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October 16, 2018

HAND-DELIVERY

Case 20085

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

***Re: Application of Devon Energy Production Company LP for a Standard
Horizontal Spacing and Proration Unit and Compulsory Pooling, Lea County,
New Mexico – Chiles 28-21 State Com 1H Well***

Dear Ms. Davidson:

Enclosed please find for filing is an original and a copy of an Application regarding the above matter. The proposed advertisement will also be emailed to you in Word format. Please set these matters for hearing on the November 15, 2018 examiner docket.

Thank you.

Very truly yours,



Seth C. McMillan

Enclosures

cc: Katie Dean (via email, w/encs.)

REPLY TO:

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

**APPLICATION OF DEVON ENERGY PRODUCTION
COMPANY LP FOR A STANDARD HORIZONTAL SPACING
AND PRORATION UNIT AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

Case No. 20085

APPLICATION

Devon Energy Production Company LP (“Devon”), through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of NMSA 1978, § 70-2-17, for an order (1) creating a standard 320-acre, more or less, horizontal spacing and proration unit (“HSU”) comprised of the E/2 E/2 of Sections 21 and 28, Township 21 South, Range 34 East, NMPM, Lea County, New Mexico, and (2) pooling all uncommitted interests in the Third Bone Spring Sand, Bone Spring formation (BERRY;BONE SPRING, SOUTH [96660]) underlying the HSU. In support of its application, Devon states:

1. Devon is a working interest owner in the proposed standard horizontal spacing unit and has the right to drill thereon.
2. Devon proposes to dedicate the above-referenced standard horizontal spacing and proration unit for its proposed **Chiles 28-21 State Com 1H well**, to be horizontally drilled from an approximate surface location 2310’ FEL and 330’ FSL of Section 28 to a bottom hole location 380’ FEL and 20’ FNL of Section 21. This well defines the HSU.
3. The completed intervals and first and last take points for the Chiles 28-21 State Com 1H well are within the setbacks required by statewide pool rules.
4. Devon has in good faith sought and been unable to obtain voluntary agreement for the development of these lands from all of the mineral interest owners in the subject HSU.

5. Approval of the standard HSU and the pooling of all mineral interest owners in the Third Bone Spring Sand, Bone Spring formation underlying the HSU will avoid the drilling of unnecessary wells, will prevent waste, and will protect correlative rights.

6. In order to permit Devon to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in this HSU should be pooled and Devon should be designated the operator of the proposed HSU.

WHEREFORE, Devon requests that this application be set for hearing before an Examiner of the Oil Conservation Division on November 15, 2018, and, after notice and hearing as required by law, the Division enter an order:

A. Creating a standard 320-acre, more or less, horizontal spacing and proration unit comprised of the E/2 E/2 of Sections 21 and 28, Township 21 South, Range 34 East, NMPM, Lea County, New Mexico;

B. Pooling all uncommitted interests in the Third Bone Spring Sand, Bone Spring formation (BERRY;BONE SPRING, SOUTH [96660]) underlying the HSU;

C. Designating the Chiles 28-21 State Com 1H well as the defining well for the standard HSU;

D. Designating Devon as operator of this standard HSU and the wells to be drilled thereon;

E. Authorizing Devon to recover its costs of drilling, equipping and completing the wells;

F. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and

G. Imposing a 200% penalty for the risk assumed by Devon in drilling and completing the well against any interest owner who does not voluntarily participate in the drilling of the wells.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

/s/ Seth C. McMillan

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*Attorneys for Devon Energy Production Company
LP*

Case No. 20085 *Application of Devon Energy Production Company LP for a Standard Horizontal Spacing and Proration Unit and Compulsory Pooling, Lea County, New Mexico.* Applicant in the above-styled cause seeks an order from the New Mexico Oil Conservation Division (1) creating a standard 320-acre, more or less, horizontal spacing and proration unit ("HSU") comprised of the E/2 E/2 of Sections 21 and 28, Township 21 South, Range 34 East, NMPM, Lea County, New Mexico, and (2) pooling all uncommitted interests in the Third Bone Spring Sand, Bone Spring formation (BERRY;BONE SPRING, SOUTH [96660]) underlying the HSU. Said horizontal spacing unit is to be assigned to the proposed initial **Chiles 28-21 State Com 1H well**, to be horizontally drilled from an approximate surface location 2310' FEL and 330' FSL of Section 28 to a bottom hole location 380' FEL and 20' FNL of Section 21. This well defines the HSU. The completed intervals and first and last take points for the Chiles 28-21 State Com 1H well are within the setbacks required by state-wide pool rules. Also to be considered will be the cost of drilling and completing the wells and the allocation of the cost, the designation of Applicant as Operator of the well, and a 200% charge for the risk involved in drilling and completing the wells. The wells and lands are located approximately 14 miles west of Eunice, New Mexico.