

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 W/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 331H Well**, an oil well, proposed to be horizontally drilled from a surface location in the SW/4 SW/4 (Unit M) of Section 26, approximately 325’ FSL and 962’ FWL, more or less, to a bottom hole location in the NW/4 NW/4 (Unit D) of Section 23, approximately 20’ FNL and 330’ FWL, more or less. **The Hot Potato 26-23 Fed 331H Well** is the Defining Well for the HSU.

3. The completed interval and first and last take points for the 331H Well proposed in the HSU meet the setback requirements set forth in the Division's statewide rules and regulations for horizontal oil wells and satisfies the criteria for a standard location.

4. 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 its development within the proposed HSU.

5. 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.

6. 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.

7. 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.

8. 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.

9. Because the proposed well will be simultaneously drilled, back to back, and completed with other wells in the area, as part of a simultaneous drilling and completion project, Devon requests an extension of the time period to drill and complete the well from 120 days to 365 days, such that the well will be drilled and completed within the term provided by Division Order.

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 W/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 proposed well 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 well to be drilled thereon;

F. Authorizing Devon to recover its costs of drilling, equipping and completing this well;

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

I. Authorizing an extension of the normal 120-day period to drill and complete the well such that the well will be drilled and completed within the term of the order.

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 W/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 331H Well**, an oil well, proposed to be horizontally drilled from a surface location in the SW/4 SW/4 (Unit M) of Section 26, approximately 325' FSL and 962' FWL, more or less, to a bottom hole location in the NW/4 NW/4 (Unit D) of Section 23, approximately 20' FNL and 330' FWL, more or less. The **Hot Potato 26-23 Fed 331H Well** is the Defining Well for the HSU. Also to be considered will be the cost of drilling and completing the well 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 well and unit; and a 200% charge for the risk involved in drilling and completing the well. The well and lands are located approximately 2 miles east of Loving, New Mexico, and approximately 10 miles southeast of Carlsbad, New Mexico.