

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 14590
ORDER NO. R-1186-A

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on January 20, 2011, at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 9th day of March, 2011, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due notice has been given, and the Division has jurisdiction of the subject matter of this case.

(2) The Cotton Draw Unit (the Unit) in Eddy and Lea Counties is a voluntary exploratory unit consisting entirely of federal and State of New Mexico minerals. The Unit, which originally included 35,144 acres, more or less, was approved by the Oil Conservation Commission in Order No. R-1186, issued in Case No. 1446 on June 4, 1958.

(3) The Unit has since been contracted at various times pursuant to the Unit Agreement, and now comprises 9,225 acres, more or less, including 7,707 acres of federal minerals and 1,518 acres of State of New Mexico minerals, described as follows:

Township 24 South, Range 31 East

Section 25: S/2

Section 26: S/2

Section 34: E/2
Section 35: All
Section 36: All

Township 24 South, Range 32 East

Section 33: SE/4
Section 34: SW/4

Township 25 South, Range 31 East

Section 1: All
Section 2: All
Section 3: E/2
Section 11: N/2
Section 12: All
Section 13: All

Township 25 South, Range 32 East

Section 3: W/2 NW/4
Section 4: NE/4
Section 7: All
Section 9: E/2 SE/4
Section 10: SW/4 NE/4, SE/4 NW/4, and SW/4
Section 15: W/2 NE/4 and W/2
Section 16: E/2 E/2, SE/4 SW/4, and SW/4 SE/4
Section 18: All
Section 20: E/2 SE/4
Section 21: All
Section 22: NW/4 and NW/4 SW/4
Section 28: N/2 N/2 and SE/4 NW/4
Section 29: NE/4 NE/4

(4) Devon Energy Production Company, L.P. (Applicant), the current operator of the Unit, seeks approval to expand the unit by adding 400 acres, more or less, of federal minerals described as follows:

Township 24 South, Range 31 East

Section 25: W/2 NW/4
Section 26: N/2

(5) At the hearing, Applicant appeared through counsel and presented land and geologic evidence by affidavit to the effect that:

(a) Applicant has recently drilled five horizontal wells that are partially within and partially outside the Unit area. These wells are producing oil from the Brushy Canyon member of the Delaware formation.

(b) The proposed expansion of the Unit will incorporate these recently drilled horizontal wells entirely within the Unit.

(c) The United States Bureau of Land Management and the New Mexico State Land Office have issued preliminary approvals for this proposed Unit expansion.

(d) The lands within the proposed Unit expansion are productive from the same zones as adjoining Unit lands.

(6) No other party appeared at the hearing or otherwise signified opposition to the granting of this application.

(7) The lands within the proposed Unit expansion should be incorporated into the Unit and should share proportionately in the costs and benefits of oil and gas production from the Unit Area.

(8) Approval of the proposed Unit expansion will prevent waste and protect correlative rights within the lands comprising the Unit Area.

IT IS THEREFORE ORDERED THAT:

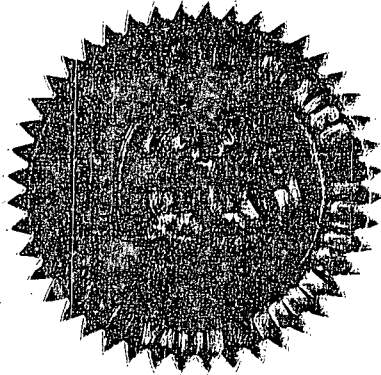
(1) The expansion of the Cotton Draw Unit area to include the lands described in Finding Paragraph (4) above is hereby approved. The Unit as expanded shall consist of 9,624.90 acres, more or less, of federal and State of New Mexico minerals.

(2) This approval shall not be considered as waiving or relinquishing, in any manner, any right, duty or obligation that is now, or may hereafter be, vested in the Division to supervise or control operations of the Unit Area and production of oil or gas therefrom.

(3) This order shall become effective upon final approval of the proposed Unit expansion by the United States Bureau of Land Management and the New Mexico State Land Office.

(4) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Daniel Sanchez", with a long, sweeping horizontal line extending to the right.

DANIEL SANCHEZ
Acting Director