

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

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

Case No. 16217

APPLICATION

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Devon Energy Production Company, L.P. ("Devon") applies for an order approving a non-standard spacing and proration unit comprised of the W/2 E/2 of Section 21, 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 E/2 of Section 21 and has the right to drill thereon.
2. Devon proposes to drill its **Gaucha 21 Fed 7H well** to a depth sufficient to test the 2nd Bone Spring formation.
3. Applicant seeks to dedicate the W/2 E/2 of Section 21 to form a non-standard 160-acre \pm oil spacing and proration unit (project area) in the Bone Spring formation, WC-025 G-06 S223421L Bone Spring Pool (97922). The well is an approximate 4,675' horizontal well with a surface location 326 feet from the south line and 545 feet from the east line and a bottom hole location 330 from the north line and 1,580 feet from the east line of Section 21. The first and last take points for the well will be located within the designated setbacks for the pool for the well's project area.

4. 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.

5. 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 E/2 of Section 21 pursuant to NMSA 1978, §§ 70-2-17, 18.

6. Approval of the non-standard unit and the pooling of all mineral interests in the Bone Spring formation underlying the W/2 E/2 of Section 21 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Applicant requests that this application be set for hearing on June 14, 2018 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 E/2 of Section 21, Township 22 South, Range 34 East NMPM, Lea County, New Mexico;

B. Designating Applicant as operator of the well;

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,

/s/ J. Scott Hall

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Case No. 16217: *Application of Devon Energy Production Company L.P. for a Non-Standard Oil Spacing and Proration Unit and Compulsory Pooling, Lea County, New Mexico.*

Applicant seeks an order approving a 160-acre non-standard oil spacing and proration unit comprised of the W/2 E/2 of Section 21, Township 22 South, Range 34 East, NMPM, Lea County, New Mexico, and pooling all mineral interests in the Bone Spring formation, underlying the non-standard unit. The unit will be dedicated to Applicant's proposed **Gaucha 21 Fed 7H well** to be drilled from and approximate surface location 326 feet from the south line and 545 feet from the east line of Section 21 to a bottomhole location 330 feet from the north line and 1,580 feet from the east line of Section 21. Also to be considered will be the cost of drilling and completing the well, the allocation of the cost, the designation of Applicant as Operator and a 200% charge for the risk involved in drilling and completing the well. The well and lands are located approximately $\frac{3}{4}$ mile west of the intersection of Highway 32 and San Simon Road.