

**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 nonstandard, if necessary, 823.92-acre, more or less, spacing and proration unit comprised of Lots 1 through 8 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 Bone Spring 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 332H Well** 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 the **Burton Flat 3-1 Fed State Com 332H Well**, as the initial well, to be drilled to a sufficient depth to test the Bone Spring formation.

5. Devon proposes the **Burton Flat 3-1 Fed State Com 332H 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 8 of Section 1.

6. The proposed well is orthodox in its location, and the take points and completed interval comply with setback requirements under statewide rules.

7. The proposed HSU overlaps two existing spacing units with wells owned and operated by Devon, the Burton Flat Deep Unit 49H Well (API No. 30-015-40707) with a unit covering Lots 1-4 in Section 2; and the Burton Flat Deep Unit 50H Well (API No. 30-015-40758) with a unit covering Lots 5-8 in Section 2. Devon requests approval for these overlapping units.

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 well or in the commitment of their interests to the well for their development within the proposed HSU.

9. The pooling of all interests in the Bone Spring formation within the proposed HSU, and the 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 Lots 1-8 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 nonstandard. If the Division should deem the proposed spacing unit as nonstandard, Devon will apply administratively for approval of a Non-standard proration unit (NSP).

11. 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 would stand in place as the revised “equivalent” of quarter-quarter sections. In addition, the reduction in acreage is proportionally minimized by the inclusion of Lots 5-8 along with Lots 1-4.

12. For the possibility that the Division could approve, with the use of proximity tracts, Lots 1-8 as a standard horizontal spacing unit if it deems Lots 1-4 as equivalent or deems the acreage of Lots 1-8 as in substantial conformity with the acreage of a standard unit, Devon has located the **Burton Flat 3-1 Fed State Com 332H Well** as a proximity well, positioned to include Lots 1-4 of Sections 1, 2 and 3 as proximity tracts. 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 this Pooling Application should satisfy the notice requirement for a standard spacing unit.

13. 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, 823.92-acre, more or less, spacing and proration unit comprised of Lots 1 through 8 of Sections 1, 2 and 3, Township 21 South, Range 27 East, NMPM, Eddy County, New Mexico, unless a standard HSU can be approved through the use of proximity tracts described above in Paragraph 12;

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

C. Approving the **Burton Flat 3-1 Fed State Com 332H Well** as the well for the HSU.

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

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

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 well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

ABADIE & SCHILL, PC

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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, 823.92-acre, more or less, spacing and proration unit comprised of Lots 1 through 8 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 Bone Spring formation, designated as an oil pool, underlying said unit. The proposed well to be dedicated to the horizontal spacing unit is the **Burton Flat 3-1 Fed State Com 332H 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 8 of Section 1. The well will be orthodox, and the take points and completed interval will comply with the setback requirements under the statewide Rules; also to be considered will be approval for the overlapping of existing units involving the Burton Flat Deep Unit 49H Well (API No. 30-015-40707) and the Burton Flat Deep Unit 50H Well (API No. 30-015-40758) in Section 2, both operated by Applicant; the issue of whether the spacing unit in these irregular sections should be deemed nonstandard or standard and the use of proximity tracts if the spacing unit is deemed standard, or application for administrative approval of a nonstandard proration unit (NSP) if deemed nonstandard; the cost of drilling and completing the well and the allocation of the costs thereof; actual operating costs and charges for supervision; the designation of the Applicant as Operator of the well and unit; and a 200% charge for the risk involved in drilling and completing the well. The well and lands are located approximately 7 miles northeast of Carlsbad, New Mexico.