

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

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

Case No. 20159

SECOND AMENDED APPLICATION¹

Devon Energy Production Company LP ("Devon"), through its undersigned attorneys, hereby files this amended application with the Oil Conservation Division pursuant to the provisions of NMSA 1978, § 70-2-17, for an order (1) creating a standard 640-acre, more or less, horizontal spacing and proration unit comprised of the S/2 of Section 13 and the S/2 of Section 14, Township 21 South, Range 27 East, NMPM, Eddy County, New Mexico, and (2) pooling all mineral interests in the Bone Spring formation (Carlsbad; Bone Spring, East pool [pool code 91944]) underlying the standard unit. In support of its application, Devon states:

1. Devon is a working interest owner in the proposed standard horizontal spacing and proration unit ("HSU") and has the right to drill thereon.
2. Devon proposes to dedicate the proposed HSU to its proposed **Lone Tree Draw 14-13 State Com 335H** well, to be horizontally drilled from an approximate surface hole location 396' FSL and 195' FWL of Section 14 to an approximate bottom hole location 1310' FSL and 20' FEL of Section 13. This well defines the HSU.

¹ The original Application in this matter was filed on November 5, 2018. The Amended Application filed November 30, 2018 reflected minor changes to the names of the proposed wells to which this unit is to be dedicated. This Second Amended Application is filed for purposes of correcting the county in the caption and reflecting the correct surface hole locations and bottom hole locations of the Lone Tree Draw 14-13 State Com 335H well and the Lone Tree Draw 14-13 State Com 336H well.

3. Also to be drilled are the following infill wells: (1) the **Lone Tree Draw 14-13 State Com 336H** well, to be horizontally drilled from an approximate surface hole location 377' FSL and 172' FWL of Section 14 to an approximate bottom hole location 330' FSL and 20' FEL of Section 13, and (2) the **Lone Tree Draw 14-13 State Com 334H** well, to be horizontally drilled from an approximate surface hole location 2040' FSL and 240' FWL of Section 14 to an approximate bottom hole location 2200' FSL and 230' FEL of Section 13.

4. The completed intervals and first and last take points for the Lone Tree Draw 14-13 St Fee Com 335H well and the Lone Tree Draw 14-13 St Fee Com 336H well meet the 330-foot setback requirement set forth in the statewide rules for horizontal oil wells.

5. Devon has in good faith sought and been unable to obtain voluntary agreement for the development of these lands from all of the mineral interest owners in the HSU.

6. Approval of the HSU and the pooling of all mineral interest owners in the Bone Spring formation underlying the HSU will avoid the drilling of unnecessary wells, will prevent waste, and will protect correlative rights.

7. In order to permit Devon to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in this HSU should be pooled and Devon should be designated the operator of the proposed HSU.

WHEREFORE, Devon requests that this application be set for hearing before an Examiner of the Oil Conservation Division on January 10, 2019, and, after notice and hearing as required by law, the Division enter an order:

A. Creating a 640-acre, more or less, HSU comprised of the S/2 of Section 13 and the S/2 of Section 14, Township 21 South, Range 27 East, NMPM, Eddy County, New Mexico;

- B. Pooling all uncommitted interests in the Bone Spring formation (Carlsbad; Bone Spring, East pool [pool code 91944]) underlying the HSU;
- C. Designating the Lone Tree Draw 14-13 St Fee Com 335H well as the defining well for said HSU;
- D. Allowing the drilling of the Lone Tree Draw 14-13 St Fee Com 336H well and the Lone Tree Draw 14-13 St Fee Com 334H well as infill wells;
- E. Designating Devon as operator of the HSU and the wells to be drilled thereon;
- F. Authorizing Devon to recover its costs of drilling, equipping and completing the wells;
- G. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- H. Imposing a 200% penalty for the risk assumed by Devon in drilling and completing the wells against any interest owner who does not voluntarily participate in the drilling of the wells.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

/s/ Seth C. McMillan

Seth C. McMillan

Kaitlyn A. Luck

Post Office Box 2307

Santa Fe, NM 87504-2307

(505) 982-3873

smcmillan@montand.com

kluck@montand.com

*Attorneys for Devon Energy Production Company
LP*