

**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. 13501
ORDER NO. R-12374**

**APPLICATION OF DEVON ENERGY CORPORATION FOR A UNIT
AGREEMENT, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION.

This case came on for hearing on June 2, 2005, at Santa Fe, New Mexico, before Examiner Richard Ezeanyim.

NOW, on this 24th day of June, 2005, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT.

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

(2) The applicant, Devon Energy Corporation ("Devon" or "Applicant"), seeks approval of its Custer Mountain North Federal State Unit Agreement for all oil and gas in all formations from the surface to the base of the **Pennsylvanian** formation underlying the following-described 2,881.28 acres, more or less, of State of New Mexico and Federal lands situated in Lea County, New Mexico:

TOWNSHIP 22 SOUTH, RANGE 35 EAST, NMPM
Section 33: S/2

TOWNSHIP 23 SOUTH, RANGE 35 EAST, NMPM
Section 4: All
Section 9: All
Section 16: All
Section 21: All

- (3) The Applicant presented testimony by affidavit that demonstrates that:
- (a) One hundred (100%) percent of the interests owners within the Unit area are committed to the Unit;
 - (b) Devon Energy Production Company, L.P. has more than seventy-three (73%) of the working interest ownership in the oil and gas minerals underlying the proposed unit area and requested to be designated the unit operator;
 - (c) The unit covers an area that can be reasonably developed under a unit plan;
 - (d) The primary target for this unit area is the Atoka formation, but all formations will be evaluated down to the base of the **Pennsylvanian** formation, and if the initial well is successful, additional wells will be drilled in the unit area;
 - (e) The Commissioner of Public Lands and the Bureau of Land Management have given preliminary approval for the proposed Unit;
 - (f) The initial well (Keller "4" Well No. 1) will be drilled at a standard gas well location 1980 feet from the South line and 1475 feet from the West line of Section 4, Township 23 South, Range 35 East, NMPM, Lea County, New Mexico, to an approximate depth of 14,200 feet or a depth sufficient to test the Morrow formation; and
 - (g) The W/2 of Section 4 being a standard 320-acre gas spacing and proration unit will be dedicated to this well.
- (4) No other party appeared at the hearing or otherwise opposed this application.
- (5) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the applicant. These 2,881.28 acres should be **unitized** and should equally share in the benefits from future oil and gas recovery.

(6) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Custer Mountain North Federal State Unit Agreement executed by Devon Energy Corporation is hereby approved for all oil and gas in all formations from the surface to the base of the **Pennsylvanian** formation underlying the following-described 2,881.28 acres, more or less, of State of New Mexico and Federal lands situated in Lea County, New Mexico:

TOWNSHIP 22 SOUTH. RANGE 35 EAST. NMPM

Section 33: S/2

TOWNSHIP 23 SOUTH. RANGE 35 EAST. NMPM

Section 4: All

Section 9: All

Section 16: All

Section 21: All

(2) The plan contained in the Custer Mountain North Federal State Unit Agreement for the development and operation of the above-described unit area is hereby approved in principle; provided, however, notwithstanding any of the provisions contained in the unit agreement, 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 and control operations for the unit and production of oil and gas therefrom.

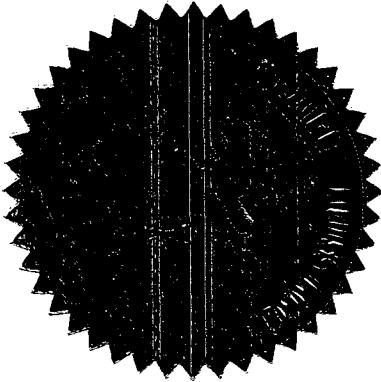
(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days of the effective date thereof; in the event of subsequent joinder by any other party, or expansion or contraction of the unit area, the unit operator shall file with the Division, within 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the New Mexico State Land Office and the Bureau of Land Management. This order shall terminate upon the termination of the unit agreement. The last unit operator shall notify the Division immediately in writing of such termination.

(6) 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.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Mark E. Fesmire". The signature is fluid and cursive, with a long horizontal stroke at the end.

MARK E. FESMIRE, P.E.
Director