

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

**APPLICATION OF DEVON ENERGY PRODUCTION
COMPANY LP FOR A HORIZONTAL SPACING UNIT
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 pursuant to the provisions of NMSA 1978, Section 70-2-17, for an order (1) establishing a standard 320-acre, more or less, spacing and proration unit comprised of the E/2 W/2 of Sections 23 and 26, Township 23 South, Range 29 East, NMPM, Eddy County, New Mexico, and (2) pooling all uncommitted mineral interests in the Bone Spring formation (LAGUNA SALADO; BONE SPRING [Pool Code 96721]), underlying said unit.

In support of its Application, Devon states the following:

1. Devon is a working interest owner in the proposed horizontal spacing and proration unit ("HSU") and has a right to drill a well thereon.
2. Devon seeks to dedicate the HSU to its **Hot Potato 26-23 Fed 399H Well**, an oil well, proposed to be horizontally drilled from a surface location in SE/4 SW/4 (Unit N) of Section 26, approximately 325' FSL and 1802' FWL, more or less, to a bottom hole location in the NE/4 NW/4 (Unit C) of Section 23, approximately 20' FNL and 2148' FWL, more or less. The **Hot Potato 26-23 Fed 399H Well** is the Defining Well for the HSU.

3. Devon also proposes the **Hot Potato 26-23 Fed Com 332H Well**, as an infill oil well, to be horizontally drilled from a surface location in SW/4 SW/4 (Unit M) of Section 26, approximately 325' FSL and 1022' FWL, more or less, to a bottom hole location in the NE/4 NW/4 (Unit C) of Section 23, approximately 20' FNL and 2178' FWL, more or less.

4. The completed intervals 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 and satisfy the criteria for standard locations.

5. 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.

6. The pooling of all interests in the Bone Spring formation (LAGUNA SALADO; BONE SPRING [Pool Code 96721]) within the proposed HSU, and creation of the spacing unit, will avoid the drilling of unnecessary wells, prevent waste and protect correlative rights.

7. 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.

8. Devon reserves the right to add additional wells to the HSU when and if deemed necessary by Devon for the proper development of the HSU and its resources.

9. Since Devon will request that this case be consolidated with Case No. _____, involving the Wolfcamp formation in the same Sections, and because two pools will be involved with the consolidation, Devon requests approval of downhole commingling, pursuant to 19.15.16.11 NMAC in the event operations require such provision for the two pools.

10. Because the proposed wells will be simultaneously drilled, back to back, and completed, Devon requests an extension of the time period to drill and complete at least one well, said well becoming the first well drilled, from 120 days to 365 days, such that the first well will satisfy the term criteria of the Division Order, allowing the drilling and completion of the second well to follow.

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

A. Approving the creation of a standard 320-acre, more or less, spacing and proration unit comprising the E/2 W/2 of Sections 23 and 26, Township 23 South, Range 29 East, NMPM, Eddy County, New Mexico;

B. Pooling all uncommitted mineral interests in the Bone Spring formation (LAGUNA SALADO; BONE SPRING [Pool Code 96721]) underlying the proposed HSU;

C. Approving the two proposed initial wells in the HSU;

D. Allowing downhole commingling, if necessary, pursuant to 19.15.16.11 NMAC to accommodate the Wolfcamp formation described in Devon's Case No. _____;

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 these 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;

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; and

I. Authorizing an extension of the normal 120-day period to drill and complete at least one well, said well becoming the first well, with the provision that the first well be drilled and completed by the end of the term of the order and the second well to follow.

Respectfully submitted,

ABADIE & SCHILL, PC

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Case No. _____: Application of Devon Energy Production 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 standard 320-acre, more or less, horizontal spacing and proration unit comprised of the E/2 W/2 of Sections 23 and 26, Township 23 South, Range 29 East, NMPM, Eddy County, New Mexico, and (2) pooling all mineral interests in the Bone Spring formation (LAGUNA SALADO; BONE SPRING [Pool Code 96721]) underlying the unit. Said horizontal spacing unit is to be dedicated to the **Hot Potato 26-23 Fed Com 399H Well**, an oil well, proposed to be horizontally drilled from a surface location in SE/4 SW/4 (Unit N) of Section 26, approximately 325' FSL and 1802' FWL, more or less, to a bottom hole location in the NE/4 NW/4 (Unit C) of Section 23, approximately 20' FNL and 2148' FWL, more or less. The **Hot Potato 26-23 Fed 399H Well** is the Defining Well for the HSU. Applicant also proposes the **Hot Potato 26-23 Fed Com 332H Well**, an infill oil well, to be horizontally drilled from a surface location in SW/4 SW/4 (Unit M) of Section 26, approximately 325' FSL and 1022' FWL, more or less, to a bottom hole location in the NE/4 NW/4 (Unit C) of Section 23, approximately 20' FNL and 2178' FWL, more or less. 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; downhole commingling; 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 2 miles east of Loving, New Mexico, and approximately 10 miles southeast of Carlsbad, New Mexico.