

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,
EDDY COUNTY, NEW MEXICO

Case No. 20161

SECOND AMENDED APPLICATION¹

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 640-acre, more or less, horizontal spacing and proration unit comprised of the S/2 of Section 13 and the S/2 of Section 14, Township 21 South, Range 27 East, NMPM, Eddy County, New Mexico, and (2) pooling all mineral interests in the Wolfcamp formation (Alacran Hills Upper Wolfcamp Oil; Pool Code [98314]) underlying the standard unit. In support of its application, Devon states:

1. Devon is a working interest owner in the proposed standard horizontal spacing and proration unit (“HSU”) and has the right to drill thereon.
2. Devon proposes to dedicate the proposed HSU to its proposed **Lone Tree Draw 14-13 State Com 623H** well, to be horizontally drilled from an approximate surface hole location 2025’ FSL and 240’ FWL of Section 14 to an approximate bottom hole location 1310’ FSL and 230’ FEL of Section 13. This well defines the HSU.

¹ The original Application in this matter was filed on November 30, 2018. The First Amended Application was filed January 3, 2019 only for purposes of correcting the county in the caption. This Second Amended Application is filed for purposes of reflecting that Devon seeks to pool proximity tracts.

3. Pursuant to 19.15.16.15(B)(1)(b), Devon will incorporate the proximity tracts into its horizontal spacing unit. Incorporating the proximity tracts, the completed interval for the well will remain within the standard offset required by the statewide rules set forth in 19.15.15 NMAC, and first and last take points for the Lone Tree Draw 14-13 State Com 623H will meet the 330-foot setback requirement set forth in the statewide rules for horizontal oil wells.

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 HSU.

5. Approval of the HSU and the pooling of all mineral interest owners in the 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 continued to the next available docket, following the hearing before an Examiner of the Oil Conservation Division on February 22, 2019, 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 S/2 of Section 13 and the S/2 of Section 14, Township 21 South, Range 27 East, NMPM, Eddy County, New Mexico;

B. Pooling all uncommitted interests in the Wolfcamp formation (Alacran Hills Upper Wolfcamp Oil; Pool Code [98314]) underlying the HSU;

C. Designating the Lone Tree Draw 14-13 State Com 623H well as the defining well for said HSU;

- D. Designating Devon as operator of the 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 wells against any interest owner who does not voluntarily participate in the drilling of the wells.

Respectfully submitted,

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Case No. 20161: Second Amended Application of Devon Energy Production Company LP for a Standard 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) creating a standard 640-acre, more or less, horizontal spacing and proration unit comprised of the S/2 of Sections 13 and Section 14, Township 21 South, Range 27 East, NMPM, Eddy County, New Mexico, and (2) pooling all mineral interests in the Wolfcamp formation (Alacran Hills Upper Wolfcamp Oil pool [pool code 98314]) underlying the standard unit. Said horizontal spacing unit is to be dedicated to the proposed **Lone Tree Draw 14-13 State Com 623H** well, to be horizontally drilled from an approximate surface hole location 2025' FSL and 240' FWL of Section 14 to an approximate bottom hole location 1310' FSL and 230' FEL of Section 13. Devon will incorporate the proximity tracts into its horizontal spacing unit. Incorporating the proximity tracts, the completed interval for the Lone Tree Draw 14-13 State Com 623H well will remain within the standard offset required by the statewide rules set forth in 19.15.15 NMAC. Also to be considered will be the cost of drilling and completing the wells and the allocation of the costs, the designation of Applicant as Operator of the wells, and a 200% charge for the risk involved in drilling and completing the wells. The wells and lands are located approximately 6 miles northeast of Carlsbad, New Mexico.