

**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. 15317
ORDER NO. R-14015**

**APPLICATION OF DEVON ENERGY PRODUCTION COMPANY, L.P. 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 June 25, 2015 at Santa Fe, New Mexico, before Examiner Michael McMillan.

NOW, on this 15th day of July, 2015, 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 of the subject matter.

(2) Devon Energy Production Company, L.P. ("Devon" or "Applicant") seeks approval of a non-standard 160-acre oil spacing and proration unit and project area (the "Unit") in the Bone Spring formation, Cass Draw; Bone Spring Pool (pool code 10380), comprising the S/2 of the N/2 of Section 22, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico. Applicant further seeks an order pooling all uncommitted interests in the Unit.

(3) The Unit will be dedicated to the Applicant's Grandi 22 Well No. 2H (the "subject well"; API No. 30-015-42821), a horizontal well drilled from a surface location 1360 feet from the North line and 255 feet from the West line (Unit E) of Section 22, to a standard terminus 2265 feet from the North line and 330 feet from the East line (Unit H) of Section 22. The completed interval of the subject well in the Bone Spring formation will be orthodox.

(4) The subject well is within the Cass Draw; Bone Spring Pool (pool code 10380). 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 five adjacent quarter-quarter sections.

(5) At the hearing, the Applicant through counsel presented by affidavit land and geologic evidence to the effect that:

- (a) Applicant provided notice of this application by publication before hearing in a newspaper of general circulation in Eddy County, New Mexico, the county in which the property is located for the unlocatable interests;
- (b) Select royalty owners are being compulsory pooled, because the pooling provision in their oil and gas leases may not adequately provide for the pooling of their interest into project areas;
- (c) Applicant attempted good faith effort to obtain voluntary joinder of interests in the well;
- (d) the Bone Spring formation in this area is suitable for development by horizontal drilling;
- (e) the orientation of the horizontal well east to west or west to east is appropriate for the proposed Unit; and
- (f) 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.

(6) Applicant requested that no provision be made regarding sharing of costs or revenues, since the select royalty owners have signed leases.

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

The Division concludes that:

(8) Approval of the proposed 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.

(9) 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.

(10) The interests of the lessors who have not amended their leases to allow for pooling should be pooled for the purpose of combining all interests in the Unit.

(11) Applicant is owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill the subject well to a common source of supply within the Unit.

(12) 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.

(13) Devon Energy Production Company, L.P. should be designated the operator of the subject well and of the Unit.

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, Cass Draw; Bone Spring Pool (pool code 10380), consisting of the S/2 of the N/2 of Section 22, Township 22 South, Range 27 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 Grandi 22 Well No. 2H (the "subject well"; API No. 30-015-42821), a horizontal well drilled from a surface location 1360 feet from the North line and 255 feet from the West line (Unit E) of Section 22, to a standard terminus 2265 feet from the North line and 330 feet from the East line (Unit H) of Section 22. The completed interval of the subject well in the Bone Spring formation will be orthodox.

(4) 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.

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

(6) All proceeds from production from the subject 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

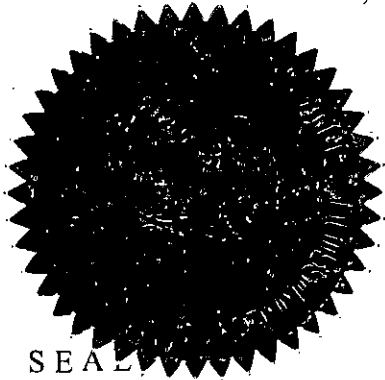
appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 70-8A-31, as amended)

(7) 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.

(8) 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.

(9) 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
OIL CONSERVATION DIVISION

David R. Catanach

DAVID R. CATANACH
Director