

**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-24239**

ORDER

THIS MATTER came before the New Mexico Oil Conservation Commission (“Commission”) upon the application of Devon Energy Production Company, LP (“Operator” or “Devon”) for a *de novo* review of Oil Conservation Division (“OCD”) Order R-24123. Having reviewed the relevant filings, including the Parties’ Joint Motion for Entry of Orders, held a hearing on the matter on March 4, 2026, and being otherwise fully appraised in the matter; the Commission hereby FINDS and ORDERS as follows:

1. This matter involves Devon’s application to compulsory pool the uncommitted oil and gas interests in the Bone Spring formation and vacate Order R-22550 (“Application”). Order R-22550 previously 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.
2. 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.
3. The Operator seeks to be designated the Operator of the Unit, which consists 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; and
 - 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].
4. The Application described an area of the Bone Spring formation that includes three (3) pools, two (2) of which are vertically separated.
5. On November 27, 2025, the OCD issued Division Order R-24123 denying the compulsory pooling application without prejudice because the OCD found that the application involved two

separate sources of supply. Division Order R-24123 noted that the Operator may reapply under two separate cases, or, in the alternative, the Operator may reapply under one compulsory pooling case if the Operator is able to first obtain a nomenclature order designating a single continuous source that includes both the upper and lower Bone Spring formations.

6. On December 19, 2025, Devon submitted an application for *de novo* hearing of order R-24123. At the *de novo* hearing, the Parties agreed that NMSA 1978 Section 70-2-33 and 19.15.2.7.P.(18) NMAC together requires that when pooling sources of supply, a single well must effectively and efficiently drain all common sources of supply being pooled.

7. In this Application, Devon proposes fourteen (14) wells (“Wells”).

8. Six (6) of the fourteen (14) proposed wells 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

9. Eight (8) of the fourteen (14) proposed wells 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

10. No single well penetrates and drains both the Upper Zone and the Lower Zone. Therefore, because no individual well can drain both zones, these zones must be pooled in two separate orders.

11. The Commission has jurisdiction to issue this Order pursuant to 70-2-17 NMSA.

12. 70-2-11 NMSA provides 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;” and “[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.”

13. The Commission notes that the Operator has identified the owners of uncommitted interests in oil and gas minerals in the Unit and provided evidence that notice has been given as part of the prior proceedings. *See* Division Order R-24123

14. Therefore, the Commission finds that the Commission has the authority to resolve this matter by bifurcating this case into two resulting Orders: this instant Order for the Lower Zone, and Order R-24236 for the Upper Zone.

COMPULSORY POOLING OF THE LOWER ZONE

15. The Operator proposes supervision charges of \$10,000 while drilling and \$1,000 while producing, and a risk charge of 200% for the Wells.

16. The 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 for Division Case Number 25296.

17. Operator is the owner of an oil and gas working interest within the Unit.

18. Operator satisfied the notice requirements for the Application and the hearing as required by 19.15.4.12 NMAC.

19. Operator has the right to drill the Wells to the common sources of supplies at the depths and locations in the Unit as described above in Paragraph 9 of this Order.

20. The Unit contains separately owned uncommitted interests in oil and gas minerals.

21. Some of the owners of the uncommitted interests have not agreed to commit their interests to the Unit.

22. The pooling of uncommitted interests in the Unit will prevent waste and protect correlative rights, including the drilling of unnecessary wells.

23. This Order affords the owner of an uncommitted interest the opportunity to produce his just and equitable share of the oil or gas in the pool.

24. 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”).
25. 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
26. Operator is designated as operator of the Lower Unit and the wells in paragraph 25.
27. 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.
28. 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.
29. 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.
30. 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.
31. 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.

32. The infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC shall be applicable.
33. 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”).
34. 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.”
35. 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.
36. 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.
37. The reasonable charges for supervision to drill and produce a well (“Supervision Charges”) shall not exceed the rates specified in Paragraph 15 above, provided however that the rates shall be adjusted annually pursuant to the COPAS form entitled “Accounting Procedure-Joint Operations.”
38. 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.

39. 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.

40. 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 Paragraph 15 above.

41. 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.

42. 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.

43. 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 interest. 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.

44. 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.

45. 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.

46. Order R-22550 is hereby vacated.
47. Any remaining pending motions in this case are denied as moot.
48. 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: 3/10/2026