

**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, 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 pursuant to the provisions of NMSA 1978, Section 70-2-17, for an order (1) creating a standard 640-acre, more or less, spacing and proration unit comprised of the W/2 of Sections 20 and 29, Township 23 South, Range 33 East, NMPM, Lea County, New Mexico, and (2) pooling all uncommitted mineral interests in the Bone Spring formation (CRUZ; BONE SPRING [14865]: TRIPLE X; BONE SRPING [59900]) 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 proposes to dedicate the HSU to its **Danger Noodle 29-20 Fed Com 2H Well**, an oil well, proposed to be horizontally drilled from a surface location in SW/4 SW/4 (Unit M) of Section 29 to a bottom hole location in the NW/4 NW/4 (Unit D) of Section 20. The **Danger Noodle 29-20 Fed Com 2H Well** is the Defining Well for the HSU.
- 3.

4. Devon also proposes the following infill oil wells to be drilled in the HSU: the **Danger Noodle 29-20 Fed Com 1H Well** and the **Danger Noodle 29-20 Fed Com 3H Well**.

5. The **Danger Noodle 29-20 Fed Com 1H Well** is proposed to be horizontally drilled from a surface location in the SW/4 SW/4 (Unit M) of Section 29 to a bottom hole location in the NW/4 NW/4 (Unit D) of Section 20.

6. The **Danger Noodle 29-20 Fed Com 3H Well** is proposed to be horizontally drilled from a surface location in the SW/4 SW/4 (Unit M) of Section 29 to a bottom hole location in the NE/4 NW/4 (Unit C) of Section 20.

7. 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. Pursuant to 19.15.16.15(B)(1)(b) NMAC, Devon will incorporate proximity tracts into its HSU, to the extent necessary, 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 their 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.

11. Since Devon will request that this case be consolidated with Case No. _____, involving the Wolfcamp formation in the same lands, 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 or for the two pool codes of the Bone Spring formation.

12. Because the proposed wells will be drilled and completed with other proposed wells, as part of a simultaneous drilling and completion project, Devon requests an extension of the normal 120-day period to drill and complete the initial well, with the provision that one well be drilled and completed within one year after the Division Order.

WHEREFORE, Devon requests that this Application be set for hearing before an Examiner of the Oil Conservation Division on December 12, 2019, and after notice and hearing as required by law, the Division enter an order:

A. Approving the creation of a standard 640-acre, more or less, spacing and proration unit comprising the W/2 of Sections 20 and 29, Township 23 South, Range 33 East, NMPM, Lea County, New Mexico;

B. Pooling all uncommitted mineral interests in the Bone Spring formation (CRUZ; BONE SPRING [14865]: TRIPLE X; BONE SRPING [59900]) underlying the proposed HSU.

C. Designating the Danger Noodle 29-20 Fed Com 2H Well as the defining well for the HSU.

D. Allowing the drilling of the Danger Noodle 29-20 Fed Com 1H Well and the Danger Noodle 29-20 Fed Com 3H Well as infill wells.

E. Allowing downhole commingling pursuant to accommodate the Wolfcamp formation in Devon's Case No. _____, and any commingling requirements for the two pool codes of the Bone Spring formation.

F. Designating Devon as operator of this HSU and the horizontal wells to be drilled thereon;

G. Authorizing Devon to recover its costs of drilling, equipping and completing these wells;

H. 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

I. 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.

J. Authorizing an extension of the normal 120-day period to drill and complete the initial well with the provision that one well be drilled and completed within one year 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, Lea 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 W/2 of Sections 20 and 29, Township 23 South, Range 33 East, NMPM, Lea County, New Mexico, and (2) pooling all mineral interests in the Bone Spring formation (CRUZ; BONE SPRING [14865]: TRIPLE X; BONE SRPING [59900]) underlying the unit. Said horizontal spacing unit is to be dedicated to the proposed **Danger Noodle 29-20 Fed Com 2H Well**, to be horizontally drilled from a surface location in SW/4 SW/4 (Unit M) of Section 29 to a bottom hole location in the NW/4 NW/4 (Unit D) of Section 20. This Well defines the HSU. Also proposed to be drilled are: (1) the **Danger Noodle 29-20 Fed Com 1H Well** to be horizontally drilled from a surface location in the SW/4 SW/4 (Unit M) of Section 29 to a bottom hole location in the NW/4 NW/4 (Unit D) of Section 20; and (2) the **Danger Noodle 29-20 Fed Com 3H Well** to be horizontally drilled from a surface location in the SW/4 SW/4 (Unit M) of Section 29 to a bottom hole location in the NE/4 NW/4 (Unit C) of Section 20. The completed intervals and first take and last take points for all 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; downhole commingling; and a 200% charge for the risk involved in drilling and completing the wells. The wells and lands are located approximately 3 miles east of Artesia, New Mexico.