

**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. 15145
ORDER NO. R-13858**

**APPLICATION OF DEVON ENERGY PRODUCTION COMPANY, LP 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, at Santa Fe, New Mexico, before Examiner Richard I. Ezeanyim.

NOW, on this 10th day of July, 2014, the Division Director, having considered the testimony, the record and the recommendations of Examiner Phillip R. Goetze,

FINDS THAT:

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

(2) Case Nos. 15145 and 15146 were consolidated at the hearing for the purpose of testimony; however, separate orders should be issued for each case.

(3) In Case No. 15145, Devon Energy Production Company, L.P. ("Devon" or "Applicant") seeks approval of a non-standard 160-acre oil spacing and proration unit (project area) in the Bone Spring formation, West Lusk-Bone Spring Pool (pool code 41480), comprised of the N/2 N/2 of Section 24, Township 19 South, Range 31 East, NMPM, in Eddy County, New Mexico. Applicant further seeks an order pooling all uncommitted interests in the Unit.

(4) The Unit will be dedicated to the Applicant's Mimosa 24 Federal Com. Well No. 1H ("the subject well"); (API No. 30-015-40626), a horizontal well drilled from a surface location 582 feet from the North line and 275 feet from the West line (Unit D)

of Section 24, to a standard terminus 400 feet from the North line and 340 feet from the East line (Unit A) of Section 24. The completed interval of the subject well in the Bone Spring formation is orthodox:

(5) The proposed well is within the West Lusk-Bone Spring Pool (pool code 41480). Spacing in this pool is governed by statewide 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.

(6) 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.

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

- (a) 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;
 - (b) Applicant is preparing to submit the proposed Communitization Agreement to the United States Bureau of Land Management ("BLM"); however, the Communitization Agreement cannot be approved because the record title owners for Federal Lease NMLC0029358, Charles E. and Sadie Jones (husband and wife), have not ratified or otherwise approved the Communitization Agreement;
 - (c) Applicant mailed a copy of the Communitization Agreement to record title holders on January 29, 2014, and did not receive a response;
 - (d) Applicant also provided notice of hearing by publication and submitted proof of publication at the second hearing; and
 - (e) the subject well is already drilled and completed as proposed.
- (8) Applicant also presented geologic evidence to the effect that:
- (a) The Bone Spring formation in this area is suitable for development by horizontal drilling;
 - (b) the orientation of the horizontal well East to West or West to East is appropriate for the proposed Unit; and

(c) all quarter-quarter sections to be included in the Unit are productive in the Bone Spring formation, so that formation of the Unit as requested will not impair correlative rights.

(9) Applicant requested to be designated the operator of the subject well and the Unit.

(10) Applicant requested that no provision be made regarding sharing of costs or revenues since the party to be pooled owns only the record title.

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

The Division concludes as follows:

(12) 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.

(13) 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.

(14) The interests of the record title owners should be pooled for the purpose of combining all interests in the Unit.

(15) Once the interests of Charles E. and Sadie Jones and all interests of their heirs, devisees, and successors are pooled by order of the Division, then all heirs, devisees, and successors will have either ratified and joined the Communitization Agreement or will have had their interests combined by order of the Division.

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

(17) 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.

(18) Devon should be designated the operator of the subject well and the Unit.

(19) Because the subject well has already been drilled, there is no necessity to include provisions regarding the commencement of drilling in this Order.

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, the West Lusk-Bone Spring Pool (pool code 41480), consisting of the N/2 N/2 of Section 24, 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 in the Bone Spring formation underlying the Unit are hereby pooled.

(3) The Unit shall be dedicated to the Applicant's Mimosa 24 Federal Com. Well No. 1H ("the subject well"); (API No. 30-015-40626), a horizontal well to be drilled from a surface location 582 feet from the North line and 275 feet from the West line (Unit D) of Section 24, to a standard terminus 400 feet from the North line and 340 feet from the East line (Unit A) of Section 24. The completed interval of the subject well in the Bone Spring formation is orthodox.

(4) Should the subject 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 the 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 subject 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 well is completed.

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

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

(7) 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).

(8) 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.

(9) 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.

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

(11) 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.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, appearing to read "Jami Bailey".

JAMI BAILEY
Director