

**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 FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 15144
ORDER NO. R-13877**

**APPLICATION OF DEVON ENERGY PRODUCTION COMPANY, L.P. FOR A
NON-STANDARD OIL 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 May 29, 2014, at Santa Fe, New Mexico, before Examiner Phillip R. Goetze and on June 12, 2014, before Examiner Richard I. Ezeanyim.

NOW, on this 11th day of August, 2014, the Division Director, having considered the testimony, the record and the recommendations of Examiner Goetze,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) Devon Energy Production Company, L.P. ("Applicant") seeks approval of a non-standard 160-acre oil spacing and proration unit and project area ("the Unit") in the Bone Spring formation, West Lusk-Bone Spring Pool (pool code: 41480), consisting of the N/2 of the N/2 of Section 23, Township 19 South, Range 31 East, NMPM, in Eddy County, New Mexico. Applicant further seeks an order pooling the interests of all record title holders in the Unit for the Bone Spring formation who have not ratified or joined the proposed Communitization Agreement.

(3) The Unit will be dedicated to Applicant's Antares 23 Federal Com. Well No. 1H ("the proposed well"; API No. 30-015-41105), a horizontal well to be drilled from a surface location 1050 feet from the North line and 225 feet from the West line (Unit letter D) of Section 23, Township 19 South, Range 31 East, NMPM, to a standard terminus 400 feet from the North line and 340 feet from the East line (Unit letter A) of

Section 23, Township 19 South, Range 31 East, NMPM. The completed interval of the proposed well in the Bone Spring formation will be orthodox.

(4) The proposed well is within the West Lusk-Bone Spring Pool (pool code: 41480). Spacing in this pool is governed by statewide Division Rule 19.15.15.9A, NMAC, which provides for standard 40-acre units, each comprising a governmental quarter-quarter section. The proposed Unit and project area consists of four adjacent quarter-quarter sections.

(5) Applicant appeared at the hearing through counsel and presented land and geologic evidence to the effect that:

- (a) The Unit comprises at least two federal leases and, therefore, requires a Communitization Agreement to produce from the Unit;
- (b) all working interest owners in the Unit have ratified or joined the proposed Communitization Agreement, leaving only owners of bare record title who have not joined;
- (c) the proposed Communitization Agreement cannot be approved by the United States Bureau of Land Management ("BLM") because the record title owners for the included federal leases, Don and Gladys Angle, have not ratified or otherwise approved the Communitization Agreement;
- (d) all working interest owners and royalty interest owners in the Unit have committed to the proposed Communitization Agreement; therefore, Applicant does not request to include provisions for the allocation of costs and revenues, risk and overhead charges and other accounting matter;
- (e) the Bone Spring formation in this area is suitable for development by horizontal drilling;
- (f) the proposed orientation of the horizontal well West to East or East to West is appropriate for the proposed Unit; and
- (g) all quarter-quarter sections to be included in the Unit are expected to be productive in the Bone Spring formation, so that formation of the Unit as requested will not impair correlative rights.

(6) Applicant provided notice of this application to all uncommitted interest owners by certified mail, return receipt requested, and by publication.

(7) Devon Energy Production Company, L.P. requested to be designated operator of the proposed well and of the Unit.

(8) No other party appeared at the hearing, or otherwise opposed the granting of this application.

The Division concludes that:

(9) Approval of the proposed non-standard unit will enable Applicant to drill a horizontal well that will efficiently produce the reserves underlying the Unit, thereby preventing waste, and will not impair correlative rights.

(10) 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.

(11) Applicant is owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill the proposed well to a common source of supply within the Unit at the proposed location.

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

(13) 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 its 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 within the Unit.

(14) Devon Energy Production Company, L.P should be designated the operator of the proposed well and of the Unit.

(15) Because the parties whose interests will be pooled by this Order do not own any working interests, there is no necessity to provide in this Order for allocation of costs, risk charges, or overhead charges.

(16) The interests of Don and Gladys Angle and all interests of the heirs, devisees, and successors to their estate should be pooled for the purpose of combining all interests in the Unit that are subject to the Communitization Agreement so that the BLM may approve the agreement.

(17) Once the interests of Don and Gladys Angle and all interests of the heirs, devisees, and successors to their estate are pooled by order of the Division, then all heirs, devisees, and successors to their estate will have either ratified and joined the Communitization Agreement or will have had their interests combined by order of the Division.

IT IS THEREFORE ORDERED THAT:

(1) A non-standard 160-acre oil spacing and proration unit (the "Unit") is hereby established for the Bone Spring formation, West Lusk-Bone Spring Pool (pool code: 41480), consisting of the N/2 of the N/2 of Section 23, Township 19 South, Range 31 East, NMPM, in Eddy County, New Mexico.

(2) Pursuant to the application of Devon Energy Production Company, L.P., all uncommitted interests, whatever they may be, in the oil and gas located in the Bone Spring formation underlying the Unit, are hereby pooled.

(3) The Unit shall be dedicated to the Applicant's **Antares 23 Federal Com. Well No. 1H** ("the proposed well"; API No. 30-015-41105), a horizontal well to be drilled from a surface location 1050 feet from the North line and 225 feet from the West line (Unit letter D) of Section 23, Township 19 South, Range 31 East, NMPM, to a standard terminus 400 feet from the North line and 340 feet from the East line (Unit letter A) of Section 23, Township 19 South, Range 31 East, NMPM. The completed interval of the proposed well in the Bone Spring formation will be orthodox.

(4) The operator of the Unit shall commence drilling the proposed well on or before August 31, 2015, and shall thereafter continue drilling the proposed well with due diligence to test the Bone Spring formation.

(5) In the event the operator does not commence drilling the proposed well on or before August 31, 2015, Ordering Paragraphs (1) and (2) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause demonstrated by satisfactory evidence.

(6) Should the proposed well not be drilled and completed within 120 days after commencement thereof, then Ordering Paragraphs (1) and (2) shall be of no further effect, and the unit and project area created by this order shall terminate, unless operator appears before the Division Director and obtains an extension of the time for completion of the proposed well for good cause shown by satisfactory evidence. If the proposed well is not completed in all of the quarter-quarter sections included in the proposed Unit within 120 days after commencement of drilling, then the operator shall apply to the Division for an amendment to this Order to contract the Unit so that it includes only those quarter-quarter sections in which the individual well is completed.

(7) Upon final plugging and abandonment of the proposed well and any other well drilled on that 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.

(8) Devon Energy Production Company, L.P. (OGRID 6137) is hereby designated the operator of the well and the Unit.

(9) All proceeds from production from the proposed well 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 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 70-8A7-8A-28, as amended).

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

(11) The operator of the well and Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the compulsory pooling provisions of this Order.

(12) This Order is subject to approval of compulsory pooling of federal lands by the United States Bureau of Land Management.

(13) 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.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

JAMI BAILEY
Director