

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

**APPLICATION OF DEVON ENERGY PRODUCTION  
COMPANY, L.P., FOR A NONSTANDARD HORIZONTAL  
SPACING UNIT, IF NECESSARY, AND COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO**

Case No. \_\_\_\_\_

**APPLICATION**

Devon Energy Production Company, L.P., (“Devon”), OGRID No. 6137, through its undersigned attorneys, hereby files this Application with the Oil Conservation Division (“Division”) pursuant to the provisions of NMSA 1978, Section 70-2-17, seeking an order (1) establishing a non-standard, if necessary, 343.92-acre, more or less, spacing and proration unit comprised of Lots 1, 2, 3 and 4 (Lots 1-4) of Sections 1, 2 and 3, Township 21 South, Range 27 East, NMPM, Eddy County, New Mexico, said Sections being correction sections and therefore irregular, and (2) pooling all uncommitted mineral interests in the Wolfcamp formation, designated as an oil pool, underlying said unit.

In support of its Application, Devon states the following:

1. Devon recognizes that Sections 1, 2 and 3, are rather sizable correction sections consisting of 16 lots in the N/2 of the Sections and therefore may present a number of novel questions and issues regarding the application of the Division’s rules to the unusual circumstances created by the Sections.

2. Devon has submitted concurrently an alternate pooling application for the **Burton Flat 3-1 Fed State Com 621H, 622H, and 822H Wells** that proposes a standard horizontal spacing unit comprising Lots 1-8 of irregular Sections 1, 2 and 3, which is Devon’s preferred

spacing unit and development plan. Devon submits this application as a default application should the Division reject approval of the alternate pooling application.

3. Devon is a working interest owner in the proposed horizontal spacing and proration unit (“HSU”) and has a right to drill a well thereon.

4. Devon proposes and dedicates to the HSU two (2) initial wells, the **Burton Flat 3-1 Fed State Com 621H Well** and the **Burton Flat 3-1 Fed State Com 822H Well**, to be drilled to a sufficient depth to test the Wolfcamp formation.

5. Devon proposes the **Burton Flat 3-1 Fed State Com 621H Well**, an oil well, to be horizontally drilled from a surface location in Lot 5 of Section 3 to a bottom hole location in Lot 1 of Section 1.

6. Devon proposes the **Burton Flat 3-1 Fed State Com 822H Well**, an oil well, to be horizontally drilled from a surface location in Lot 5 of Section 3 to a bottom hole location in Lot 1 of Section 1.

7. The proposed wells are orthodox in their location, and the take points and completed intervals comply with setback requirements under statewide rules.

8. Devon has sought in good faith, but has been unable to obtain, voluntary agreement from all interest owners to participate in the drilling of the wells or in the commitment of their interests to the wells for their development within the proposed HSU.

9. The pooling of all interests in the Wolfcamp formation within the proposed HSU, and establishment of the standard spacing unit, will avoid the drilling of unnecessary wells, prevent waste, and protect correlative rights.

10. Since this Application involves the spacing of acreage in highly irregular correction sections that contain 16 Lots per section and present novel questions of first impression and

consideration, Devon requests that if the Division should deem the contiguous set of Lots 1-4 in Sections 1, 2 and 3, as described herein, to comprise a standard horizontal spacing unit, that the Division approve the proposed spacing unit in this Application as standard instead of non-standard. The Division is scheduled to address this issue in Case No. 22900, on the July 7, 2022, docket, involving a pooling application in which the applicant requests approval for a comparable set of contiguous Lots (Lots 1-4 of Sections 1 and 2, T21S, R28E, and Lots 3-4 of Section 6, T21S, R29E, NMPM). The application in Case No. 22900 does not designate its proposed horizontal spacing unit as nonstandard, which consists of Lots that are approximately 12+ acres smaller than a 40-acre quarter-quarter section; thus, raising a need to address the question of equivalency under NMAC 19.15.16.15B(1)(a). If the Division determines that such series of Lots in Case No. 22900 constitutes a standard horizontal spacing unit instead of nonstandard, Devon respectfully asks that the Division deem the spacing unit proposed herein to be standard as well. Special notice is required for a nonstandard spacing unit, which has been provided herein; however, special notice of a standard spacing unit is not required; and therefore, the notice provided pursuant to Devon's pooling application should satisfy the notice requirement for a standard spacing unit in its Application.

11. Furthermore, the spacing unit requested herein could be viewed as nonstandard if the Division decided that the reduction in acreage of Lots 1-4 were not equivalent to quarter-quarter sections because of the reduction; however, the Division could also view Lots 1-4 as necessary adjustments under the PLSS that represent quarter-quarter sections "but for" the cartographic adjustment, and therefore, Lots 1-4 could stand in place as the revised "equivalent" of quarter-quarter sections. If the spacing unit is deemed nonstandard, Devon will apply for administrative approval of the nonstandard proration (NSP) unit

12. In order to provide for its just and fair share of the oil and gas underlying the subject lands, Devon requests that all uncommitted interests in this HSU be pooled and that Devon be designated the operator of the proposed horizontal well and HSU.

WHEREFORE, Devon requests that this Application be set for hearing on August 4, 2022, before an Examiner of the Oil Conservation Division, and after notice and hearing as required by law, the Division enter an order:

A. Establishing a nonstandard, if necessary, 343.92-acre, more or less, spacing and proration unit comprised of Lots 1 through 4 of correction Sections 1, 2 and 3, Township 21 South, Range 27 East, NMPM, Eddy County, New Mexico, unless such spacing unit can be deemed as standard;

B. Pooling all uncommitted mineral interests in the Wolfcamp formation underlying the proposed HSU.

C. Approving the **Burton Flat 3-1 Fed State Com 621H Well** and the **Burton Flat 3-1 Fed State Com 822H Well** as the wells for the HSU.

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

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

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

G. Setting a 200% charge for the risk assumed by Devon in drilling and completing the wells in the event a working interest owner elects not to participate in the wells.

Respectfully submitted,

ABADIE & SCHILL, PC

/s/ Darin C. Savage

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**Attorneys for Devon Energy Company, L.P.**

***Application of Devon Energy Company, L.P., for a Horizontal Spacing and Proration Unit and Compulsory Pooling, Eddy County, New Mexico.*** Applicant in the above-styled cause seeks an order from the Division: (1) establishing a nonstandard, if necessary, 343.92-acre, more or less, spacing and proration unit comprised of Lots 1 through 4 of Sections 1, 2 and 3, Township 21 South, Range 27 East, NMPM, Eddy County, New Mexico, said Sections being correction sections and therefore irregular, and (2) pooling all uncommitted mineral interests in the Wolfcamp formation, designated as an oil pool, underlying said unit. The proposed wells to be dedicated to the horizontal spacing unit are the **Burton Flat 3-1 Fed State Com 621H Well**, an oil well, to be horizontally drilled from a surface location in Lot 5 of Section 3 to a bottom hole location Lot 1 of Section 1, and the **Burton Flat 3-1 Fed State Com 822H Well**, an oil well, to be horizontally drilled from a surface location in the Lot 5 of Section 3 to a bottom hole location in Lot 1 of Section 1. The wells will be orthodox, and the take points and completed intervals will comply with the setback requirements under the statewide Rules; also to be considered will be the issue of whether the spacing unit in these irregular sections should be deemed nonstandard or standard (if deemed nonstandard, Applicant will apply for administrative approval of the nonstandard proration (NSP) unit); the cost of drilling and completing the wells and the allocation of the costs thereof; actual operating costs and charges for supervision; the designation of the Applicant as Operator of the wells and unit; and a 200% charge for the risk involved in drilling and completing the wells. The wells and lands are located approximately 7 miles northeast of Carlsbad, New Mexico.