

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

**CASE NO. 20732
ORDER NO. R-21013**

APPLICATION OF DEVON ENERGY PRODUCTION COMPANY, L.P. FOR APPROVAL OF 1264.64-ACRE NON-STANDARD SPACING UNITS IN THE BONE SPRING AND WOLFCAMP FORMATIONS COMPRISED OF ACREAGE SUBJECT TO PROPOSED COMMUNITIZATION AGREEMENTS, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 5, 2019, at Santa Fe New Mexico, before Examiner William V. Jones.

NOW, on this 13th day of January, 2020, the Division Director, having considered the testimony, the record, and the recommendations of the Examiners,

FINDS THAT

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

(2) Devon Energy Production Company, L.P. ("Applicant" or "Devon") seeks approval of a 1264.64-acre non-standard horizontal spacing unit for production from all Division designated pools in the Bone Spring formation underlying the S/2 of Section 20, all of Section 29 and all of irregular Section 32, Township 26 South, Range 34 East, NMPM, Lea County, New Mexico (the "Subject Lands"). This proposed non-standard horizontal spacing unit will be initially dedicated to the following horizontal wells:

1. Green Wave 20-32 Fed State Com 1H (30-025-43186) drilled and completed in the WG-025 G-0652634079; Upper Bone Spring Pool (97892),
2. Green Wave 20-32 Fed State Com 3H (30-025-43184) drilled in the Bradley Bone Spring Pool (7280),
3. Green Wave 20-32 Fed State Com 15H (30-025-46141) permitted in the Bradley Bone Spring Pool (7280),
4. Green Wave 20-32 Fed State Com 16H (30-025-46056) permitted in the Bradley Bone Spring Pool (7280),
5. Green Wave 20-32 Fed State Com 17H (30-025-46057) permitted in the Bradley Bone Spring Pool (7280), and

6. Green Wave 20-32 Fed State Com 18H (30-025-46058) permitted in the Bradley Bone Spring Pool (7280).

(3) Devon also seeks approval of a 1264.64-acre non-standard horizontal spacing unit for production from all Division designated pools in the Wolfcamp formation underlying the Subject Lands. This proposed non-standard horizontal spacing unit will be initially dedicated to the following proposed horizontal wells permitted in the Bobcat Draw; Upper Wolfcamp Pool (98094):

1. Green Wave 20-32 Fed State Com 2H (30-025-44594),
2. Green Wave 20-32 Fed State Com 4H (30-025-46046),
3. Green Wave 20-32 Fed State Com 5H (30-025-46047),
4. Green Wave 20-32 Fed State Com 6H (30-025-46048),
5. Green Wave 20-32 Fed State Com 7H (30-025-46049),
6. Green Wave 20-32 Fed State Com 8H (30-025-46050),
7. Green Wave 20-32 Fed State Com 9H (30-025-46051),
8. Green Wave 20-32 Fed State Com 10H (30-025-46052),
9. Green Wave 20-32 Fed State Com 11H (30-025-46053),
10. Green Wave 20-32 Fed State Com 12H (30-025-46054),
11. Green Wave 20-32 Fed State Com 13H (30-025-46055),
12. Green Wave 20-32 Fed State Com 14H (30-025-45746).

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

a. The Subject Lands are comprised of three leases: A federal lease covering the NE/4 NE/4 of Section 29 (USA NMNM 110840), a federal lease covering the remainder of Section 29 and the S/2 of Section 20 (USA NMNM 114991), and a state lease covering irregular Section 32 along the state line with Texas (VB-2225-0004).

b. All working interests in the Subject Lands are consolidated under joint operating agreements and no pooling is necessary for these non-standard horizontal spacing units.

c. All working interest owners in the Subject Lands are expected to ratify separate communitization agreements for the Bone Spring and Wolfcamp formations that require production from all wells within the proposed non-standard horizontal spacing units 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.

d. The Bureau of Land Management ("BLM") has informed Devon that due to the configuration of the lots under the state lease covering irregular Section 32, the BLM will not permit commingling of production from standard spacing units unless each standard unit has an independent tank battery, separator and Coriolis meter.

e. The BLM has further stated that to avoid these additional surface facilities, it would prefer to consolidate the Subject Lands under a communitization agreement for each formation.

f. The State Land Office ("SLO") has likewise expressed a desire to consolidate the Subject Lands under a communitization agreement for each formation but noted Division approval of a non-standard horizontal well spacing unit in each formation is necessary before the SLO can approve the desired communitization agreements.

g. The SLO has indicated it will approve a communitization agreement covering all pools within the Bone Spring formation and a separate communitization agreement covering all pools within the Wolfcamp formation after the Division approves corresponding non-standard spacing units in these formations.

h. Devon's existing and proposed wells will develop all 40-acre tracts within the Bone Spring and the Wolfcamp formations underlying the Subject Lands.

i. Consolidation of the Subject Lands under non-standard horizontal spacing units will allow flexibility in the spacing of wells, allow Devon to efficiently and effectively develop the Bone Spring and Wolfcamp formations, and reduce the necessary surface disturbances.

j. Devon has estimated that approval of this application will reduce the necessary surface disturbance by 50% and further result in a cost savings of approximately \$4.7 million.

k. Both the Bone Spring formation and Wolfcamp formation are continuous throughout the Subject Lands and all quarter-quarter sections to be included in the non-standard horizontal spacing units are expected to be productive in the Bone Spring and Wolfcamp formations.

l. Notice of this application and hearing was provided to the BLM and the SLO.

m. Notice of this application was provided to all mineral owners, including overriding royalty interests, in the Subject Lands and to all affected parties in the tracts that adjoin the Subject Lands.

n. Notice of this application and hearing was published in a newspaper of general circulation in Lea County, New Mexico.

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

THE DIVISION CONCLUDES THAT,

(6) The Division has statutory authority under Section 70-2-18(C), NMSA 1978, to approve non-standard spacing units.

(7) Applicant has met the notice requirements for approval of non-standard horizontal spacing units under 19.15.16.15.B(5) NMAC.

(8) Division Rules contemplate and encourage oil and gas development, where possible, in enlarged areas of common ownership to minimize surface disturbance and to promote efficient well spacing. *See, e.g.,* 19.15.16.7.P NMAC; 19.15.16.15.B(8) NMAC and 19.15.16.15.C(7) NMAC.

(9) Consolidation of the Subject Lands into a single non-standard spacing unit in the Bone Spring formation and a single non-standard horizontal spacing unit in the Wolfcamp formation will not impair correlative rights.

(10) Approval of this application will allow Devon to efficiently locate surface facilities, reduce surface disturbances, promote effective well spacing and reduce development costs.

(11) Applicant's request for a 1264.64-acre non-standard horizontal spacing unit for production from all Division designated pools in the Bone Spring formation underlying the Subject Lands should be approved.

(12) Applicant's request for a 1264.64-acre non-standard horizontal spacing unit for production from all Division designated pools in the Wolfcamp formation underlying the Subject Lands should be approved.

IT IS THEREFORE ORDERED THAT

1. Devon's application to create a 1264.64-acre non-standard horizontal spacing unit for production from all Division designated pools in the Bone Spring formation underlying the S/2 of Section 20, all of Section 29 and all of irregular Section 32, Township 26 South, Range 34 East, NMPM, Lea County, New Mexico is hereby approved.

2. Devon's application to create a 1264.64-acre non-standard horizontal spacing unit for production from all Division designated pools in the Wolfcamp formation underlying the S/2 of Section 20, all of Section 29 and all of irregular Section 32, Township 26 South, Range 34 East, NMPM, Lea County, New Mexico is hereby approved.

3. Devon shall file amended forms C-102 reflecting the correct acreage dedication for each of the existing and proposed wells identified above.

4. Jurisdiction of this case is hereby 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

Handwritten signature of Adrienne Sandoval in blue ink.

ADRIENNE SANDOVAL
Director