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May 25, 2006

Via Hand Delivery

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

Case 13738

Dear Florene:

Enclosed for filing, on behalf of Devon Energy Production Company, L.P., are an original and one copy of an application for compulsory pooling, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please set this matter for the July 6, 2006 Examiner hearing. Thank you.

A pre-hearing statement is also enclosed.

Very truly yours,


James Bruce

Attorney for Devon Energy Production Company, L.P.

PERSONS GIVEN NOTICE OF APPLICATION

Carlsbad Municipal School District
408 North Canyon
Carlsbad, New Mexico 88220

Attention: Ron Owen

Federal Deposit Insurance Corporation
Suite 1300
1910 Pacific Avenue
Dallas, Texas 75201

Attention: Steve Carr

H.L. Boyd
Address unknown

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

Case No. 13738

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 Lots 3, 4, S $\frac{1}{2}$ NW $\frac{1}{4}$, and SW $\frac{1}{4}$ (the W $\frac{1}{2}$) of Section 2, Township 22 South, Range 26 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. Applicant is an interest owner in the W $\frac{1}{2}$ of Section 2, and has the right to drill a well thereon.
2. Applicant proposes to drill its Perfecto 2 State Com. Well No. 1 in the SW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 2, to a depth sufficient to test the Morrow formation, and seeks to dedicate the W $\frac{1}{2}$ of Section 2 to the well to form a standard 320.63 acre gas spacing and proration unit for any formations and/or pools developed on 320 acre spacing within that vertical extent, including the Undesignated Happy Valley-Strawn Gas Pool, Undesignated Happy Valley-Atoka Gas Pool, and Undesignated Happy Valley-Morrow Gas Pool.
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the W $\frac{1}{2}$ of Section 2 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.

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Therefore, applicant seeks an order pooling all mineral interest owners in the W½ of Section 2, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral interests underlying the W½ of Section 2 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 2, 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 among the well's working interest owners;
- D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- E. Setting a 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,



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

Attorney for Devon Energy Production
Company, L.P.

NOTICE

To: H.L. Boyd, or his heirs or devisees: Devon Energy Production Company, L.P. has filed an application with the New Mexico Oil Conservation Division seeking an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the W/2 of Section 2, Township 22 South, Range 26 East, NMPM, Eddy County, New Mexico, to form a standard 320.63 acre gas spacing and proration unit for all formations spaced on 320 acres. The unit is to be dedicated to the Perfecto 2 State Com. Well No. 1, to be located in the SW/4NW/4 of Section 2. 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 200% charge for the risk involved in drilling and completing the well. The application is scheduled to be heard at 8:15 a.m. on Thursday, July 6, 2006 at the Division's offices at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. As an interest owner in the well unit you have the right to enter an appearance and participate in the case. Failure to appear will preclude you from contesting this matter at a later date. The units are located approximately 2-1/2 miles west of Carlsbad, New Mexico.