

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

**APPLICATION OF DEVON ENERGY
PRODUCTION COMPANY, L.P.
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

**OCD CASE NOS. 25296
OCC *de novo* CASE NO. 25876**

JOINT MOTION FOR ENTRY OF ORDERS

The New Mexico Oil Conservation Division (“OCD”) and Devon Energy Production Company, L.P.’s (“Devon”), the Parties, hereby submit to the New Mexico Oil Conservation Division (“OCC”) this Joint Motion for Entry of the underlying proposed Orders (“Joint Motion”). The Parties met and conferred in good faith, ultimately concluding that the attached Orders (Exhibits A through C) should be entered to resolve the dispute between them. As grounds in support thereof, the Parties state the following:

I. Introduction.

On December 19, 2025, Devon filed its Application for a *De Novo* Hearing with the OCC. Prior to that filing, on May 8, 2025, Devon prosecuted its forced pooling case below before the OCD pursuant to an application that requested the OCD to pool all uncommitted minerals in the Bone Spring formation underlying a standard 640-acre, more or less, spacing unit comprised of the W/2 of Sections 22 and 27, Township 25 South, Range 32 East, NMPM, Lea County, New Mexico (“Subject Lands”).

The Bone Spring formation underlying the Subject Lands happened to be in a segregated area for the Bone Spring formations, in that while the Bone Spring formation in some areas are designated as a single pool; in this case, the OCD initially identified and provided Devon with two vertically segregated pools for the Bone Spring formation: (1) the JENNINGS; UPPER BONE

SPRING SHALE [Pool Code 97838] (“Upper Pool”); and (2) the WC-025 G-08 S253235G; LWR Bone Spring [Pool Code 97903] (“Lower Pool”). *See* Motion Requesting the Commission to Review the Application Filed in Case No. 25296 and Issue Pooling Orders Pursuant to its Concurrent Jurisdiction (“Devon’s Motion”) at Exhibit 7 (email from the OCD assigning two pool codes). It has since been clarified to Devon pursuant to 19.15.2.7.P(6) and 19.15.2.7.P(18) that pools that are vertically separated are considered to be separated from other zones and therefore are not seen as common sources of supply.

Recognizing the unusual characteristics of this formation, Devon notified the OCD prior to and at the hearing regarding the best way to proceed given the assignment of the two pools. To accommodate the pools, OCD recognizes that Devon did reach out. However, due to the novel nature of the request needing further investigation, OCD was not able to provide a path forward prior or during the hearing. Devon in its landman testimony requested that the OCD issue two pooling orders, one for each pool and unit within the Bone Spring formation underlying the Subject Lands and included two Compulsory Pooling Checklists in its hearing packet, one for each pool. It is not a typical process in OCD hearings to issue two orders off of one hearing application, but it agrees in this case it is allowed for the OCC. In Devon’s landman testimony and in the C-102s that it submitted, Devon located seven wells in the upper portion of Bone Spring formation to produce and drain the Upper Pool and located seven wells in the lower portion of the formation to produce and drain the Lower Pool. *See* Exhibits A and A-1, Devon’s Hearing Packet in Case No. 25296.

On November 27, 2025, the OCD issued Order No. R-25123 (“OCD Order”) denying Devon’s application. Under Conclusions of Law, the OCD Order cited NMSA 1978 Section 10-2-17 stating in pertinent part that where owners have not agreed to pool their interest, the OCD “shall pool all

or any part of such lands or interests or both in **the spacing or proration unit as a unit.**” [Emphasis in the OCD Order], and that “[e]ach pool is a zone completely separated from other zones in the structure, under 19.15.2.7(P)(6) NMAC. The OCD Order further stated that under the Subject Lands, the “three targeted intervals constitute three distinct pools (Pool Codes 96715, 97838, and 97903)” After grappling in good faith with issues presented by the novel and complicated pool configuration underlying the Subject Lands, the OCD examiners recommended that Devon’s application be denied without prejudice, and the OCD Order stated that Devon may reapply with two separate cases, one for the unit that encompasses Pool Codes 96715 and 97838 and one for the unit that encompasses Pool Codes 96715 and 97903.

Devon was not aware of the additional Pool Code 96715 prior to the issuance of the OCD Order, and therefore, Devon concluded that given the novelty of the case and the questions of first impression it raises, the OCD Order merits review by the OCC. Here, OCD points out its concern that an OCD order referencing zonal separation of structure provided by 19.15.2.7.P(6) is still OCD’s main concern and is the issue this Motion and draft subsequent proposed orders are attempting to address. Prior to the OCD entering an appearance in this case, Devon filed a pre-hearing statement and a Motion Requesting the Commission to Review the Application, to which OCD herein responds. OCD entered its appearance on January 27, 2026, with the objective of providing the OCC with additional explanation of why the underlying OCD order was issued. Following the OCC Meeting which occurred on February 12, 2026, the Parties met and conferred in good faith concerning possible resolution of this case prior to hearing, currently scheduled for March 4, 2026.

II. Proposed findings

Pursuant to the Parties' resolution efforts, the Parties agree that the following findings are proper for the OCC's consideration and subsequent entry of the attached Adoption Order and two pooling orders. Exhibits A-C.

- a. Pursuant to 19.15.13.8(B) NMAC, well costs shall include the reasonable costs of drilling, reworking, diverting, deepening, plugging back and testing the well; completing the well in a formation pooled by the order; and equipping the well for production.
- b. Pursuant to 19.15.13.8(B)(2) NMAC, if a well is completed in two or more formations having diverse ownership or a different risk charge percentage, the order shall provide for allocation of well costs between the formations.
- c. Pursuant to 19.15.2.7 NMAC:
 - i. (P)(6) "Pool" means an underground reservoir containing a common accumulation of oil or gas. Each zone of a general structure, which zone is completely separated from other zones in the structure, is covered by the word pool as used in 19.15.2 NMAC through 19.15.39 NMAC. "Pool" is synonymous with "common source of supply" and with "common reservoir;"
 - ii. (P)(18) "Proration unit" means the area in a pool that can be effectively and efficiently drained by one well as determined by the division or commission (see Subsection B of Section 70-2-17 NMSA 1978) as well as the area assigned to an individual well for the purposes of allocating allowable production pursuant to a prorationing order for the pool;
- d. Regarding § 70-2-17:

- i. Pursuant to § 70-2-17(B), the division may establish a proration unit for each pool, such being the area that can be efficiently and economically drained and developed by one well, and in so doing the division shall consider the economic loss caused by the drilling of unnecessary wells, the protection of correlative rights, including those of royalty owners, the prevention of waste, the avoidance of the augmentation of risks arising from the drilling of an excessive number of wells, and the prevention of reduced recovery which might result from the drilling of too few wells;
 - ii. Pursuant to § 70-2-17(C) NMSA, when two or more separately owned tracts of land are embraced within a spacing or proration unit, or where there are owners of royalty interests or undivided interests in oil and gas minerals which are separately owned or any combination thereof, embraced within such spacing or proration unit, the owner or owners thereof may validly pool their interests and develop their lands as a unit. Where, however, such owner or owners have not agreed to pool their interests, and where one such separate owner, or owners, who has the right to drill has drilled or proposes to drill a well on said unit to a common source of supply, the division, to avoid the drilling of unnecessary wells or to protect correlative rights, or to prevent waste, shall pool all or any part of such lands or interests or both in the spacing or proration unit as a unit.
- e. The definition of a pool pursuant to 19.15.2.7(P)(6) NMAC states in part a “Pool” is synonymous with “common source of supply” and with “common reservoir” and the definition of a proration unit defined by 19.15.2.7(P)(18)

NMAC states in part “the area in a pool that can be effectively and efficiently drained by one well as determined by the division or commission,” the above two provisions combined mean that a single well must be effectively and efficiently draining the pools being pooled.

- f. In the Subject Lands proposed by Devon, Devon’s application requested that the uncommitted minerals in the Bone Spring formation be pooled. However, Devon was only aware of the two distinct common sources of supply as pools, the “Jennings; upper BS Shale 97838” and “WC-025 LWR BS 97903” pools; therefore, at the hearing before the OCD, Devon’s Exhibit A requested the OCD to issue two orders to account for what it believed to be the two pools of the Bone Spring formation, requesting one order for each pool and its corresponding unit underlying the Subject Lands. Per 19.15.2.7(P)(6), both pools are considered by OCD as two separate sources of supply. Devon’s application timely submitted prior to the hearing identified and described the Bone Spring formation underlying the Subject Lands that encompasses the two pools and listed its fourteen (14) wells to be drilled in the formation. Based on past practices, Devon did not see the need to identify the pools themselves in the application or describe in its application the depths of the wells Devon had located in the Bone Spring to effectively and efficiently drain both pools, pursuant to 19.15.2.7(P)(18) NMAC and § 70-2-17(B) NMSA. Such identification of the pools and specific depths of the wells has never been a requirement in the initial pooling application, pursuant to 19.15.4.8 and 19.15.4.9 NMAC. However, in its testimony and exhibits before the OCD, Devon showed that seven wells would be located in the Upper Pool for its

production and efficient drainage; and seven wells would be located in the Lower Pool for its production and efficient drainage. It has since been provided by the OCD to Devon that, pursuant to 19.15.2.7.P(6) that because both pools in this area are viewed as a separate formational structure on the original two pools proposed these formations cannot be pooled by a single order pursuant to the proration unit requirement in 19.15.2.P(18) because a single well does not penetrate both pools. OCD maintains it was prudent that the OCD hearing order did not issue two orders for one application and determined the authority to issue two orders from a single application is allowed by OCC's authority.

- g. The OCD recognizes that Devon was unaware of the third pool and pool code. However, because in this pool both sections of the Bone Springs are combined, this pool is not at issue with either of the other two proposed pools. As such, this pool can now be properly combined in the pooling orders with the other two pools separately.
- h. To resolve this case, the Parties agreed, that in lieu of the application being denied at this stage of the proceedings, that two separate pooling orders be issued by the Commission, so that Devon may proceed with its development of the Subject Lands, pursuant to an Adoption Order and two pooling orders, which are attached hereto as Exhibits A-C.
- i. The matter of coordinating pool and pool codes issued by the OCD with the pooling applications and exhibits submitted for adjudication has become a problematic subject-area causing operators and the OCD difficulties in the compulsory pooling process. Devon has recognized pursuant to the OCC and

OCD's statutory authority under 70-2-17.B NMSA that vertical pools as defined cannot be commingled unless the wells can effectively and efficiently drain both pools by single well. The issue that has been identified in this case was not due to the pool names it was due to prior representation in the area of the two pools being separate common sources of supply.

III. Summary

Based on the resolution instruments proposed by the Parties and the findings above, the Parties request entry of the attached Adoption Order (Exhibit A), and the two pooling orders likewise attached as Exhibits B & C.

Respectfully submitted,

**Christopher
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CERTIFICATE OF SERVICE

I certify that on February 26, 2026, this pleading was served by electronic mail on:

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EXHIBIT A**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION****APPLICATION OF DEVON ENERGY
PRODUCTION COMPANY, L.P.
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO****OCD CASE NOS. 25296
OCC *de novo* CASE NO. 25876****ORDER OF THE OCC ADOPTING TWO POOLING ORDERS**

THIS MATTER came before the New Mexico Oil Conservation Commission (“OCC”) on March 4, 2026, upon Motion of the Parties for entry of three orders: an adoption order and two underlying Pooling Orders. Upon review of the Joint Motion, the Adoption Order, and the underlying Pooling Orders, the OCC finds good cause exists for entry of the three Orders.

I. Findings

Having reviewed the pleadings and conferred with party counsel, the OCC **FINDS** as follows:

- a. Pursuant to 19.15.13.8(B) NMAC, well costs shall include the reasonable costs of drilling, reworking, diverting, deepening, plugging back and testing the well; completing the well in a formation pooled by the order; and equipping the well for production.
- b. Pursuant to 19.15.13.8(B)(2) NMAC, if a well is completed in two or more formations having diverse ownership or a different risk charge percentage, the order shall provide for allocation of well costs between the formations.
- c. Pursuant to 19.15.2.7 NMAC:

- i. (P)(6) “Pool” means an underground reservoir containing a common accumulation of oil or gas. Each zone of a general structure, which zone is completely separated from other zones in the structure, is covered by the word pool as used in 19.15.2 NMAC through 19.15.39 NMAC. “Pool” is synonymous with “common source of supply” and with “common reservoir;”
 - ii. (P)(18) “Proration unit” means the area in a pool that can be effectively and efficiently drained by one well as determined by the division or commission (see Subsection B of Section 70-2-17 NMSA 1978) as well as the area assigned to an individual well for the purposes of allocating allowable production pursuant to a prorationing order for the pool;
- d. Regarding § 70-2-17:
- i. Pursuant to § 70-2-17(B), the division may establish a proration unit for each pool, such being the area that can be efficiently and economically drained and developed by one well, and in so doing the division shall consider the economic loss caused by the drilling of unnecessary wells, the protection of correlative rights, including those of royalty owners, the prevention of waste, the avoidance of the augmentation of risks arising from the drilling of an excessive number of wells, and the prevention of reduced recovery which might result from the drilling of too few wells;
 - ii. Pursuant to § 70-2-17(C) NMSA, when two or more separately owned tracts of land are embraced within a spacing or proration unit, or where there are owners of royalty interests or undivided interests in oil and gas minerals

which are separately owned or any combination thereof, embraced within such spacing or proration unit, the owner or owners thereof may validly pool their interests and develop their lands as a unit. Where, however, such owner or owners have not agreed to pool their interests, and where one such separate owner, or owners, who has the right to drill has drilled or proposes to drill a well on said unit to a common source of supply, the division, to avoid the drilling of unnecessary wells or to protect correlative rights, or to prevent waste, shall pool all or any part of such lands or interests or both in the spacing or proration unit as a unit.

- e. The definition of a pool pursuant to 19.15.2.7(P)(6) NMAC states in part a “Pool” is synonymous with “common source of supply” and with “common reservoir” and the definition of a proration unit defined by 19.15.2.7(P)(18) NMAC states in part “the area in a pool that can be effectively and efficiently drained by one well as determined by the division or commission,” the above two provisions combined mean that a single well must be effectively and efficiently draining the pools being pooled.
- f. In the Subject Lands proposed by Devon, Devon’s application requested that the uncommitted minerals in the Bone Spring formation be pooled. However, Devon was only aware of the two distinct common sources of supply as pools, the “Jennings; upper BS Shale 97838” and “WC-025 LWR BS 97903” pools; therefore, at the hearing before the OCD, Devon’s Exhibit A requested the OCD to issue two orders to account for what it believed to be the two pools of the Bone Spring formation, requesting one order for each pool and its corresponding unit underlying

the Subject Lands. Per 19.15.2.7(P)(6), both pools are considered by OCD as two separate sources of supply. Devon's application timely submitted prior to the hearing identified and described the Bone Spring formation underlying the Subject Lands that encompasses the two pools and listed its fourteen (14) wells to be drilled in the formation. Based on past practices, Devon did not see the need to identify the pools themselves in the application or describe in its application the depths of the wells Devon had located in the Bone Spring to effectively and efficiently drain both pools, pursuant to 19.15.2.7(P)(18) NMAC and § 70-2-17(B) NMSA. Such identification of the pools and specific depths of the wells has never been a requirement in the initial pooling application, pursuant to 19.15.4.8 and 19.15.4.9 NMAC. However, in its testimony and exhibits before the OCD, Devon showed that seven wells would be located in the Upper Pool for its production and efficient drainage; and seven wells would be located in the Lower Pool for its production and efficient drainage. It has since been provided by the OCD to Devon that, pursuant to 19.15.2.7.P(6) that because both pools in this area are viewed as a separate formational structure on the original two pools proposed these formations cannot be pooled by a single order pursuant to the proration unit requirement in 19.15.2.P(18) because a single well does not penetrate both pools. OCD maintains it was prudent that the OCD hearing order did not issue two orders for one application and determined the authority to issue two orders from a single application is allowed by OCC's authority.

- g. The OCD recognizes that Devon was unaware of the third pool and pool code. However, because in this pool both sections of the Bone Springs are combined,

this pool is not at issue with either of the other two proposed pools. As such, this pool can now be properly combined in the pooling orders with the other two pools separately.

- h. To resolve this case, the Parties agreed, that in lieu of the application being denied at this stage of the proceedings, that two separate pooling orders be issued by the Commission, so that Devon may proceed with its development of the Subject Lands, pursuant to an Adoption Order and two pooling orders, which are attached hereto as Exhibits A-C.
- i. The matter of coordinating pool and pool codes issued by the OCD with the pooling applications and exhibits submitted for adjudication has become a problematic subject-area causing operators and the OCD difficulties in the compulsory pooling process. Devon has recognized pursuant to the OCC and OCD's statutory authority under 70-2-17(B) NMSA that vertical pools as defined cannot be commingled unless the wells can effectively and efficiently drain both pools by single well. The issue that has been identified in this case was not due to the pool names it was due to prior representation in the area of the two pools being separate common sources of supply.

II. Ordered

Based on the above findings, **IT IS ORDERED** that the attached pooling orders, attached to the Parties' Motion as Exhibits B & C, shall be entered by the OCC.

IT IS SO ORDERED

Albert C.S. Chang, Chair
New Mexico Oil Conservation Commission

DATE: _____

EXHIBIT B**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION****IN THE MATTER OF APPLICATION FOR
COMPULSORY POOLING SUBMITTED BY
DEVON ENERGY PRODUCTION COMPANY, LP****CASE NO. 25876
ORDER NO. R-#####****ORDER**

COMES NOW, the New Mexico Oil Conservation Commission (“Commission”) and issues this ORDER in the adjudicatory hearing in the above-cited case number. Pursuant to NMSA 1978, Section 70-2-13 and 19.15.4 NMAC, the hearing occurred on **DATE**. Pursuant to 19.15.4.24 NMAC, the Commission, upon reviewing the legal arguments, hearing testimony and exhibits, issues the following ORDER containing its statement of reasons.

Procedural History

1. This matter was previously heard by a New Mexico Oil Conservation Division (“OCD”) Hearing Examiner on May 8, 2025.
2. This matter involves a compulsory pooling application with vertically separated pools in Bone Spring formation.
3. On November 27, 2025, the OCD, after considering the testimony, evidence, and recommendations of the Hearing and Technical Examiners, issued Order R-24123.
4. The OCD Order R-24123 stated:
 - The Application is hereby denied without prejudice.
 - The request to vacate Order R-22550 is denied.
 - The Operator may reapply with two separate cases:
 - one for the WC-025 G-06 S253209L; BONE SPRING [96715] pool and the JENNINGS; UPPER BONE SPRING SHALE [97838].
 - one for the WC-025 G-06 S253209L; BONE SPRING [96715] pool and the WC-025 G-08 S253235G; LWR BONE SPRING [97903].

- Alternatively, the Operator may reapply under one compulsory pooling case if the Operator first obtains a nomenclature order which confirms the reservoir is one continuous source, and results in a single pool that includes the upper and lower Bone Spring horizons.
5. On December 19, 2025, Devon Energy Production Company, LP (“Operator”) submitted an application for *de novo* hearing of order R-24123.
 6. On **DATE**, the Commission considered Operator and OCD’s Joint Motion for Entry of Orders..

FINDINGS OF FACT

7. Operator submitted an application (“Application”) to compulsory pool the uncommitted oil and gas interests in the Bone Spring formation, which the OCD determined to encompass three (3) pools in the Bone Spring formation, two (2) of which are vertically separated intervals.
8. On **DATE**, the Commission considered and subsequently granted Operator and OCD’s Joint Motion for Entry of Orders
9. No other party presented evidence at the hearing.
10. The proposed spacing unit (“Unit”) is described as a standard 640-acre, more or less, comprised of the W/2 of Sections 22 and 27, all in Township 25 South, Range 32 East, NMPM, Lea County, New Mexico.
11. The Application described an area of the Bone Spring formation that includes three (3) pools, two (2) of which are vertically separated, a configuration that is being encountered more often as operators develop lands that extend across more than one previously established vertical pool.
12. The Unit pools in this instance consist of:
 - The Bone Spring formation underlying Section 22, Township 25 South, Range 32 East, NMPM, Lea County, New Mexico, entirely encompassed by the WC025 G-06 S253209L; BONE SPRING [96715] pool.
 - The Bone Spring formation underlying Section 27, Township 25 South, Range 32 East, NMPM, Lea County, New Mexico, subdivided into an upper and lower pool. These pools are known as the JENNINGS; UPPER BONE SPRING SHALE [97838] and the WC-025 G-08 S253235G; LWR BONE SPRING [97903].
13. Operator seeks to be designated the Operator of the Unit.

14. Operator proposes to dedicate fourteen (14) wells (“Wells”) to the Unit which are as described:
- HAFLINGER 22-27 FED COM 100H
 - HAFLINGER 22-27 FED COM 121H
 - HAFLINGER 22-27 FED COM 125H
 - HAFLINGER 22-27 FED COM 231H
 - HAFLINGER 22-27 FED COM 232H
 - HAFLINGER 22-27 FED COM 233H
 - HAFLINGER 22-27 FED COM 300H
 - HAFLINGER 22-27 FED COM 303H
 - HAFLINGER 22-27 FED COM 520H
 - HAFLINGER 22-27 FED COM 521H
 - HAFLINGER 22-27 FED COM 522H
 - HAFLINGER 22-27 FED COM 524H
 - HAFLINGER 22-27 FED COM 525H
 - HAFLINGER 22-27 FED COM 526H
15. The subset of the Wells below would be drilled and completed in the WC-025 G06 S253209L; BONE SPRING [96715] pool and the JENNINGS; UPPER BONE SPRING SHALE [97838] (“Upper Zone”).
- HAFLINGER 22-27 FED COM 520H
 - HAFLINGER 22-27 FED COM 521H
 - HAFLINGER 22-27 FED COM 522H
 - HAFLINGER 22-27 FED COM 524H
 - HAFLINGER 22-27 FED COM 525H
 - HAFLINGER 22-27 FED COM 526H
16. The subset of the Wells below would be drilled and completed in the WC-025 G06 S253209L; BONE SPRING [96715] pool and the WC-025 G-08 S253235G; LWR BONE SPRING [97903] (“Lower Zone”).
- HAFLINGER 22-27 FED COM 100H
 - HAFLINGER 22-27 FED COM 121H
 - HAFLINGER 22-27 FED COM 125H
 - HAFLINGER 22-27 FED COM 231H
 - HAFLINGER 22-27 FED COM 232H
 - HAFLINGER 22-27 FED COM 233H
 - HAFLINGER 22-27 FED COM 300H
 - HAFLINGER 22-27 FED COM 303H
17. Operator proposes the supervision of \$10,000 while drilling and \$1,000 while producing, and a risk charge of 200% for the Wells.

18. Operator proposed to pool all uncommitted working interest owners, overriding royalty interest owners, and record title owners as shown in Devon exhibit A-2.1 and A-2-2.
19. Operator also seeks to have Order R-22550 vacated. Order R-22550 was issued by OCD to the Operator on March 3, 2023, which pooled interest in the Lower Bone Spring underlying the E/2 W/2 of Sections 22 and 27, Township 25 South, Range 32 East, NMPM, Lea County, New Mexico.
20. OCD NMAC defines a “Horizontal Spacing Unit” as the spacing unit dedicated to a horizontal well per 19.15.16.7.F NMAC.
21. OCD NMAC defines “Horizontal well” as a well bore with one or more laterals that extend a minimum of 100 feet laterally in the target zone per 19.15.16.7.G NMAC.
22. Pursuant to NMSA 1978 Section 70-2-33 pool is defined as an underground reservoir containing a common accumulation of crude petroleum oil or natural gas or both. Each zone of a general structure, **which zone is completely separate from any other zone in the structure**, is covered by the word "pool" as used in the Oil and Gas Act. "Pool" is synonymous with "common source of supply" and with "common reservoir"; **[emphasis added]**.
23. OCD NMAC defines a “Proration unit” to mean the area in a pool that can be effectively and efficiently drained by one well as determined by the division or commission (see Subsection B of Section 70-2-17 NMSA 1978) as well as the area assigned to an individual well for the purposes of allocating allowable production pursuant to a prorationing order for the pool per 19.15.2.7.P.(18) NMAC.
24. When reading NMSA 1978 Section 70-2-33 and 19.15.2.7.P.(18) NMAC combined it shows that a **single well** must be effectively and efficiently draining the pools being pooled. The Application describes a formation that requires the compulsorily pooling of two distinct common sources of supply (Upper Zone and Lower Zone as previously mentioned) as pool “JENNINGS; UPPER BONE SPRING SHALE [97838]” has been segregated from the “WC-025 G-08 S253235G; LWR BONE SPRING [97903]” pool. By the pooling definition these are regulatorily seen by OCD as two (2) separate sources of supply. The Application describes the Bone Spring formation, and Applicant made good faith efforts to provide the OCD exhibits during the underlying hearing that show which wells would be located to effectively and efficiently drain both pools (Upper Zone and Lower Zone) with a single well which is required by 19.15.2.7.P(18) NMAC and Section 70-2-17 B NMSA, as they are not viewed as a common source of supply as required by 19.15.2.7.P(6) NMAC or as required by 70-2-17 C NMSA. Section 70-2-17.B must be read and applied to the pooling statute, Section 70-2-17, as a whole for the proper production and allocation of a unit.

25. Operator identified the owners of uncommitted interests in oil and gas minerals in the Unit and provided evidence that notice was given.

CONCLUSIONS OF LAW

26. Because there are two common sources of supply and no individual well can drain both zones, these zones should be pooled in two (2) separate orders. If the Operator intends to provide evidence that they are a single source of supply, the Operator can perform nomenclature in the area to combine the previously segregated pools. The third pool previously supplied by the OCD at a later date is immaterial to the conflict and subsequent resolution of the case as the third pool “WC-025 G-06 S253209L; BONE SPRING [96715]” was established as a common source of supply. As such this pool can be combined with the other two (2) pools separately.
27. The Application requests an order to compulsorily pool the uncommitted mineral interests in the Bone Spring formation. When evaluating the formation and its two separate common sources of supply), the OCD determined that this novel configuration must accommodate the requirements of NMSA 1978 Section 70-2-17.C to avoid conflict. Paragraph C states:
- ...Where, however, such owner or owners have not agreed to pool their interests, and where one such separate owner, or owners, who has the right to drill has drilled or proposes to drill a well on said unit **to a common source of supply**, the division, to avoid the drilling of unnecessary wells or to protect correlative rights, or to prevent waste, **shall pool all or any part** of such lands or interests or both in the spacing or proration unit as a unit... **[emphasis added]**.
28. The Commission has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.
29. NMSA 1978 Section 70-2-11.A states that “the division is empowered...to do whatever may be reasonably necessary to carry out the purpose of this act, whether or not indicated or specified in any section thereof.” Section 70-2-11.B further states that “[t]he commission shall have concurrent jurisdiction and authority with the division to the extent necessary for the commission to perform its duties as required by law,” and thereby exercises its authority to issue orders that pool the Upper and Lower Units.
30. Operator is the owner of an oil and gas working interest within the Unit.
31. Operator satisfied the notice requirements for the Application and the hearing as required by 19.15.4.12 NMAC.
32. Operator has the right to drill the Wells to the common sources of supplies at the depths and locations in the Unit as described by Devon exhibit A paragraph 11.

33. The Unit contains separately owned uncommitted interests in oil and gas minerals.
34. Some of the owners of the uncommitted interests have not agreed to commit their interests to the Unit.
35. The pooling of uncommitted interests in the Unit will prevent waste and protect correlative rights, including the drilling of unnecessary wells.
36. This Order affords to the owner of an uncommitted interest the opportunity to produce his just and equitable share of the oil or gas in the pool.

ORDER

37. Pursuant to NMSA 1978 Section 70-2-11 the Commission hereby issues two separate orders in order to comply with NMSA 1978, in regards to the two vertically separate pools (otherwise known as two separate common sources of supply or reservoirs).
38. The uncommitted interests in the Upper Zone underlying a standard 640-acre, more or less, comprised of the W/2 of Sections 22 and 27, all in Township 25 South, Range 32 East, NMPM, Lea County, New Mexico are pooled ("Upper Unit").
39. The Upper Unit shall be dedicated to the following subset of Wells described as
 - HAFLINGER 22-27 FED COM 520H
 - HAFLINGER 22-27 FED COM 521H
 - HAFLINGER 22-27 FED COM 522H
 - HAFLINGER 22-27 FED COM 524H
 - HAFLINGER 22-27 FED COM 525H
 - HAFLINGER 22-27 FED COM 526H
40. Operator is designated as operator of the Upper Unit and the subset of wells in the before mentioned paragraph.
41. If the location of a well will be unorthodox under the spacing rules in effect at the time of completion, Operator shall obtain the OCD's approval for a non-standard location in accordance with 19.15.16.15(C) NMAC.
42. If the Upper Unit is a non-standard horizontal spacing unit which has not been approved under this Order, Operator shall obtain the OCD's approval for a non-standard horizontal spacing unit in accordance with 19.15.16.15(B)(5) NMAC.
43. Operator shall commence drilling the Well(s) within one year after the date of this Order, and complete each Well no later than one (1) year after the commencement of drilling the Well.

44. This Order shall terminate automatically if the Operator fails to comply with the preceding paragraph unless the Operator requests an extension by notifying the OCD and all parties that required notice of the original compulsory pooling application in accordance with 19.15.4.12.B and 19.15.4.12.C NMAC. Upon no objection after twenty (20) days the extension is automatically granted up to one year. If a protest is received the extension is not granted and the Operator must set the case for a hearing.
45. Operator may propose reasonable deviations from the development plan via notice to the OCD and all parties that required notice of the original compulsory pooling application in accordance with 19.15.4.12.B and 19.15.4.12.C NMAC. Upon no objection after twenty (20) days the deviation is automatically granted. If a protest is received the deviation is not granted and the Operator must set the case for a hearing.
46. The infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC shall be applicable.
47. Operator shall submit each owner of an uncommitted working interest in the pool (“Pooled Working Interest”) an itemized schedule of estimated costs to drill, complete, and equip the well (“Estimated Well Costs”).
48. No later than thirty (30) days after Operator submits the Estimated Well Costs, the owner of a Pooled Working Interest shall elect whether to pay its share of the Estimated Well Costs or its share of the actual costs to drill, complete and equip the well (“Actual Well Costs”) out of production from the well. An owner of a Pooled Working Interest who elects to pay its share of the Estimated Well Costs shall render payment to Operator no later than thirty (30) days after the expiration of the election period, and shall be liable for operating costs, but not risk charges, for the well. An owner of a Pooled Working Interest who fails to pay its share of the Estimated Well Costs or who elects to pay its share of the Actual Well Costs out of production from the well shall be considered to be a “Non-Consenting Pooled Working Interest.”
49. No later than one hundred eighty (180) days after Operator submits a Form C-105 for a well, Operator shall submit to each owner of a Pooled Working Interest an itemized schedule of the Actual Well Costs. The Actual Well Costs shall be considered to be the Reasonable Well Costs unless an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Reasonable Well Costs after public notice and hearing.
50. No later than sixty (60) days after the expiration of the period to file a written objection to the Actual Well Costs or OCD’s order determining the Reasonable Well Costs, whichever is later, each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs shall

- pay to Operator its share of the Reasonable Well Costs that exceed the Estimated Well Costs, or Operator shall pay to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs its share of the Estimated Well Costs that exceed the Reasonable Well Costs.
51. The reasonable charges for supervision to drill and produce a well ("Supervision Charges") shall not exceed the rates specified in Exhibit A, provided however that the rates shall be adjusted annually pursuant to the COPAS form entitled "Accounting Procedure-Joint Operations."
 52. No later than within ninety (90) days after Operator submits a Form C-105 for a well, Operator shall submit to each owner of a Pooled Working Interest an itemized schedule of the reasonable charges for operating and maintaining the well ("Operating Charges"), provided however that Operating Charges shall not include the Reasonable Well Costs or Supervision Charges. The Operating Charges shall be considered final unless an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Operating Charges after public notice and hearing.
 53. Operator may withhold the following costs and charges from the share of production due to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs: (a) the proportionate share of the Supervision Charges; and (b) the proportionate share of the Operating Charges.
 54. Operator may withhold the following costs and charges from the share of production due to each owner of a Non-Consenting Pooled Working Interest: (a) the proportionate share of the Reasonable Well Costs; (b) the proportionate share of the Supervision and Operating Charges; and (c) the percentage of the Reasonable Well Costs specified as the charge for risk described in Exhibit A.
 55. Operator shall distribute a proportionate share of the costs and charges withheld pursuant to the preceding paragraph to each Pooled Working Interest that paid its share of the Estimated Well Costs.
 56. Each year on the anniversary of this Order, and no later than ninety (90) days after each payout, Operator shall provide to each owner of a Non-Consenting Pooled Working Interest a schedule of the revenue attributable to a well and the Supervision and Operating Costs charged against that revenue.
 57. Any cost or charge that is paid out of production shall be withheld only from the share due to an owner of a Pooled Working Interest. No cost or charge shall be withheld from the share

due to an owner of a royalty interests. For the purpose of this Order, an unleased mineral interest shall consist of a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest.

58. Except as provided above, Operator shall hold the revenue attributable to a well that is not disbursed for any reason for the account of the person(s) entitled to the revenue as provided in the Oil and Gas Proceeds Payment Act, NMSA 1978, Sections 70-10-1 et seq., and relinquish such revenue as provided in the Uniform Unclaimed Property Act, NMSA 1978, Sections 7-8A-1 et seq.
59. The Upper Unit shall terminate if (a) the owners of all Pooled Working Interests reach a voluntary agreement; or (b) the well(s) drilled on the Unit are plugged and abandoned in accordance with the applicable rules. Operator shall inform OCD no later than thirty (30) days after such occurrence.
60. The Commission retains jurisdiction of this matter for the entry of such orders as may be deemed necessary.

The vote for this Order was unanimous.

ALBERT C. S. CHANG, Chairman
On behalf of the Commission

Date: _____

EXHIBIT C**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION****IN THE MATTER OF APPLICATION FOR
COMPULSORY POOLING SUBMITTED BY
DEVON ENERGY PRODUCTION COMPANY, LP****CASE NO. 25876
ORDER NO. R-#####****ORDER**

COMES NOW, the New Mexico Oil Conservation Commission (“Commission”) and issues this ORDER in the adjudicatory hearing in the above-cited case number. Pursuant to NMSA 1978, Section 70-2-13 and 19.15.4 NMAC, the hearing occurred on **DATE**. Pursuant to 19.15.4.24 NMAC, the Commission, upon reviewing the legal arguments, hearing testimony and exhibits, issues the following ORDER containing its statement of reasons.

Procedural History

1. This matter was previously heard by a New Mexico Oil Conservation Division (“OCD”) Hearing Examiner on May 8, 2025.
2. This matter involves a compulsory pooling application with vertically separated pools in Bone Spring formation.
3. On November 27, 2025, the OCD, after considering the testimony, evidence, and recommendations of the Hearing and Technical Examiners, issued Order R-24123.
4. The OCD Order R-24123 stated:
 - The Application is hereby denied without prejudice.
 - The request to vacate Order R-22550 is denied.
 - The Operator may reapply with two separate cases:
 - one for the WC-025 G-06 S253209L; BONE SPRING [96715] pool and the JENNINGS; UPPER BONE SPRING SHALE [97838].
 - one for the WC-025 G-06 S253209L; BONE SPRING [96715] pool and the WC-025 G-08 S253235G; LWR BONE SPRING [97903].

- Alternatively, the Operator may reapply under one compulsory pooling case if the Operator first obtains a nomenclature order which confirms the reservoir is one continuous source, and results in a single pool that includes the upper and lower Bone Spring horizons.
5. On December 19, 2025, Devon Energy Production Company, LP (“Operator”) submitted an application for *de novo* hearing of order R-24123.
 6. On **DATE**, the Commission considered Operator and OCD’s Joint Motion for Entry of Orders.

FINDINGS OF FACT

7. Operator submitted an application (“Application”) to compulsory pool the uncommitted oil and gas interests in the Bone Spring formation, which the OCD determined to encompass three (3) pools, two (2) of which are vertically separated intervals.
8. On **DATE**, the Commission considered and subsequently granted Operator and OCD’s Joint Motion for Entry of Orders.
9. No other party presented evidence at the hearing.
10. The proposed spacing unit (“Unit”) is described as a standard 640-acre, more or less, comprised of the W/2 of Sections 22 and 27, all in Township 25 South, Range 32 East, NMPM, Lea County, New Mexico.
11. The Application described an area of the Bone Spring formation that includes three (3) pools, two (2) of which are vertically separated, a configuration that is being encountered more often as operators develop lands that extend across more than one previously established vertical pool.
12. The Unit pools in this instance consist of:
 - The Bone Spring formation underlying Section 22, Township 25 South, Range 32 East, NMPM, Lea County, New Mexico, entirely encompassed by the WC025 G-06 S253209L; BONE SPRING [96715] pool.
 - The Bone Spring formation underlying Section 27, Township 25 South, Range 32 East, NMPM, Lea County, New Mexico, subdivided into an upper and lower pool. These pools are known as the JENNINGS; UPPER BONE SPRING SHALE [97838] and the WC-025 G-08 S253235G; LWR BONE SPRING [97903].
13. Operator seeks to be designated the Operator of the Unit.

14. Operator proposes to dedicate fourteen (14) wells (“Wells”) to the Unit which are as described:
- HAFLINGER 22-27 FED COM 100H
 - HAFLINGER 22-27 FED COM 121H
 - HAFLINGER 22-27 FED COM 125H
 - HAFLINGER 22-27 FED COM 231H
 - HAFLINGER 22-27 FED COM 232H
 - HAFLINGER 22-27 FED COM 233H
 - HAFLINGER 22-27 FED COM 300H
 - HAFLINGER 22-27 FED COM 303H
 - HAFLINGER 22-27 FED COM 520H
 - HAFLINGER 22-27 FED COM 521H
 - HAFLINGER 22-27 FED COM 522H
 - HAFLINGER 22-27 FED COM 524H
 - HAFLINGER 22-27 FED COM 525H
 - HAFLINGER 22-27 FED COM 526H
15. The subset of the Wells below would be drilled and completed in the WC-025 G06 S253209L; BONE SPRING [96715] pool and the JENNINGS; UPPER BONE SPRING SHALE [97838] (“Upper Zone”).
- HAFLINGER 22-27 FED COM 520H
 - HAFLINGER 22-27 FED COM 521H
 - HAFLINGER 22-27 FED COM 522H
 - HAFLINGER 22-27 FED COM 524H
 - HAFLINGER 22-27 FED COM 525H
 - HAFLINGER 22-27 FED COM 526H
16. The subset of the Wells below would be drilled and completed in the WC-025 G06 S253209L; BONE SPRING [96715] pool and the WC-025 G-08 S253235G; LWR BONE SPRING [97903] (“Lower Zone”).
- HAFLINGER 22-27 FED COM 100H
 - HAFLINGER 22-27 FED COM 121H
 - HAFLINGER 22-27 FED COM 125H
 - HAFLINGER 22-27 FED COM 231H
 - HAFLINGER 22-27 FED COM 232H
 - HAFLINGER 22-27 FED COM 233H
 - HAFLINGER 22-27 FED COM 300H
 - HAFLINGER 22-27 FED COM 303H
17. Operator proposes the supervision of \$10,000 while drilling and \$1,000 while producing, and a risk charge of 200% for the Wells.

18. Operator proposed to pool all uncommitted working interest owners, overriding royalty interest owners, and record title owners as shown in Devon exhibit A-2.1 and A-2.2.
19. Operator also seeks to have Order R-22550 vacated. Order R-22550 was issued by OCD to the Operator on March 3, 2023, which pooled interest in the Lower Bone Spring underlying the E/2 W/2 of Sections 22 and 27, Township 25 South, Range 32 East, NMPM, Lea County, New Mexico.
20. OCD NMAC defines a “Horizontal Spacing Unit” as the spacing unit dedicated to a horizontal well per 19.15.16.7.F NMAC.
21. OCD NMAC defines “Horizontal well” as a well bore with one or more laterals that extend a minimum of 100 feet laterally in the target zone per 19.15.16.7.G NMAC.
22. Pursuant to NMSA 1978 Section 70-2-33 pool is defined as an underground reservoir containing a common accumulation of crude petroleum oil or natural gas or both. Each zone of a general structure, **which zone is completely separate from any other zone in the structure**, is covered by the word "pool" as used in the Oil and Gas Act. "Pool" is synonymous with "common source of supply" and with "common reservoir"; **[emphasis added]**.
23. OCD NMAC defines a “Proration unit” to mean the area in a pool that can be effectively and efficiently drained by one well as determined by the division or commission (see Subsection B of Section 70-2-17 NMSA 1978) as well as the area assigned to an individual well for the purposes of allocating allowable production pursuant to a prorationing order for the pool per 19.15.2.7.P.(18) NMAC.
24. When reading NMSA 1978 Section 70-2-33 and 19.15.2.7.P.(18) NMAC combined it shows that a **single well** must be effectively and efficiently draining the pools being pooled. The Application describes a formation that requires the compulsorily pooling of two distinct common sources of supply (Upper Zone and Lower Zone as previously mentioned) as pool “JENNINGS; UPPER BONE SPRING SHALE [97838]” has been segregated from the “WC-025 G-08 S253235G; LWR BONE SPRING [97903]” pool. By the pooling definition these are regulatorily seen by OCD as two (2) separate sources of supply. The Application describes the Bone Spring formation, and Applicant made good faith efforts to provide the OCD exhibits during the underlying hearing that show which wells would be located to effectively and efficiently drain both pools (Upper Zone and Lower Zone) **with** as required by 19.15.2.7.P(18) NMAC and Section 70-2-17.B NMSA, as they are not viewed as a common source of supply as required by 19.15.2.7.P(6) NMAC or as required by 70-2-17 C NMSA. Section 70-2-17.B must be read and applied to the pooling statute, Section 70-2-17, as a whole for the proper production and allocation of a unit.

25. Operator identified the owners of uncommitted interests in oil and gas minerals in the Unit and provided evidence that notice was given.

CONCLUSIONS OF LAW

26. Because there are two common sources of supply and no individual well can drain both zones, these zones should be pooled in two (2) separate orders. If the Operator intends to provide evidence that they are a single source of supply, the Operator can perform nomenclature in the area to combine the previously segregated pools. The third pool previously supplied by the OCD at a later date is immaterial to the conflict and subsequent resolution of the case as the third pool “WC-025 G-06 S253209L; BONE SPRING [96715]” was established as a common source of supply. As such this pool can be combined with the other two (2) pools separately.
27. The Application requests an order to compulsorily pool the uncommitted mineral interests in the Bone Spring formation. When evaluating the formation and its two separate zones (also known as two separate common sources of supply), the OCD determined that this novel configuration must accommodate the requirements of NMSA 1978 Section 70-2-17.C to avoid conflict. Paragraph C states:
- ...Where, however, such owner or owners have not agreed to pool their interests, and where one such separate owner, or owners, who has the right to drill has drilled or proposes to drill a well on said unit **to a common source of supply**, the division, to avoid the drilling of unnecessary wells or to protect correlative rights, or to prevent waste, **shall pool all or any part** of such lands or interests or both in the spacing or proration unit as a unit... **[emphasis added]**.
28. The Commission has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.
29. NMSA 1978 Section 70-2-11.A states that “the division is empowered...to do whatever may be reasonably necessary to carry out the purpose of this act, whether or not indicated or specified in any section thereof.” Section 70-2-11.B further states that “[t]he commission shall have concurrent jurisdiction and authority with the division to the extent necessary for the commission to perform its duties as required by law,” and thereby exercises its authority to issue orders that pool the Upper and Lower Units.
30. Operator is the owner of an oil and gas working interest within the Unit.
31. Operator satisfied the notice requirements for the Application and the hearing as required by 19.15.4.12 NMAC.

32. Operator has the right to drill the Wells to the common sources of supplies at the depths and locations in the Unit as described by Devon exhibit A paragraph 11.
33. The Unit contains separately owned uncommitted interests in oil and gas minerals.
34. Some of the owners of the uncommitted interests have not agreed to commit their interests to the Unit.
35. The pooling of uncommitted interests in the Unit will prevent waste and protect correlative rights, including the drilling of unnecessary wells.
36. This Order affords to the owner of an uncommitted interest the opportunity to produce his just and equitable share of the oil or gas in the pool.

ORDER

37. Pursuant to NMSA 1978 Section 70-2-11 the Commission hereby issues two separate orders in order to comply with NMSA 1978, in regards to the two vertically separate pools (otherwise known as two separate common sources of supply or reservoirs).
38. Order R-22550 is hereby vacated.
39. The uncommitted interests in the Lower Zone underlying a standard 640-acre, more or less, comprised of the W/2 of Sections 22 and 27, all in Township 25 South, Range 32 East, NMPM, Lea County, New Mexico are pooled ("Lower Unit").
40. The Lower Unit shall be dedicated to the following subset of Wells described as
 - HAFLINGER 22-27 FED COM 100H
 - HAFLINGER 22-27 FED COM 121H
 - HAFLINGER 22-27 FED COM 125H
 - HAFLINGER 22-27 FED COM 231H
 - HAFLINGER 22-27 FED COM 232H
 - HAFLINGER 22-27 FED COM 233H
 - HAFLINGER 22-27 FED COM 300H
 - HAFLINGER 22-27 FED COM 303H
41. Operator is designated as operator of the Lower Unit and the subset of wells in the before mentioned paragraph.
42. If the location of a well will be unorthodox under the spacing rules in effect at the time of completion, Operator shall obtain the OCD's approval for a non-standard location in accordance with 19.15.16.15(C) NMAC.

43. If the Lower Unit is a non-standard horizontal spacing unit which has not been approved under this Order, Operator shall obtain the OCD's approval for a non-standard horizontal spacing unit in accordance with 19.15.16.15(B)(5) NMAC.
44. Operator shall commence drilling the Well(s) within one year after the date of this Order, and complete each Well no later than one (1) year after the commencement of drilling the Well.
45. This Order shall terminate automatically if the Operator fails to comply with the preceding paragraph unless the Operator requests an extension by notifying the OCD and all parties that required notice of the original compulsory pooling application in accordance with 19.15.4.12.B and 19.15.4.12.C NMAC. Upon no objection after twenty (20) days the extension is automatically granted up to one year. If a protest is received the extension is not granted and the Operator must set the case for a hearing.
46. Operator may propose reasonable deviations from the development plan via notice to the OCD and all parties that required notice of the original compulsory pooling application in accordance with 19.15.4.12.B and 19.15.4.12.C NMAC. Upon no objection after twenty (20) days the deviation is automatically granted. If a protest is received the deviation is not granted and the Operator must set the case for a hearing.
47. The infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC shall be applicable.
48. Operator shall submit each owner of an uncommitted working interest in the pool ("Pooled Working Interest") an itemized schedule of estimated costs to drill, complete, and equip the well ("Estimated Well Costs").
49. No later than thirty (30) days after Operator submits the Estimated Well Costs, the owner of a Pooled Working Interest shall elect whether to pay its share of the Estimated Well Costs or its share of the actual costs to drill, complete and equip the well ("Actual Well Costs") out of production from the well. An owner of a Pooled Working Interest who elects to pay its share of the Estimated Well Costs shall render payment to Operator no later than thirty (30) days after the expiration of the election period, and shall be liable for operating costs, but not risk charges, for the well. An owner of a Pooled Working Interest who fails to pay its share of the Estimated Well Costs or who elects to pay its share of the Actual Well Costs out of production from the well shall be considered to be a "Non-Consenting Pooled Working Interest."
50. No later than one hundred eighty (180) days after Operator submits a Form C-105 for a well, Operator shall submit to each owner of a Pooled Working Interest an itemized schedule of the Actual Well Costs. The Actual Well Costs shall be considered to be the Reasonable Well Costs unless an owner of a Pooled Working Interest files a written objection no later than forty-five

- (45) days after receipt of the schedule. If an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Reasonable Well Costs after public notice and hearing.
51. No later than sixty (60) days after the expiration of the period to file a written objection to the Actual Well Costs or OCD's order determining the Reasonable Well Costs, whichever is later, each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs shall pay to Operator its share of the Reasonable Well Costs that exceed the Estimated Well Costs, or Operator shall pay to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs its share of the Estimated Well Costs that exceed the Reasonable Well Costs.
 52. The reasonable charges for supervision to drill and produce a well ("Supervision Charges") shall not exceed the rates specified in Exhibit A, provided however that the rates shall be adjusted annually pursuant to the COPAS form entitled "Accounting Procedure-Joint Operations."
 53. No later than within ninety (90) days after Operator submits a Form C-105 for a well, Operator shall submit to each owner of a Pooled Working Interest an itemized schedule of the reasonable charges for operating and maintaining the well ("Operating Charges"), provided however that Operating Charges shall not include the Reasonable Well Costs or Supervision Charges. The Operating Charges shall be considered final unless an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Operating Charges after public notice and hearing.
 54. Operator may withhold the following costs and charges from the share of production due to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs: (a) the proportionate share of the Supervision Charges; and (b) the proportionate share of the Operating Charges.
 55. Operator may withhold the following costs and charges from the share of production due to each owner of a Non-Consenting Pooled Working Interest: (a) the proportionate share of the Reasonable Well Costs; (b) the proportionate share of the Supervision and Operating Charges; and (c) the percentage of the Reasonable Well Costs specified as the charge for risk described in Exhibit A.
 56. Operator shall distribute a proportionate share of the costs and charges withheld pursuant to the preceding paragraph to each Pooled Working Interest that paid its share of the Estimated Well Costs.

57. Each year on the anniversary of this Order, and no later than ninety (90) days after each payout, Operator shall provide to each owner of a Non-Consenting Pooled Working Interest a schedule of the revenue attributable to a well and the Supervision and Operating Costs charged against that revenue.
58. Any cost or charge that is paid out of production shall be withheld only from the share due to an owner of a Pooled Working Interest. No cost or charge shall be withheld from the share due to an owner of a royalty interests. For the purpose of this Order, an unleased mineral interest shall consist of a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest.
59. Except as provided above, Operator shall hold the revenue attributable to a well that is not disbursed for any reason for the account of the person(s) entitled to the revenue as provided in the Oil and Gas Proceeds Payment Act, NMSA 1978, Sections 70-10-1 et seq., and relinquish such revenue as provided in the Uniform Unclaimed Property Act, NMSA 1978, Sections 7-8A-1 et seq.
60. The Lower Unit shall terminate if (a) the owners of all Pooled Working Interests reach a voluntary agreement; or (b) the well(s) drilled on the Unit are plugged and abandoned in accordance with the applicable rules. Operator shall inform OCD no later than thirty (30) days after such occurrence.
61. The Commission retains jurisdiction of this matter for the entry of such orders as may be deemed necessary.

The vote for this Order was unanimous.

ALBERT C. S. CHANG, Chairman
On behalf of the Commission

Date: _____