

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

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AUG 11 2003

Oil Conservation Division

IN THE MATTER OF THE HEARINGS CALLED
BY THE OIL CONSERVATION DIVISION
FOR THE PURPOSE OF CONSIDERING:

APPLICATION OF OCEAN ENERGY, INC.
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

Case No. 13036

APPLICATION OF DAVID H. ARRINGTON
OIL & GAS, INC. FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.

Case No. 13039

Order No. R-11956

OCEAN ENERGY, INC.'S
APPLICATION FOR EMERGENCY ORDER,
MOTION TO INTERPRET ORDER,
AND MOTION FOR STAY

Ocean Energy, Inc., now known as Devon OEI Operating Inc. ("Ocean" or "Devon") files this application for emergency relief relating to the interpretation of Order No. R-11956 (the "Order"). **DEVON REQUESTS THAT THE DIVISION ISSUE AN ORDER NO LATER THAN TUESDAY, AUGUST 12, 2003.**

This application is filed under the terms of the Order, which retained jurisdiction "for the entry of such further orders as the Division may deem necessary" (**Ordering Paragraph (24)**), and under Division Rule 1202.

I. FACTS.

These cases involve the compulsory pooling of the E½ of Section 8, Township 17, Range 35 East, N.M.P.M. (the "Unit"). Devon applied to pool the Unit for a well in the SE¼ of Section 8, and David H. Arrington Oil & Gas, Inc. ("Arrington") applied to pool the Unit for a well in the NE¼ of Section 8. The matter was

heard on March 27, 2003, and the Order was entered on May 13, 2003.

The Order found, in relevant part:

(14) ... Ocean's proposed location represents *the optimal plan for development* of the Unit at this time. (Emphasis added.)

(17) ... [T]he application of Ocean in Case No. 13036 should be approved ...

(18) ... Ocean's proposed location appears to be the preferable location ...

The Order then approved Devon's location, and gave Ocean until August 31, 2003 to commence its well. **Ordering Paragraph (2)**. Ocean has commenced its well, which is now drilling at an approximate depth of 8000 feet.

The Order also authorized an infill well. **See Ordering Paragraphs (15)-(20)**. Claiming to be acting under the terms of the infill provisions, Arrington mailed a proposal letter to the interest owners on July 10, 2003, proposing an infill well in the NE¼ of Section 8. **See Exhibit A**. Devon received the letter on July 14, 2003. If the proposal letter is valid, Devon's election on the infill well must be made by August 13, 2003. **Ordering Paragraph (18)**.

In hopes of resolving this matter without Division intervention, Devon twice wrote to Arrington, requesting that the proposal letter be rescinded or withdrawn. **Exhibits B and C**. Devon also verbally requested that the election period under the letter at least be extended in order to obtain results from the well now drilling. Two days ago Arrington verbally informed Devon that it would not withdraw its proposal letter.

II. SUMMARY OF ISSUES.

The Order does not set forth a specific time frame for the proposal of an infill well. However, if Arrington's proposal letter is valid, *before Devon's well is even completed* the interest owners must make an election on the infill well. Devon submits that such a reading of the Order is wrong and illogical, and would cause waste. Therefore, Devon requests the Division to enter an order (1) declaring that an infill well under the Order cannot be proposed until after the first well thereunder is drilled, and (2) holding that Arrington's proposal letter is invalid, or at least staying its effect until Devon's well is completed and evaluated.

III. ARGUMENT.

A. Arrington's Infill Proposal is Contrary to the Order and the Evidence.

As noted in Part I above, the Division held that Devon's plan was the *optimal plan* for development of the Unit. **At the hearing, Devon's testimony was that the optimal plan of development of the Unit was to drill Devon's well first, test it, and then determine if the infill well was justified.** Therefore, allowing Arrington's proposal letter to be valid contravenes the findings in the Order, and the testimony used by the Division to grant Ocean's application.

Moreover, Devon had until August 31, 2003 to commence its well under the Order. If Arrington's proposal letter is valid, it means that the parties to a pooling order must make an election on an infill well even before the first well is even commenced or drilled. This is an illogical interpretation of the Order. It

means that all findings in the Order regarding optimal plan of development, initial well location, operatorship, etc. are essentially meaningless. The Division must interpret its orders in a common sense fashion.

Under the Order, Devon had until August 31, 2003 to commence its well. Therefore it must be implied in the order that the infill well proposal cannot be given until the first well is drilled, or after August 31, 2003 at the earliest.

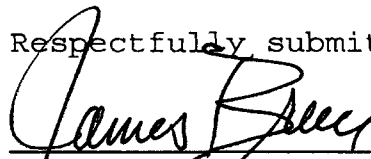
B. Arrington's Infill Proposal May Cause Waste.

As noted above, Ocean's plan for development of the Unit is to drill the initial well, determine its success, and then see if an infill well is necessary. Requiring an infill well to be decided upon before the first well is even completed may cause waste: The infill well would be drilled without data from the first well. This violates the Division's statutory responsibilities to prevent waste.

IV. CONCLUSION.

Arrington's proposal letter does not comply with the Order. Devon requests that the Division issue an order declaring that Arrington's proposal letter is invalid under the order, or staying its effect until after the initial well is completed and evaluated.

Respectfully submitted,




James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Ocean Energy, Inc.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon the following counsel of record via facsimile transmission and U.S. Mail this 8th day of August, 2003:

William F. Carr
Holland & Hart LLP
Post Office Box 2208
Santa Fe, New Mexico 87504
Fax No. (505) 983-6043


James Bruce

DAVID H. ARRINGTON OIL & GAS, INC.

P.O. BOX 2071 , MIDLAND, TEXAS 79702
OFF (915) 682-6685
FAX (915) 682-4139

July 10, 2003

CERTIFIED MAIL: 7002 2410 0001 5839 3720

Nadel and Gussman Permian, L.L.C.
601 N. Marienfeld, Suite 508
Midland, TX 79701

RE: Infill Well Proposal pursuant to NMOCID Order # R-11956, Case # 13036/13039
Pink Cahill State "8" #1 Well
E/2 of Section 8, T17S-R35E
Lea County, New Mexico
Our S. Wild Onion Prospect

Gentlemen:

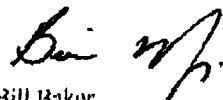
Pursuant to paragraph 17 of NMOCID Order # R-11956, case no. 13036/13039, David H. Arrington Oil & Gas, Inc. proposes the drilling of the above referenced infill well at a location of 1980' FNL and 990' FLL of Section 8, T17S-R35E, Lea County, New Mexico. Upon continued review of all the technical information on the wells in the immediate area, it is still apparent that the acreage in the NE/4 of Section 8 is in a competitive drainage situation with the two (2) direct north offset wells. To that end, we are currently losing reserves to these competitive wells. This infill well is proposed to be drilled to a depth of 12,800' to test the Lower Atoka, Morrow and Mississippian formations. The proposed spacing unit for this well will be the E/2 of said section 8.

The AFE sets forth the anticipated costs for the drilling and completing of this test well. In the event that you should elect to participate in the drilling of this test well, please so indicate by signing and returning one copy of the AFE to my attention at the letterhead address.

In the event that you should elect to not participate in the drilling of this test well, Arrington would be willing to discuss with you a farmout covering your interest in the proposed spacing unit.

Please review this proposal at your earliest convenience and in the interim period should you have any questions or comments, please advise.

Sincerely,


Bill Baker
Exploration Manager

Enclosure





Richard Winchester
Land Advisor

Devon Energy Corporation
20 North Broadway
Oklahoma City, Oklahoma 73102-8260

Phone: (405) 228-4415
Fax: (405) 552-8113

July 17, 2003

Mr. Bill Baker
David H. Arrington Oil & Gas, Inc.
P.O. Box 2071
Midland, Texas 79702

Certified Mail

**Re: Infill Well Proposal Pursuant to NMOCD Order # R-11956
Pink Cahill State "8" #1 Well
E/2 of Section 8, T17S-R35E
Lea County, New Mexico**

Gentlemen:

Devon Energy Production Company, L.P. ("Devon") is in receipt of the well proposal from David H. Arrington Oil & Gas, Inc. ("Arrington") dated July 10, 2003, for the Pink Cahill State "8" #1 Well, located in the NE/4 of Section 8, T17S-R35E. Arrington's proposal states that the referenced well is the designated infill well provided for under NMOCD Order #R-11956.

NMOCD Order #R-11956 found that Devon's location in the SE/4 of Section 8 is the optimal location in the spacing unit to test the Atoka-Brunson sand. As a result of its findings, the NMOCD assigned the E/2 of Section 8 as the spacing unit for Devon's proposed Dirt Devil State Com "8" Well #1. Devon is planning to spud this well within the next seven days. Order #R-11956 provides for the following: 1) Devon's location is the primary location under the Order, 2) timely operations on the Dirt Devil State Com "8" Well #1 are required to maintain the parties rights under the Order, and 3) a well drilled in the NE/4 of Section 8 is considered an "infill" well. Given the preference for Devon's location, and the time requirement for commencing operations at this location, it is assumed and implied in the Order that Devon's Dirt Devil State Com "8" Well #1 should be drilled and tested before the location for the infill well is determined. Therefore, Devon requests that Arrington withdraw its well proposal immediately. Should Arrington refuse this request, Devon will seek a stay of the election period under said proposal until such time as the Dirt Devil State Com "8" Well #1 is drilled and tested.

Please call me at (405) 228-4415 should you have any questions.

Sincerely,

Richard C. Winchester
Land Advisor





Richard Winchester
Land Advisor

Devon Energy Corporation
20 North Broadway
Oklahoma City, Oklahoma 73102-8260

Phone: (405) 228-4415
Fax: (405) 552-8113

July 29, 2003

Mr. Bill Baker
David H. Arrington Oil & Gas, Inc.
P.O. Box 2071
Midland, Texas 79702

**Via Certified Mail
& Facsimile (432) 682-4139**

**Re: Infill Well Proposal Pursuant to NMOCD Order #R-11956
Pink Cahill State "8" #1 Well
E/2 of Section 8, T17S-R35E
Lea County, New Mexico**

Gentlemen:

By letter dated July 17, 2003, Devon Energy Production Company, L.P. ("Devon") requested that David H. Arrington Oil & Gas, Inc. ("Arrington") withdraw its proposal dated July 10, 2003, for the Pink Cahill State "8" # 1 Well, located in the NE/4 of Section 8, T17S-R35E. To date, Devon has not received a formal response from Arrington. Devon requests that Arrington withdraw the referenced well proposal immediately, or Devon will seek relief from the NMOCD.

Please call me at (405) 228-4415 should you wish to discuss this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard C. Winchester".

Richard C. Winchester
Land Advisor

