, Inc. Keystone, Inc. Thru Line, Inc.	25% J. A. Fahey H. 18.75% L. Arnold 18.75% Perry R. Bass 18.75% 18.75%	Surface to 5,117' Leede Operating Co., LLC Below 5,117' Perry R. Bass, Inc. 25% Lee M. Bass, Inc. 18.75% Sid R. Bass, Inc. 18.75% Keystone, Inc. 18.75% Thru Line, Inc. 18.75%

Tract No.	Description of Land	No. of Acres	Serial No. and Date of Lease or Application	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner
19-C	T-25-S, R-32-E Section 20: E 1/2 SE1/4	80.00	LC 061869 1-1-51	USA (All) 12 1/2%	Perry R. Bass, Inc. Lee M. Bass, Inc. Sid R. Bass, Inc. Keystone, Inc. Thru Line, Inc.	25% J. A. Fahey 18.75% H. L. Arnold 18.75% 18.75% 18.75%	Perry R. Bass 1/29%    
20-A	T-25-S, R-32-E Section 18: Lots 1 & 2 and E1/2 NW1/4 and NE1/4	319.45	LC 061873-A 3-1-51	USA (All) 12 1/2%	XTO Energy Inc. Devon Energy Production Company, L.P.	1/2 Jack B. Shaw et ux Virginia 1/2 B. E. Spencer Estate	XTO Energy Inc. Devon Energy Production Company, L.P. 1/2 1/2
20-B	T-25-S, R-32-E Section 7: Lots 3 & 4, and EY2 SW1/4 and SE1/4	319.73	LC 061873 3-1-51	USA (All) 12 1/2%	XTO Energy Inc. Devon Energy Production Company, L.P.	1/2 Jack B. Shaw et ux Virginia 1/2 B. E. Spencer Estate	XTO Energy Inc. Devon Energy Production Company, L.P. 1/2 1/2
20-C	T-25-S, R-32-E Section 18: Lots 3 & 4 and EY2 SW1/4 and SE1/4	319.31	LC 061873-B 3-1-51	USA (All) 12 1/2%	XTO Energy Inc. Devon Energy Production Company, L.P.	1/2 Jack B. Shaw et ux Virginia 1/2 B. E. Spencer Estate	XTO Energy Inc. Devon Energy Production Company, L.P. 1/2 1/2
21-A	T-24-S, R-32-E Section 34: SW1/4	319.62	LC 061936 7-1-51	USA (All) 12 1/2%	Chevron U.S.A., Inc. Devon Energy Production Company, L.P.	1/2 Emily Flint Ray et vir G. B. 1/2	XTO Energy Inc. Devon Energy Production Company, L.P. 1/2 1/2
21-B	T-25-S, R-32-E Section 9: E/2 SE1/4 Section 10: E/2 SW1/4	160.00	LC 061936-A 7-1-51	USA (All) 12 1/2%	Chevron U.S.A., Inc. Devon Energy Production Company, L.P.	1/2 Emily Flint Ray et vir G. B. 1/2	XTO Energy Inc. Devon Energy Production Company, L.P. 1/2 1/2

Tract No.	Description of Land	No. of Acres	Serial No. and Date of Lease or Application	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner
21-C	T-25-S, R-32-E Section 10: W1/2 SW1/4	80.00	LC 061936-A 7-1-51	USA (All) 12 1/4%	Chevron U.S.A., Inc. Devon Energy Production Company, L.P.	1/2 Emily Flint Ray et vir G. B. 1/2 Charlotte Wood Runyon	Leede Operating Co., LLC 1% 1%
22-C	T-24-S, R-32-E Section 33: SE1/4	160.00	NM 054031 4-1-60	USA (All) 12 1/2%	Chevron U.S.A., Inc. Devon Energy Production Company, L.P.	3/4 Joanne F. Angstman Bruce Anderson 1/4 Amax Petr. Corp. Beard Oil Co.	Surface to 8,600' Leede Operating Co., LLC 1/2 John M. Beard 1/16 John M. Beard Trust 1/16 Sensor Oil & Gas Inc. 3/8 Below 8,600' XTO Energy Inc. 1/4 Devon Energy Production Company, L.P. 1/4 John M. Beard 1/16 John M. Beard Trust 1/16 Sensor Oil & Gas Inc. 3/8
22-D	T-25-S, R-32-E Section 4: Lots 1 & 2 and S1/2 NE1/4	159.52	NM 054031 4-1-60	USA (All) 12 1/2%	Chevron U.S.A., Inc. Devon Energy Production Company, L.P.	1/2 Beard Oil Co. Joanne F. Angstman 1/2 Bruce Anderson Amax Petro. Corp.	XTO Energy Inc. 1/2 Devon Energy Production Company, L.P. 1/2 1 1/8% -
24-A	T-25-S, R-32-E Section 15: W1/2 NE1/4, W1/2 NW1/4 and E1/2 SW1/4 Section 22: NW1/4 and NW1/4 SW1/4 Section 28: N1/2 N1/2 and SE1/4 NW1/4 Section 29: NE1/4 NE1/4	680.00	LC 062300 3-1-51	USA (All) 12 1/2%	Chevron U.S.A., Inc. Devon Energy Production Company, L.P.	1/2 G. E. Jordan et ux Edna 1/2 B. E. Spencer Estate	XTO Energy Inc. 1/2 Devon Energy Production Company, L.P. 1/2 1%

Tract No.	Description of Land	No. of Acres	Serial No. and Date of Lease or Application	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner
24-B	T-25-S, R-32-E Section 15: E1/2 NW1/4 and W1/2 SW1/4	160.00	LC 062300 3-1-51	USA (All) 12 1/2%	Chevron U.S.A., Inc. Devon Energy Production Company, L.P.	E1/2 NW1/4 to 4901' & W1/2 SW1/4 to 4855' 1/2 B. E. Spencer Estate Joe S. Hill & W. W. Meeker 1/2 Adalin Inc. H. D. Manning Elliott M. Browder John L. Beumeler Charles R. Grice Chevron U.S.A. Inc. Pauley Petroleum Inc. E1/2 NW1/4 below 4901' & W1/2 SW1/4 below 4855'	Leede Operating Co., LLC
						1% .459% .22% .05% .05% .02% .165% 3.125% 3.125%	
						1% .459% .22% .05% .05% .02% .165%	XTO Energy Inc. Devon Energy Production Company, L.P.



Traff No.	Description of Land	No. of Acres	Serial No. and Date of Lease or Application	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner
41	T-24-S <sub>2</sub> R-31-E	80.00	NM 012121	USA (All)	XTO Energy Inc.	NW/4 Section 26 Ballard E Spencer Trust, Inc.	XTO Energy Inc.
	Section 25: W1/2 NW1/4	320.00	12-1-50	12 1/2%	Devon Energy Production Company, L.P.	1/2 Wells Fargo Bank, N.A. Trustee Of Patricia Boyle Young	Devon Energy Production Company, L.P.
	Section 26: N 1/2					1/2 Management Trust 1/4% of 0.979167% Richard D. Jones Jr. 1/4 of 0.979167% Baloney Feathers, Ltd. 1/4 of 0.979167% JADT Minerals, Ltd. 1/4 of .375% Bill Wiggins, Pers. Rep. Of Estate of Esther A. Denton, dec. 1/4 of .375% Centenary Petroleum Corp. 1.0% Richard C. Gibson. 0.125% Jan Elise McWhirter Fescenmeyer .015625% Wells FargoBank, N.A., Trustee Of Irene L. Southard Management Trust u/a 3/3/1989 1/12 of 1.0% Leda Zellos 1/32 of 1.0% Robert E. Ferguson and Rosemary M. Ferguson Trustees Of the Ferguson Family Trust 1/4 of 1.0% NW/4 Section 26 Ballard E Spencer Trust, Inc. 1.0% Richard C. Gibson. 0.125% Jan Elise McWhirter Fescenmeyer .015625%	

Tract No.	Description of Land	No. of Acres	Serial No. and Date of Lease or Application	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner
41						NW/4 Section 26 (continued)	
(continued)	T-24-S, R-31-E					Wells Fargo Bank, N.A., Trustee	XTO Energy Inc.
	Section 25: W 1/2 NW 1/4	80.00	NM 012121	USA (All)	XTO Energy Inc.	Of Irene L. Southard Management	
	Section 26: N 1/2	320.00	12-1-50	12 1/2%	Devon Energy Production Company, L.P.	1/2 Trust w/t/a 3/3/1989 1/12 of 1.0%	Devon Energy Production Company, L.P.
						Leda Zellos 1/32 of 1.0%	
						JADT Minerals, Ltd. 1/2 3/4 of .375%	
						Bill Wiggins, Pers. Rep.	
						Of Estate of	
						Esther A. Denton, dec.	
						Robert E. Ferguson and	
						Rosemary M. Ferguson Trustees	
						Of the Ferguson Family Trust 1/4 of 1.0%	
						W/2 NW/4	
						Ballard E. Spencer Trust, Inc.	
						Wells Fargo Bank, N.A. Trustee	
						Of Patricia Boyle Young	
						Management Trust 1/2 of 0.979167%	
						Richard D. Jones Jr. 1/4 of 0.979167%	
						Baloney Feathers, Ltd. 1/4 of 0.979167%	
						JADT Minerals, Ltd. 1/4 of .375%	
						Bill Wiggins, Pers. Rep.	
						Of Estate of	
						Esther A. Denton, dec.	
						Jan Elise McWhirter	
						Fescenmeyer .015625%	
						Wells Fargo Bank, N.A., Trustee	
						Of Irene L. Southard Management	
						Trust w/t/a 3/3/1989 1/12 of 1.0%	

Tract No.	Description of Land	No. of Acres	Serial No. and Date of Lease or Application	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner
41	(continued) T-24-S, R-31-E					W/2 NW/4 (continued)	
	Section 25: W/2 NW/4	80.00	NM 012121	USA (All)	XTO Energy Inc.	Leda Zelios	XTO Energy Inc.
	Section 26: N 1/2	320.00	12-1-50	12 1/2%	Devon Energy Production Company, L.P.	1/2 Robert E. Ferguson and Rosemary M. Ferguson Trustees 1/2 Of the Ferguson Family Trust	Devon Energy Production Company, L.P.
						1/32 of 1.0% 1/4 of 1.0%	
42	T-25-S, R-31-E						
	Section 11: S 1/2	320.00	NM 0503	USA (All) 12 1/2 %	XTO Energy Inc.	Ballard E. Spence Trust, Inc. 1/2 Betty Jo Bryan Bradshaw, as her separate property Devises of Tom E. Bryan Mary Ann McCaw William J. McCaw and 1/2 Mary G. Riddle, Trustees under the Will of Jack W. McCaw	XTO Energy, Inc. Devon Energy Production Company, L.P.
						1.0% 3/8 of 1.0% 3/8 of 1.0% 1/8 of 1.0% 1/8 of 1.0%	

Tract No.	Description of Land	No. of Acres	Serial No. and Date of Lease or Application	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner
<u>STATE LAND</u>							
33	T-24-S, R-31-E Section 36: N1/2 SE1/4	80.00	E-2129-4 9-10-48	State (All) 121/2%	XTO Energy Inc. Devon Energy Production Company, L.P.	None	XTO Energy Inc. Devon Energy Production Company, L.P. 1/2
34	T-25-S, R-32-E Section 16: E1/2 NE1/4	80.00	E-5009-1 2-10-51	State (All) 121/2%	Conoco Inc.	None	Conoco Inc. 1/2
35	T-25-S, R-31-E Section 2: Lots 1, 2, 3 & 4 and S1/2 N1/2 and S1/2 (All)	639.92	K-4562 11-17-64	State (All) 121/2%	XTO Energy Inc. Devon Energy Production Company, L.P.	None	XTO Energy Inc. Devon Energy Production Company, L.P. 1/2
39	T-24-S, R-31-E Section 36: Lots 1, 2, 3 & 4 and N1/2 and N1/2SW1/4	557.96	E-9127-3 6-21-55	State (All) 121/2%	XTO Energy Inc. Devon Energy Production Company, L.P.	None	XTO Energy Inc. Devon Energy Production Company, L.P. 1/2
40	T-25-S, R-32-E Section 16: E1/2 SE 1/4, SW 1/4 SE1/4 and SE1/4 SW 1/4	160.00	E-9789 2-21-56	State (All) 12 1/2%	Leede Operating Co., LLC Peak 9 Production Company	1% 32.8571% Company	Leede Operating Co., LLC Peak 9 Production Company 67.1429% 32.8571%

SUMMARY

	Number of Tracts	Acreage	Percent of New Unit Area
Federal Land	24	8,586.64	84.98
State Land	5	1,517.88	15.02
Fee Land	0	0.00	0.00
TOTAL	28	10,104.52	100.00



# United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Pecos District

Carlsbad Field Office

620 E. Greene

Carlsbad, New Mexico 88220-6292

[www.blm.gov/nm/st/en.html](http://www.blm.gov/nm/st/en.html)



NM 70928X  
3180 (P0220)

Your Reference:  
Proposed Expansion of the  
Cotton Draw Unit NM-70928X  
Eddy County, New Mexico

OCT 05 2011

CERTIFIED—RETURN RECEIPT REQUESTED  
7008 3230 0002 0987 5233

Devon Energy Corporation  
20 North Broadway  
Oklahoma City, Oklahoma 73102-8260

Gentlemen:

Your application of September 19, 2011, requests preliminary approval of the proposed expansion of the Cotton Draw Unit Area, Eddy County, New Mexico. This expansion will add 320 acres to the 9,784.52 acres, resulting in an enlarged unit area of 10,104.52 acres, more or less, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act as amended.

The expansion is regarded as acceptable on the basis of the geologic/reservoir information accompanying your application. We hereby concur in the proposed expansion, provided it is accomplished pursuant to Section 2 of the unit agreement. The effective date of the proposed expansion will be September 1, 2011, and it shall become effective as of this date or from the onset of production of unitized substance, whichever is earlier upon execution of the necessary parties, notwithstanding the date of execution, and in accordance with your application, pursuant to Section 2(a).

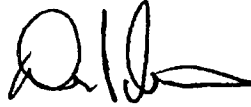
A minimum of four copies of the application for final approval, accompanied by the appropriate joinders and supplements to Exhibits "A" and "B" should be filed with the Authorized Officer. The format of Exhibit "A" and "B" attached with your application is acceptable.

EXHIBIT

2

Please contact Edward G. Fernandez, Petroleum Engineer at 575-234-2220 if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Stovall', with a long horizontal flourish extending to the right.

G- Jim Stovall  
Field Manager,  
Carlsbad Field Office

cc: Commissioner of Public Lands  
ONRR, Denver (MS357B-1)  
New Mexico Taxation & Revenue Dept.  
Revenue Processing Division  
LLNM9210  
NMP0220, Unit File



Ray Powell, M.S., D.V.M.  
COMMISSIONER

*State of New Mexico*  
*Commissioner of Public Lands*

310 OLD SANTA FE TRAIL  
P.O. BOX 1148  
SANTA FE, NEW MEXICO 87504-1148

COMMISSIONER'S OFFICE

Phone (505) 827-5760

Fax (505) 827-5766

www.nmstatelands.org

October 4, 2011

Devon Energy Corporation  
20 North Broadway  
Oklahoma City, Oklahoma 73102-8260

Attention: Mr. Sam McCurdy

Re: Preliminary Approval for Proposed 2<sup>nd</sup> Unit Boundary Expansion  
Cotton Draw Unit  
S/2 Sec. 11-25S-31E  
Eddy County, New Mexico

Dear Mr. McCurdy:

This office has received your letter of September 19, 2011 wherein you have requested preliminary approval for the 2nd expansion of the Cotton Draw Unit area, Eddy County, New Mexico. The proposed expansion meets the general requirements of the Commissioner of Public Lands, who has this date granted you preliminary approval to expand the unit area.

Preliminary approval shall not be construed to mean final approval of this agreement in any way and will not extend any short term leases, until final approval and an effective date have been given.

When submitting your agreement for final approval, please submit the following:

1. The unit expansion date should be prior to any production.
2. On Exhibit "B", Tract No. 33, the correct lessee of record for Lease No. E-2129-7 is Devon Energy Prod. and Chevron U.S.A., Inc.
3. On Exhibit "B", Tract No. 34, the correct lessee of record for Lease No. E-5009-1 is ConocoPhillips Company.
4. On Exhibit "B", Tract No. 35, the correct lessee of record for Lease No. K-4562-4 is Devon Energy Prod. and Chevron U.S.A., Inc.
5. On Exhibit "B", Tract No. 39, the correct lessee of record for Lease No. E-9127-6 is Devon Energy Prod. and Chevron U.S.A., Inc.
6. On Exhibit "B", Tract No. 40, the correct lessee of record for Lease No. E-9789-10 is Pogo Producing Co.
7. Application for final approval by the Commissioner setting forth the tracts that have been committed.

EXHIBIT

3




8. Pursuant to SLO Rule 19.2.100.51, applications for approval shall contain a statement of facts showing:
  - a. That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy.
  - b. That under the proposed unit operation, the State of New Mexico will receive its fair share of the recoverable oil and gas in place under its lands in the proposed unit area.
  - c. That each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the unit area.
  - d. That such unit agreement is in other respects for the best interest of the trust.
3. All ratifications from the Lessees of Record and Working Interest Owners. All signatures should be acknowledged by a notary and one set must contain original signatures.
4. Designation/concurrence from the Bureau of Land Management.
5. Order of the New Mexico Oil Conservation Division. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.
6. The filing fee for a Unit expansion is \$30.00 for every section or partial section thereof. Please submit a filing fee in the amount of \$30.00.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.  
COMMISSIONER OF PUBLIC LANDS

BY:   
Larry J. Roybal, Director  
Oil, Gas and Minerals Division  
(505) 827-5744  
RP/LR/pm

cc: Reader File,  
OCD-Attention: Mr. Ed Martin  
BLM Carlsbad, Attn: Mr. Wesley Ingram