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August 4, 2017

HAND-DELIVERY

Florene Davidson
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Re: Application of Devon Energy Production Company, Lea County, New Mexico

Dear Ms. Davidson:

Enclosed please find for filing the original and one copy of an Application regarding the above matter. Also enclosed is the proposed advertisement (will also be emailed in Word to Florene Davidson and Marlene Salvidrez at OCD). Please set this matter for hearing on the September 14, 2017 examiner docket.

Thank you.

Very truly yours,

J. Scott Hall

J. Scott Hall

Enclosures

cc: Katie Dean, Landman, Devon Energy Corporation (via email, w/encs.)

REPLY TO:

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

RECEIVED OGD

2017 AUG -4 P 2:55

**APPLICATION OF DEVON ENERGY PRODUCTION COMPANY, L.P.
FOR A NON-STANDARD OIL SPACING AND PRORATION UNIT, COMPULSORY
POOLING, AND TO ABOLISH THE ALLOWABLE LIMITATIONS
LEA COUNTY, NEW MEXICO**

Case No. 15816

APPLICATION

Devon Energy Production Company, L.P. ("Devon") applies for an order approving a non-standard spacing and proration unit comprised of the W/2 NW/4 of Section 4, Township 23 South, Range 34 East and the W/2 W/2 of Section 33, Township 22 South, Range 34 East, NMPM, Lea County, New Mexico, pooling all mineral interests in the Bone Spring formation underlying the non-standard unit, and in support thereof, states:

1. Applicant is an interest owner in the W/2 NW/4 of Section 4 and the W/2 W/2 of Section 33, and has the right to drill thereon.

2. Devon proposes to drill three wells to depths sufficient to test the Bone Spring formation in the following order:

a. Devon plans to drill the **Rio Blanco 4-33 Fed Com 3H** at a surface hole location of 2630' FNL & 400' FWL Section 4-T23S-R34E with an estimated bottom hole location of 330' FNL & 350' FWL Section 33-T22S-R34E to test the 2nd Bone Spring Sand between the approximate vertical depths of 10,262' and 10,305'. The well is planned to be drilled to an approximate total measured depth of 18,100'.

b. Devon plans to drill the **Rio Blanco 4-33 Fed Com 2H** at a surface hole location of 2630' FNL 350' FWL Section 4-T23S-R34E with an estimated bottom hole location of 330' FNL & 350' FWL Section 33-T22S-R34E to test the 1st Bone Spring Sand between the

approximate vertical depths of 9,857' and 9,933'. The well is planned to be drilled to an approximate total measured depth of 17,700'.

3. Devon plans to drill the **Rio Blanco 4-33 Fed Com 1H** at a surface hole location of 2630' FNL & 300' FWL Section 4-T23S-R34E with an estimated bottom hole location of 330' FNL & 350' FWL Section 33-T22S-R34E to test the Leonard A interval between the approximate vertical depths of 8,767' and 8,837'. The well is planned to be drilled to an approximate total measured depth of 16,500'.

4. Applicant seeks to dedicate the W/2 NW/4 of Section 4 and the W/2 W/2 of Section 33 to the wells to form a non-standard 240.10-acre oil spacing and proration unit (project area) in the Bone Spring formation, Grama Ridge Bone Spring Pool (28430; Order Nos. R-3104, R-5958-B).

5. The Grama Ridge Bone Spring Pool is governed by general Statewide Rules and Regulations with development on 40-acre spacing and depth bracket allowable limitations. Devon proposes that the Bone Spring depth bracket allowables be abolished within the project area to allow for the simultaneous production from all three intervals in excess of the limitation. Doing so will optimize the recovery of hydrocarbon reserves which can be produced without damage to the reservoirs while avoiding waste or impairment of correlative rights.

6. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the Bone Spring formation in the proposed project area for the purposes set forth herein.

7. Although Applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests.

Therefore, applicant seeks an order pooling all mineral interest owners in the Bone Spring formation. Applicant seeks to dedicate the W/2 NW/4 of Section 4 and the W/2 W/2 of Section 33 pursuant to NMSA 1978, §§ 70-2-17, 18.

8. Devon proposes that the order pooling unjoined mineral interests provide for separate participation elections for each well.

9. Approval of the non-standard unit and the pooling of all mineral interests in the Bone Spring formation underlying the W/2 NW/4 of Section 4 and the W/2 W/2 of Section 33 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Applicant requests that this application be set for hearing on September 14, 2017 and that, following notice and hearing, the Division enter its order:

A. Approving a non-standard oil spacing and proration unit and pooling all mineral interests in the W/2 NW/4 of Section 4, Township 23 South, Range 34 East and the W/2 W/2 of Section 33, Township 22 South, Range 34 East, NMPM, Lea County, New Mexico,;


B. Designating Applicant as operator of the wells;

C. Considering the cost of drilling and completing the wells, and allocating the cost among the wells' working interest owners or mineral interest owners;

D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and

E. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner or mineral interest owner elects not to participate in the wells.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "J. Scott Hall", written over a horizontal line.

J. Scott Hall
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(505) 982-3873

Attorneys for Devon Energy Production Company

Case No. 15816: *Application of Devon Energy Production Company, L.P. for a Non-Standard Spacing and Proration Unit and Compulsory Pooling, Eddy County, New Mexico.* Applicant seeks an order approving a non-standard 240-acre oil spacing and proration unit comprised of the W/2 NW/4 of Section 4, Township 23 South, Range 34 East and the W/2 W/2 of Section 33, Township 22 South, Range 34 East, NMPM, Lea County, New Mexico, and pooling all mineral interests in the Bone Spring formation, Grama Ridge Bone Spring Pool (28430), underlying the non-standard unit. The unit will be dedicated to three wells to be drilled by Applicant as follow: (1) the **Rio Blanco 4-33 Fed Com 3H** from a surface hole location of 2630' FNL & 400' FWL Section 4-T23S-R34E with an estimated bottom hole location of 330' FNL & 350' FWL Section 33-T22S-R34E to test the 2nd Bone Spring Sand between the approximate vertical depths of 10,262' and 10,305'. The well is planned to be drilled to an approximate total measured depth of 18,100'; (2) the **Rio Blanco 4-33 Fed Com 2H** from a surface hole location of 2630' FNL 350' FWL Section 4-T23S-R34E with an estimated bottom hole location of 330' FNL & 350' FWL Section 33-T22S-R34E to test the 1st Bone Spring Sand between the approximate vertical depths of 9,857' and 9,933'. The well is planned to be drilled to an approximate total measured depth of 17,700'; and (3) the **Rio Blanco 4-33 Fed Com 1H** from a surface hole location of 2630' FNL & 300' FWL Section 4-T23S-R34E with an estimated bottom hole location of 330' FNL & 350' FWL Section 33-T22S-R34E to test the Leonard A interval between the approximate vertical depths of 8,767' and 8,837'. The well is planned to be drilled to an approximate total measured depth of 16,500'. Also to be considered will be the cost of drilling and completing the wells and the allocation of the cost, the designation of Applicant and Operator of the wells, and a 200% charge for the risk involved in drilling and completing the wells. Applicant also seeks to abolish the depth bracket allowable limitations for the wells. The wells and lands are located approximately one-half mile north of the intersection of Aquila Lane and Delaware Basin Road.