

State of New Mexico
Energy, Minerals and Natural Resources Department

Michelle Lujan Grisham
Governor

Sarah Cottrell Propst
Cabinet Secretary

Todd E. Leahy, JD, PhD
Deputy Secretary

Adrienne Sandoval, Director
Oil Conservation Division



April 15, 2020

Devon Energy Production Company (OGRID 6137)
c/o Sharon T. Shaheen, Agent
sshaheen@montand.com
P.O. Box 2307
Santa Fe, New Mexico 87504

RE: Request for Time Extension to Commence drilling
Case No. 20158, R-20575 approved date May 29, 2019
Deadline to commence drilling May 31, 2020
Applicant/Operator: Devon Energy Production Company
Proposed Well:
Lone Tree Draw 14 13 State Com Well No. 333, API No. 30-015-46405

Dear Sir or Madam:

The following pertains to your request received by the Division on January 7th, 2020 and to the requirements in the captioned hearing order.

You have requested an extension of the deadline to commence drilling given by the Division in the captioned order.

As stated, you are requesting an extension to spud this well due to Devon needing sufficient time to review data from two (2) new wells in the S/2 of Section 13 and 14 and confirming that it has proper spacing. In addition, Devon has also stated a need to move the surface location due to a rare cactus at the original surface location. There was no opposition in the captioned case. You are requesting an additional year in which to spud this well. The spud date is now extended to, **May 31, 2021**.

Ordering Paragraph No. (5) of the captioned order is hereby amended, changing "May 31, 2020" to "May 31, 2021". The requested additional year in which to commence drilling is hereby granted.

All other provisions of this order remain in full force and effect.

Sincerely,

ADRIENNE SANDOVAL
Director
AS/jag

CC: Oil Conservation Division – Artesia District Office; Case No. 20158



**MONTGOMERY
& ANDREWS**
LAW FIRM

SHARON T. SHAHEEN
Direct: (505) 986-2678
Email: sshaheen@montand.com
www.montand.com

January 7, 2020

Via Email to TerryG.Warnell@state.nm.us

Adrienne Sandoval, Director
NM Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Re: Devon Energy Production Company, L.P.
Lone Tree Draw 14 13 State Com Well No. 333H
Secs. 13 & 14, T21S, R27E, NMPM
Eddy County, New Mexico
Case No. 20158, Order No. R-20575

Dear Ms. Sandoval,

I write on behalf of Devon Energy Production Company, L.P. ("Devon") to request a one-year extension of time to drill and commence completion operations for the Lone Tree Draw 14 13 State Com Well No. 333H. Order No. R-20575 (May 29, 2019) ("Order") provides that authorization to drill and commence completion operations terminates one year after issuance of the Order. *See* Order at 3, ¶ 7. Devon requests an extension to May 31, 2021, to allow it sufficient time to review data from two new wells in the S/2 of Sections 13 and 14 and confirm that it has the proper spacing.

In addition, Devon must move the surface hole location for the No. 333H due to a rare cactus at the original proposed surface hole location. The bottom hole location was also moved to allow for a legal last take point of 100' FEL. The first and last take points remain within the applicable standard setbacks. Enclosed is a revised C-102 reflecting the new locations and last take point. Devon will be filing a Sundry Notice accordingly.

Due to the anticipated delay in drilling, Devon has not yet proposed the Lone Tree Draw 14 13 State Com Well No. 331H under the terms of the Order. When it is closer to spud, it will provide an updated proposal and Order (with Extension) to all uncommitted

REPLY TO:

325 Paseo de Peralta
Santa Fe, New Mexico 87501
Telephone (505) 982-3873 • Fax (505) 982-4289

Post Office Box 2307
Santa Fe, New Mexico 87504-2307

Adrienne Sandoval, Director
NM Oil Conservation Division
January 7, 2020
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working interest owners for their election. *See* Order at 2, ¶ 12. I note that cost estimates with the anticipated changes are consistent with the original AFE totals.

Thank you for your attention to these matters. If additional information is needed, please do not hesitate to contact me.

Very truly yours,

A handwritten signature in blue ink that reads "Sharon Shaheen". The signature is written in a cursive style and is placed on a light blue rectangular background.

Sharon T. Shaheen

Enclosure

cc: Devon Energy Production Company, L.P.

District I
1623 N. French Dr., Hobbs, NM 88240
Phone: (575) 293-6101 Fax: (575) 293-0720

District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720

District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87503
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 APT Number		2 Pool Code		3 Pool Name	
4 Property Code		5 Property Name			6 Well Number
		LONE TREE DRAW 14-13 STATE COM			333H
7 OGRID No.		8 Operator Name			9 Elevation
6137		DEVON ENERGY PRODUCTION COMPANY, L.P.			3244.8

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	14	21 S	27 E		2100	SOUTH	280	WEST	EDDY

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	13	21 S	27 E		2200	NORTH	20	EAST	EDDY

12 Dedicated Acres	13 Joint or Infill	14 Consolidation Code	15 Order No.
320			

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

12 SURVEYOR CERTIFICATION
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

MAY 6, 2019

Date of Survey

Signature and Seal of Professional Surveyor: *Filimon F. Jaramillo*

Certificate Number: FILIMON F. JARAMILLO, PLS 12700

SURVEY NO. 1254

17 OPERATOR CERTIFICATION
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature _____ Date _____

Printed Name _____

E-mail Address _____

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

**IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION DIVISION TO
CONSIDER:**

**CASE NO. 20158
ORDER NO. R-20575**

**APPLICATION OF DEVON ENERGY PRODUCTION COMPANY LP FOR A
STANDARD HORIZONTAL SPACING AND PRORATION UNIT AND COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on February 21, 2019, at Santa Fe, New Mexico, before Examiner Michael A. McMillan.

NOW, on this 29th day of May 2019, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT

- (1) Due public notice has been given and the Division has jurisdiction of this case and the subject matter.
- (2) Applicant seeks to compulsory pool all uncommitted oil and gas interests within a spacing unit, as further described in the attached Exhibit "A".
- (3) Applicant seeks to dedicate the Proposed Well(s) to the Unit.
- (4) Mewbourne Oil Company entered an appearance but did not oppose. No other party entered an appearance in this case or otherwise opposed this application.
- (5) Applicant appeared at the hearing through counsel and presented evidence to the effect that:
 - (a) Notice by certified mail was provided to all uncommitted interest owners in the proposed Unit whose interests were evidenced by a conveyance instrument, either of record or known to Applicant when the Application

was filed, and to heirs known to Applicant of deceased persons who appear as owners in such instruments.

- (b) Notice to certain affected parties was posted in a newspaper of general circulation in the county as provided in Rule 19.15.4.12.B NMAC.

The Division finds and concludes that

(6) Applicant's request for a standard horizontal spacing unit is no longer needed and should be dismissed.

(7) If the location of any of the Well(s) is unorthodox when the well is completed under the spacing rules then in effect and applicable to the well, the operator must obtain a non-standard location approval prior to producing the well.

(8) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(9) Applicant is owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill the Well(s) to a common source of supply within the Unit at the described depths and location(s). Applicant should be allowed a one year period to complete at least one of the Well(s) after commencing drilling of the Well(s).

(10) There are interest owners in the Unit that have not agreed to pool their interests.

(11) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense a just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas in the pooling depths or formation(s) within the Unit.

(12) To ensure protection of correlative rights, any pooled working interest owner whose address is known, and who has elected to participate under the terms of this order should be notified before the Division grants any extension of the time provided herein for commencing drilling. Any such owner may file an application, with notice to the operator, requesting that the extension be denied.

(13) Infill wells within the Unit should be subject to Division Rules 19.15.13.9 NMAC through 19.15.13.10 NMAC, and to the terms and conditions of this order.

(14) Any pooled working interest owner who does not pay its share of estimated well costs of any well should have withheld from production from such well its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the Well(s).

- (15) Exhibit "A" and its details should be accepted and made a part of this order.

IT IS THEREFORE ORDERED THAT

(1) All uncommitted interests, whatever they may be, in the oil and gas within the spacing unit (or the portion thereof within the pooled vertical extent) described in Exhibit "A" are hereby pooled. Exhibit "A" is incorporated herein by this reference and made a part of this order for all purposes.

(2) The Applicant's request for a standard horizontal spacing unit is dismissed.

(3) The Unit shall be dedicated to the proposed "Well(s)".

(4) If any of the Well(s) is completed at an unorthodox location under applicable rules in effect at the time such well is completed, the operator shall provide notice and apply administratively for a location exception prior to producing the well.

(5) The operator of the Unit shall commence drilling the Well(s) on or before the end of the month in the year following the date of this order and shall thereafter continue drilling the Well(s) with due diligence to test the pooled formation or pooled vertical depths. The Well(s) shall be drilled approximately to the proposed true vertical and measured depths.

(6) In the event the operator does not commence drilling the Well(s) on or before the date provided in the foregoing paragraph, the compulsory pooling provision of this order shall be of no effect, unless the operator obtains a written time extension from the Division Director pursuant to a written request stating its reasons for such extension and attaching satisfactory evidence.

(7) In the event the operator does not commence completion operations within one year after commencement of drilling operations pursuant to this order, then the compulsory pooling provisions of this order shall be of no effect unless operator obtains a written time extension from the Division Director pursuant to a written request stating its reasons for such extension and attaching satisfactory evidence.

(8) The operator shall provide a copy of any request for extension of time to drill or complete any well filed with the Director pursuant to this order to each pooled working interest owner who has elected to participate in the drilling of any well that is the subject of the request. Such copy shall be sent at the same time the request is sent to the Director.

(9) Upon final plugging and abandonment of the Well(s) and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled unit created by this order shall terminate unless this order has been amended to authorize further operations.

(10) Infill wells within the Unit shall be subject to Division Rule 19.15.13.9 NMAC and to the terms and conditions of this order.

(11) After pooling, uncommitted working interest owners are referred to as pooled working interest owners. ("Pooled working interest owners" are owners of working interests in the Unit, including unleased mineral interests, who are not parties to an operating agreement governing the Unit.) After the effective date of this order, the operator shall furnish the Division and each known pooled working interest owner in the Unit separate itemized schedules of estimated costs of drilling, completing and equipping each of the Well(s) ("well costs").

(12) Within 30 days from the date the schedule of estimated well costs for any well is furnished, any pooled working interest owner shall have the right to elect to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided. Payment shall be rendered within 90 days after expiration of the 30-day election period and any such owner who pays its share of estimated well costs as provided above for any well shall remain liable for operating costs but shall not be liable for risk charges to the extent computed based on costs of such well. Pooled working interest owners who do not elect to pay their share of estimated well costs, or who do not render timely payment to the operator, as provided in this paragraph shall thereafter be referred to as "non-consenting working interest owners."

(13) The operator shall furnish the Division and each known pooled working interest owner (including non-consenting working interest owners) an itemized schedule of actual well costs of each well within 180 days following completion of the proposed well. If no objection to the actual well costs for any well is received by the Division, and the Division has not objected, within 45 days following receipt of the schedule for such well, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs for such well after public notice and hearing.

(14) Within 60 days following determination of reasonable well costs for any well, any pooled working interest owner who has paid its share of estimated costs of such well in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator the amount, if any, that the estimated well costs it has paid for such well exceed its share of reasonable well costs.

(15) The operator is hereby authorized to withhold the following costs and charges from each non-consenting working interest owner's share of production from each well:

(a) the proportionate share of reasonable well costs attributable to the non-consenting working interest owner; and

(b) as a charge for the risk involved in drilling the well, the percent (shown in Exhibit A) of the above costs.

(16) During the cost recovery period, the operator shall furnish to the Division and to each known non-consenting pooled working interest owner, annually, and within 90 days after payout occurs, a schedule of all revenues attributable to each proposed well, and all charges for

supervision and operating costs charged against such revenues. Operating costs shall include all reasonable costs incurred for the maintenance and operation of the well, except for "well costs" reported pursuant to prior ordering paragraphs, that are properly chargeable to the joint account pursuant to COPAS procedures. If no objection to the operating costs is received by the Division, and the Division has not objected, within 45 days following receipt of any schedule, the costs shall be deemed to be the reasonable operating costs. If there is an objection to the accuracy or reasonableness of operating costs reported within the 45-day period, the Division will determine reasonable operating costs after public notice and hearing.

(17) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs for such well.

(18) Reasonable charges for supervision (combined fixed rates) are hereby fixed at the rates shown in Exhibit "A" per month, per well, while drilling and while producing, provided that these rates shall be adjusted annually pursuant to the COPAS form titled "Accounting Procedure-Joint Operations." The operator is authorized to withhold from production from each well the proportionate share of both the supervision charges and the actual expenditures required for operating of such well, not more than what are reasonable, attributable to pooled working interest owners.

(19) Except as provided in the foregoing paragraphs, all proceeds from production from the Well(s) that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not sooner disbursed, such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 70-8A-31, as amended).

(20) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for allocating costs and charges under this order. Any costs that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(21) Should all the parties to this compulsory pooling order reach voluntary agreement after entry of this order, this order shall thereafter be of no further effect.

(22) The operator of the wells and Unit shall notify the Division in writing of the subsequent voluntary agreement of any party subject to the compulsory pooling provisions of this order.

(23) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

ADRIENNE SANDOVAL
Director

Exhibit A

Applicant: Devon Energy Production Company L.P.
Operator: Devon Energy Production Company L.P. (OGRID 6137)

Cases Consolidated for Hearing: 20157, 20158, and 20159

Spacing Unit: Horizontal Oil
Building Blocks: quarter-quarter sections
Size (more or less): 320 acres
Orientation: East/West
Description (NMPM): S/2 N/2 of Sections 13 and 14, T21S, R27E
County: Eddy

Pooling this Vertical Extent: Bone Spring formation
Description of Specific Pooling Depths: Bone Spring formation within the Unit.

Depth Severance? (Yes/No): N/A.
Description of Depth Severance: N/A.

Pool: Carlsbad; Bone Spring, East (Pool code 96144)

Pool Spacing Unit Size: 40-acres
Well Setbacks Governing: Horizontal Well Rules

Proximity Tracts; N/A

Monthly charge for supervision: While drilling: \$7500 While producing: \$750

As charge for Risk - Percent of reasonable well costs: 200

Proposed Well(s):

Lone Tree Draw 14 13 State Com Well No. 333H, API No. 30-015-Pending

SHL: 1730 feet from the North line and 240 feet from the West line,
(Unit E) of Section 14, Township 21 South, Range 27 East, NMPM.

BHL: 2200 feet from the North line and 230 feet from the East line,
(Unit H) of Section 13, Township 21 South, Range 27 East, NMPM.

Well Orientation: West to East

Completion Location: Standard (or expected to be Standard)

Completion Target: Third Bone Spring Sand at approximately 8800 feet TVD

