

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

**APPLICATION OF DEVON ENERGY PRODUCTION
COMPANY, L.P., FOR A NON-STANDARD HORIZONTAL
SPACING UNIT AND COMPULSORY POOLING,
LEA 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, for an order (1) establishing a non-standard 679.58-acre, more or less, spacing and proration unit comprised of the SW/4 SE/4 of Section 26 and the E/2 of Section 35, Township 22 South, Range 33 East, and the E/2 (including Lots 1 and 2) of Section 2, Township 23 South, Range 33 East, NMPM, Lea County, New Mexico, 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 is a working interest owner in the proposed non-standard horizontal spacing and proration unit (“HSU”) and has a right to drill a well thereon.
2. Devon proposes and dedicates to the HSU the **Serpentine 2-35 State Fed Com 26H Well, Serpentine 2-26 State Fed Com 30H Well, and Serpentine 2-35 State Fed Com 31H Well** as initial wells, to be drilled to a sufficient depth to test the Bone Spring formation.

3. Devon proposes the **Serpentine 2-35 State Fed Com 26H Well**, an oil well, to be horizontally drilled from a surface location in the SW/4 SE/4 (Unit O) of Section 2 to a bottom hole location in the NE/4 NE/4 (Unit A) of Section 35.

4. Devon proposes the **Serpentine 2-26 State Fed Com 30H Well**, an oil well, to be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 2 to a bottom hole location in the SW/4 SE/4 (Unit O) of Section 26.

5. Devon proposes the **Serpentine 2-35 State Fed Com 31H Well**, an oil well, to be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 2 to a bottom hole location in the NE/4 NE/4 (Unit A) of Section 35.

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

7. The proposed non-standard HSU would have been a standard HSU comprising the S/2 SE/4 of Section 26 and the E/2 of Sections 35 and 2 based on the location of the 26H Well positioned as a proximity well to bring in the W/2 E/2 of said Sections; but given BLM restrictions on the SE/4 SE/4 of Section 26, the proximity well 26H brings in the W/2 E/2 of Sections 35 and 2 but is not able to penetrate the last quarter-quarter section in Section 26; therefore resulting in the exclusion of the SE/4 SE/4 in Section 26 and the need for a non-standard HSU. The 30H Well penetrates the SW/4 SE/4 of Section 26 for inclusion of this quarter-quarter section in the non-standard HSU. Devon will make application for administrative approval of the non-standard proration (“NSP”) unit.

8. Devon has noted three (3) existing units that overlap with the proposed HSU: the North Thistle 2 State 2H Well (API No. 30-025-42821), covering the W/2 E/2 of Section 2; the North Thistle 2 State 1H Well (API No. 30-025-42533), covering the W/2 E/2 of Section 2; and

the North Thistle 2-35 Fed 1H Well (API No. 30-025-42831), covering the W/2 E/2 of Section 35. Accordingly, Devon seeks approval for these overlapping units pursuant to NMAC 19.15.16.15(B)(9)(b).

9. 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.

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

11. 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 on July 7, 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 non-standard 679.58-acre, more or less, spacing and proration unit comprised of the SW/4 SE/4 of Section 26 and the E/2 of Section 35, Township 22 South, Range 33 East, and the E/2 of Section 2, Township 23 South, Range 33 East, NMPM, Lea County, New Mexico;

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

C. Approving the **Serpentine 2-35 State Fed Com 26H Well, Serpentine 2-26 State Fed Com 30H Well, and Serpentine 2-35 State Fed Com 31H Well** as the initial 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 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 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 for a Non-standard Horizontal Spacing and Proration Unit and Compulsory Pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order from the Division: (1) establishing a non-standard 679.58-acre, more or less, spacing and proration unit comprised of the SW/4 SE/4 of Section 26 and the E/2 of Section 35, Township 22 South, Range 33 East, and the E/2 (including Lots 1 and 2) of Section 2, Township 23 South, Range 33 East, NMPM, Lea County, New Mexico, and (2) pooling all mineral interests in the Bone Spring formation, designated as an oil pool, underlying the unit. The proposed wells to be dedicated to the horizontal spacing unit are the **Serpentine 2-35 State Fed Com 26H Well**, an oil well, to be horizontally drilled from a surface location in the SW/4 SE/4 (Unit O) of Section 2 to a bottom hole location in the NE/4 NE/4 (Unit A) of Section 35; the **Serpentine 2-26 State Fed Com 30H Well**, an oil well, to be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 2 to a bottom hole location in the SW/4 SE/4 (Unit O) of Section 26 ; and the **Serpentine 2-35 State Fed Com 31H Well**, an oil well, to be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 2 to a bottom hole location in the NE/4 NE/4 (Unit A) of Section 35. The **Serpentine 2-35 State Fed Com 26H Well** will be positioned to act as a proximity well for tracts in the W/2 E/2 of Sections 35 and 2. The wells 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 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 33 miles southwest of Hobbs, New Mexico, and approximately 25 mile north of the state line.