

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

**APPLICATION OF DEVON ENERGY PRODUCTION
COMPANY LP TO EXPAND A HORIZONTAL SPACING UNIT
AND COMPULSORY POOLING UNDER R-20574 AND R-20575,
EDDY COUNTY, NEW MEXICO**

Case No. _____
Order No. R-20574
Order No. R-20575

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”) to expand a horizontal spacing and proration unit and include additional interest owners in a pooling under the terms of Order Nos. 20574 and 20575.

In support of its Application, Devon states the following:

1. Division Order No. R-20574, approved May 29, 2019, for which the spud date was extended to May 31, 2021, for the Lone Tree Draw 14-13 State Com 332H and 331H Wells, by Division Letter dated April 15, 2020, created a 320-acre, more or less, standard horizontal spacing unit comprised of the N/2 N/2 of Sections 13 and 14, Township 21 South, Range 27 East, NMPM, Eddy County, New Mexico, and designated Devon as the Operator for the N/2 N/2. Also, Division Order No. R-20575, approved May 29, 2019, for which the spud date was extended to May 31, 2021 for the Lone Tree Draw 14-13 State Com 333H Well, by Division Letter dated April 15, 2020, created a 320-acre, more or less, standard horizontal spacing unit comprising the S/2 N/2 of Sections 13 and 14, Township 21 South, Range 27 East, NMPM, Eddy County, New Mexico, and designated Devon as the Operator for the S/2 N/2.

2. Devon seeks to amend Order Nos. R-20574 and 20575 in order to create an expanded 640-acre, more or less, horizontal spacing and proration unit comprised of the N/2 of Sections 13 and 14, Township 21 South, Range 27 East, NMPM, Eddy County, New Mexico, encompassing the 331H, 332H, and 333H Wells, and (2) pooling all uncommitted mineral interests in the Bone Spring formation (CARLSBAD; BONE SPRING, EAST [96144]) underlying said unit, which is the subject Bone Spring formation of Order Nos. R-20574 and 20575.

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 to dedicate the expanded HSU to its **Lone Tree Draw 14-13 State Com 332H Well**, an oil well, proposed to be horizontally drilled from a surface location in SW/4 NW/4 (Unit E) of Section 14 to a bottom hole location in the NE/4 NE/4 (Unit A) of Section 13. The **Lone Tree Draw 14-13 State Com 332H Well** is the Defining Well for the HSU.

5. Devon proposes the **Lone Tree Draw 14-13 State Com 331H and 333H Wells** to be infill wells for the expanded HSU, as follows: the **Lone Tree Draw 14-13 State Com 331H Well**, an oil well, is to be horizontally drilled from a surface location in the NW/4 NW/4 (Unit D) of Section 14 to a bottom hole location in the NE/4 NE/4 (Unit A) of Section 13, and the **Lone Tree Draw 14-13 State Com 333H Well**, an oil well, is to be horizontally drilled from a surface location in the SW/4 NW/4 (Unit E) of Section 14 to a bottom hole location in the SE/4 NE/4 (Unit H) of Section 13.

6. The Bottom Hole and Surface Hole Locations of the wells are the same as in the original well proposals for 331H, 332H and 333H Wells, and as reflected by the C-102s and Order Nos. 20574 and 20575. Only the take points have changed for the 332H Well to provide for proximity tracts in order to create the expanded HSU covering the N/2.

7. The completed interval and first and last take points for all wells proposed in the HSU meet the setback requirements set forth in the Division's statewide rules and regulations for horizontal oil wells. Pursuant to 19.15.16.15(B)(1)(b) NMAC, Devon will incorporate proximity tracts into its HSU such that the completed interval for the wells will remain within the offset requirements of the Division's 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 its development within the proposed HSU.

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

10. 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 wells and HSU.

WHEREFORE, Devon requests that this Application be set for hearing before an Examiner of the Oil Conservation Division on November 5, 2020, and after notice and hearing as required by law, the Division enter an amended order:

A. Amending Order Nos. R-20574 and R-20575 in order to create a standard 640-acre, more or less, spacing and proration unit comprising the N/2 of Sections 13 and 14, Township 21 South, Range 27 East, NMPM, Eddy County, New Mexico;

B. Pooling all uncommitted mineral interests in the Bone Spring formation (CARLSBAD; BONE SPRING, EAST [96144]) underlying the proposed HSU;

- C. Designating the **Lone Tree Draw 14-13 State Com 332H Well** as the defining well for the HSU;
- D. Approving the **Lone Tree Draw 14-13 State Com 331H and 333H Wells** as infill wells;
- E. Designating Devon as operator of this HSU and the horizontal wells to be drilled thereon;
- F. Authorizing Devon to recover its costs of drilling, equipping and completing the wells;
- G. 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
- H. 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,

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Company, L.P.**

Application of Devon Energy Production Company L.P. to Expand a Horizontal Spacing and Proration Unit and Compulsory Pooling Under Order Nos. 20574 and 20575, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order from the Division: (1) expand the horizontal spacing and proration unit under Order Nos. 20574 and 20575 to create a standard 640-acre, more or less, horizontal spacing and proration unit comprised of the N/2 of Sections 13 and 14, Township 21 South, Range 27 East, NMPM, Eddy County, New Mexico, and (2) pooling all mineral interests in the Bone Spring formation (CARLSBAD; BONE SPRING, EAST [96144]) underlying the unit. Said horizontal spacing unit is to be dedicated to the proposed **Lone Tree Draw 14-13 State Com 332H Well**, an oil well, to be horizontally drilled from a surface location in SW/4 NW/4 (Unit E) of Section 14 to a bottom hole location in the NE/4 NE/4 (Unit A) of Section 13. This Well defines the HSU. Also proposed are the following infill wells: the **Lone Tree Draw 14-13 State Com 331H Well**, an oil well, to be horizontally drilled from a surface location in the NW/4 NW/4 (Unit D) of Section 14 to a bottom hole location in the NE/4 NE/4 (Unit A) of Section 13, and the **Lone Tree Draw 14-13 State Com 333H Well**, an oil well, to be horizontally drilled from a surface location in the SW/4 NW/4 (Unit E) of Section 14 to a bottom hole location in the SE/4 NE/4 (Unit H) of Section 13. The completed interval and first take and last take point for the wells proposed in the unit meet the Division's statewide setback requirements for horizontal oil wells; Devon will utilize proximity tracts. Also to be considered will be 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 well and lands are located approximately 3 miles northeast of Carlsbad, New Mexico.