

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:

APPLICATION OF DEVON ENERGY PRODUCTION COMPANY, L.P. TO
RESCIND CERTAIN SPECIAL POOL RULES PROMULGATED BY ORDER
NO. R-3437, LEA COUNTY, NEW MEXICO.

CASE NO. 15197
ORDER NO. R-3437-D

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 18, 2014, at Santa Fe, New Mexico, before Examiner Richard I. Ezeanyim.

NOW, on this 3rd day of November, 2014, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.
- (2) Case Nos. 15196 and 15197 were consolidated at the hearing for the purpose of testimony; however, separate orders should be issued for each case.
- (3) In Case No. 15197, Devon Energy Production Company, L.P. ("Devon" "Applicant" or "Operator") seeks an order to rescind certain special rules and regulations for the North Paduca-Delaware Pool (**Pool Code 49490**).
- (4) By Order No. R-3437 issued in Case No. 3786 on June 18, 1968, the Commission promulgated Special Rules and Regulations for the North Paduca-Delaware Pool, including the dedication of 40-acre oil spacing and proration units to an oil well. In Case No. 15196 (Order No. R-13923), the Division expanded the horizontal limits of the North Paduca-Delaware Pool, which now consist of the following described acreage in Townships 24 and 25 South, Range 32 East, NMPM, Lea County, New Mexico.

Township 24 South, Range 32 East, NMPM.

Section 33: All
Section 34: SW/4

Township 25 South, Range 32 East, NMPM.

Section 4: All
Section 5: All
Section 6: All

(5) The Applicant appeared at the hearing through counsel and presented the following testimony:

(a) The Commission Order No. R-3437 promulgated special rules and regulations for the North Paduca-Delaware Pool, which contained provisions for both oil and gas wells in the pool.

(b) The wells drilled in the pool from 1968 to date have all been oil wells; therefore, the rules and regulation pertaining to gas wells should be rescinded.

(c) The Applicant requests that the following special rules and regulations, namely Rules 2(a), 3 to 5, and 7 to 22 contained in Commission Order No. R-3437 be rescinded.

(d) The granting of this application by rescinding these special rules and regulations and returning them to statewide rules will allow the Applicant to develop its acreage in the pool more effectively and efficiently.

(e) Notice of this application was provided to all the operators within the pool and within one mile of the pool.

(f) No operator appeared at the hearing to oppose the granting of this application.

The Division concludes as follows:

(6) The Commission Order No. R-3437 has outdated provisions that are not in conformance with the current oil and gas industry operations. The special pool rules and regulations have provisions for both oil and gas wells.

(7) The evidence presented at the hearing indicates that this pool is only an oil pool, and no gas wells have been drilled in the pool since 1968. It is therefore reasonable to rescind all provisions of Order No. R-3437 pertaining to gas wells.

(8) By Division Order No. R-3437-C issued in Case No. 15147 on October 27, 2014, the Division amended Order No. R-3437 and increased the Depth Bracket

allowable in this pool from 80 to 350 barrels of oil per day for a standard 40-acre oil spacing and proration unit.

(9) The provisions of the special rules and regulations 2(a), 3 to 5, and 7 to 22 set forth in Division Order No. R-3437 should be rescinded, and all other rules should be returned to statewide rules.

(10) All remaining provisions of Order No. R-3437 [Rules (1), (2b), and (6)], including the provisions in Order No. R-3437-C, which increased the Depth Bracket allowable from 80 to 350 barrels of oil per day for a 40-acre oil spacing and proration unit, should remain in full force and effect.

(11) This application should be approved in order to prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of Devon Energy Production Company, L.P. (**OGRID 6137**), to rescind certain special rules and regulations for the North Paduca-Delaware Pool (**Pool Code 49490**), is hereby **approved**.

(2) The following Special Pool Rules and Regulations, namely Rules 2(a), 3 to 5, and 7 to 22 promulgated by Order No. R-3437 for the North Paduca-Delaware Pool, are hereby rescinded and placed in abeyance.

(3) All other rules and regulations shall be in conformance with statewide rules.

(4) The remaining provisions of Order No. R-3437 [Rules (1), (2b), and (6)], and Order No. R-3437-C shall remain in full force and effect.

(5) 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
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JAMI BAILEY
Director