

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

**APPLICATION OF DEVON ENERGY PRODUCTION
COMPANY LP FOR APPROVAL OF 1,280-ACRE
NON-STANDARD SPACING UNITS IN THE BONE SPRING
AND WOLFCAMP FORMATIONS COMPRISED OF
ACREAGE SUBJECT TO PROPOSED COMMUNITIZATION
AGREEMENTS, EDDY COUNTY, NEW MEXICO.**

**CASE NO. 21182
ORDER NO. R-21359**

ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard this matter through a Hearing Examiner on April 30, 2020, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Order.

FINDINGS OF FACT

1. Due public notice has been given, and OCD has jurisdiction of this case and its subject matter.
2. Devon Energy Production Company, L.P. (“Devon”) filed an application (“Application”) seeking approval of a 1,280-acre non-standard horizontal spacing unit for production from all Division-designated pools in the Bone Spring formation underlying all of Sections 22 and 27, Township 23 South, Range 29 East, NMPM Eddy County, New Mexico (“Spacing Unit”). The Spacing Unit will be initially dedicated to the following horizontal wells in the Bone Spring formation (“Bone Spring Wells”):
 - 1) Papas Fritas 27-22 Federal Com #331H (30-015-46580)
 - 2) Papas Fritas 27-22 Federal Com #332H (30-015-46579)
 - 3) Papas Fritas 27-22 Federal Com #333H (30-015-46578)
3. The Bone Spring Wells will be or have been drilled and completed in the Laguna Salado; Bone Spring (Pool Code 96721), along with the Laguna Salado; Bone Spring, South (Pool Code 96857).
4. The Application also seeks approval of a 1,280-acre non-standard horizontal spacing unit for production from all OCD-designated pools in the Wolfcamp formation underlying the Spacing Unit. The Spacing Unit will be initially dedicated to the following horizontal wells in the Wolfcamp formation (“Wolfcamp Wells”):
 - 1) Papas Fritas 27-22 Federal Com #621H (30-015-46573) (NSL 7912)
 - 2) Papas Fritas 27-22 Federal Com #622H (30-015-46577) (NSL 7913)
 - 3) Papas Fritas 27-22 Federal Com #623H (30-015-46576) (NSL 7914)

- 4) Papas Fritas 27-22 Federal Com #711H (30-015-46572) (NSL 7915)
- 5) Papas Fritas 27-22 Federal Com #712H (30-015-46574) (NSL 7916)
- 6) Papas Fritas 27-22 Federal Com #713H (30-015-46575) (NSL 7917)
5. The Wolfcamp Wells will be or have been drilled and completed in the Purple Sage; Wolfcamp Pool (Pool Code 98220).
6. Devon appeared at hearing and presented evidence by affidavit.
7. The Spacing Unit is comprised of the following two leases:
 - 1) Federal Lease NMNM-66425 containing all of section 22; and
 - 2) Federal Lease NMNM-105557 containing all of section 27
8. All working interest has been previously pooled under Orders R-20957, R-20958, R-20959, R-20960, and R-20961. Devon has since obtained voluntary joinder from all working interests to develop the Spacing Unit.
9. Devon expects all working interest owners in the Spacing Unit to ratify separate communitization agreements for the Bone Spring and Wolfcamp formations that require production from all wells within the Spacing Unit to be allocated among leaseholds comprising said area in the proportion that the acreage interest of each leasehold bears to the entire acreage interest committed to the agreements.
10. The Bureau of Land Management (“BLM”) informed Devon that it will approve separate communitization agreements for the Bone Spring and Wolfcamp formations.
11. Devon intends to minimize surface disturbance by consolidating facilities and commingling production from existing and future wells in the Spacing Unit.
12. By consolidating the Spacing Unit for the Bone Spring and Wolfcamp formations, Devon can exercise flexibility in the spacing of wells, efficiently and effectively develop the oil and gas minerals, and reduce surface disturbance.
13. Devon estimates that the Spacing Unit will allow an estimated sixty (60) percent reduction in surface facilities at a cost savings of approximately \$9.5 million.
14. The Bone Spring and Wolfcamp formations are continuous and are expected to be productive in all quarter-quarter sections of the Bone Spring and Wolfcamp formations in the Spacing Unit.
15. Devon gave notice of the Application to all mineral owners, including overriding royalty interests, in the Spacing Unit, all affected parties in the tracts that adjoin the Spacing Unit, and BLM.

16. Devon published notice of the Application and hearing in a newspaper of general circulation in Eddy County, New Mexico
17. No other party appeared at the hearing or opposed granting the Application.

CONCLUSIONS OF LAW

18. OCD is authorized to approve non-standard spacing units pursuant to Section 70-2-18(C), NMSA 1978.
19. Devon has met the notice requirements for approval of non-standard horizontal spacing units in accordance with 19.15.16.15(B)(5) NMAC.
20. OCD's rules contemplate and encourage the development of oil and gas, whenever possible, in enlarged areas of common ownership to minimize surface disturbance and promote efficient well spacing in accordance with 19.15.16.7(P) NMAC, 19.15.16.15(B)(8) NMAC and 19.15.16.15(C)(7) NMAC.
21. Consolidation of the Spacing Unit in the Bone Spring and Wolfcamp formations will not impair correlative rights.
22. Consolidation of the Spacing Unit promotes effective well spacing and allows Devon to reduce surface disturbance, efficiently locate surface facilities, and reduce development costs.

ORDER

23. The Application to create a 1,280-acre non-standard horizontal spacing unit for production from all Division-designated pools in the Bone Spring formation underlying all of Section 22 and 27, Township 23 South, Range 29 East, NMPM Eddy County, New Mexico **is hereby approved.**
24. The Application to create a 1,280-acre non-standard horizontal spacing unit for production from all Division-designated pools in the Wolfcamp formation underlying all of Section 22 and 27, Township 23 South, Range 29 East, NMPM Eddy County, New Mexico **is hereby approved.**
25. Devon shall file amended Forms C-102 reflecting the correct acreage dedicated for each of the Bone Spring and Wolfcamp Wells.
26. OCD retains jurisdiction of this case for entry of such further orders as the Division may deem necessary.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



ADRIENNE SANDOVAL
DIRECTOR

AES/jag

Date: 6/10/2020