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August 18, 2003

**RECEIVED**

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**HAND DELIVERED**

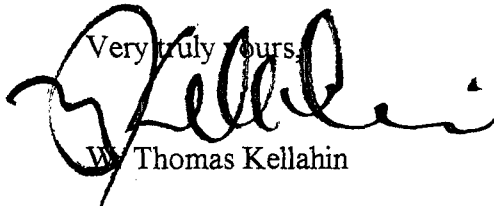
Ms. Lori Wrotenbery, Director  
Oil Conservation Division  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

Oil Conservation Division

Re: NMOICD Case 13085  
Devon's Motion to Dismiss EGL/Landreth's amended application  
and Devon's Supplemental Response to EGL/Landreth's  
Amended Motion to Stay Devon's Operations.

Dear Ms. Wrotenbery:

On behalf of Devon Energy Production Company, L.P. ("Devon"), please find enclosed our referenced motion and supplemental response. We have also enclosed a proposed order denying EGL/Landreth's amended motion to stay Devon's operations.

Very truly yours,  
  
W. Thomas Kellahin

Copies hand delivered to:  
J. Scott Hall, Esq.  
Attorney for EGL Resources, Inc.  
David R. Catanach  
Division hearing examiner  
Devon Energy Production Company, L.P.  
Attn: Richardson Winchester

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

**RECEIVED**

AUG 18 2003

IN THE MATTER OF THE APPLICATION  
OF EGL RESOURCES, INC. FOR POOL  
CREATION OR EXPANSION  
LEA COUNTY, NEW MEXICO.

Oil Conservation Division

CASE 13085

**DEVON ENERGY PRODUCTION COMPANY, L.P.'S**  
**MOTION TO DISMISS**  
**EGL RESOURCES, INC. AND ROBERT LANDRETH'S**  
**AMENDED APPLICATION**

**DEVON ENERGY PRODUCTION COMPANY, L.P.'S**  
**SUPPLEMENT TO ITS RESPONSE**  
**TO**  
**EGL RESOURCES, INC. AND ROBERT LANDRETH'S**  
**AMENDED MOTION TO STAY**  
**DEVON'S OPERATIONS**

DEVON ENERGY PRODUCTION COMPANY, L.P. ("Devon") requests that the New Mexico Oil Conservation Division ("Division") dismiss EGL Resources, Inc. ("EGL") and Robert Landreth ("Landreth") amended application and offer these additional comments concerning Landreth's motion to stay the operations that Devon has commenced in Section 9 and Section 33 of T22S, R34E. In addition, Devon is responding to EGL/Landreth's supplement reply filed August 14, 2003.

**EGL/LANDRETH'S AMENDED APPLICATION  
AND  
MOTION TO STAY DEVON'S OPERATIONS  
ARE FATALLY FLAWED**

**1. EGL/LANDRETH waiver**

EGL/Landreth's motion to stay and its amended application are based upon critical flaws and are contrary to action they have taken in this dispute. In Division Case 13048, Devon prevailed before the Division when the Division granted Devon's request to compulsory pool the N/2 of Section 4, T22S, R34E stating in Finding (18) of Order R-11962 that:

"To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owners of each interest in the Unit the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, Devon's application in Case 13048 for the creation of a 320-acre unit comprised of the N/2 of Section 4 should be approved by pooling all uncommitted interest, whatever they may be, in the oil and gas within the Unit."

This is the same 320-acre spacing unit that prior to the hearing, EGL/Landreth proposed they would accept when they asserted: "...our options are to join or be force pooled if Devon prevails at the OCD and we are prepared to accept that outcome." **See Devon Exhibit 29, Case 13048.**

Subsequent to the entry of Division Order R-11962,, EGL/Landreth, in reliance upon this order, commenced the re-entry of the Rio Blanco 4-1 well in the N/2 of Section 4, T22S, R34E that still has not penetrated the top of the Devonian formation. Having elected to commence the re-entry of the Rio Blanco 4-1 well dedicated to a 320-acre spacing unit approved by the Division, EGL/Landreth have waived any argument that Devon is now precluded from doing the same thing in adjoining sections.

Also, this is the same 320-acre spacing unit that Landreth proposed that Devon dedicate to the Rio Blanco 4-1 well and that he proposed should be operated by Devon. **See Devon Exhibit "A" attached**<sup>1</sup> Despite the lack of essential data from a "discovery well," and despite their waivers, EGL/Landreth have filed an amended application to create a new Devonian gas pool. for Section 4<sup>2</sup>

**2. Devon's reliance upon Rule 104:**

In reliance on this order and in compliance with Division rules, including Rule 104, Devon has obtained a Bureau of Land Management approval of its application to drill ("APD") for a well in the S/2 of Section 33 and by doing so has commenced operation.<sup>3</sup> **See S.P. Johnson, III, et al v. Yates Petroleum Corporation et al., 127 N.M. 355 (N.M. Ct. App. 1999, Cert denied 127 N.M. 389)** EGL/Landreth do not understand that the definition of "commenced operation" and have attempted to confuse the Division into believing that the well must be spudded before the operator has "commence operations." The case law is to the contrary. **For example see William and Meyers, Oil and Gas Law, Volume 8, page 167, Manual of Terms, "Commencement of drilling" (2003)** In addition, we find no authority for the Division to stay a federally approved APD and believe that the Division lacks jurisdiction to do so.

**3. Rule 104 controls:**

In adopting its latest revisions to Rule 104, including those dealing with 320-acre spacing unit, the Commission in its Order R-11231 stated "Therefore, if

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<sup>1</sup> This is Devon's Exhibit 19 from Case 13048, Landreth facsimile of February 14, 2003..

<sup>2</sup> Over Devon's objection, Examiner Brooks awarded operations to EGL for the spacing unit proposed by Devon (See Case 13048). Mr. Brooks also dismissed EGL/s compulsory pooling application (Case 13049).

<sup>3</sup> See Devon's Exhibits "B" and "C" attached approved APDs for N/2 and S/2 of Section 33

an interest owner believes that the drainage area for wells in a particular pool justify different well densities and/or setbacks, an action can be brought to institute such provisions.” In an unprecedented manner, EGL/Landreth want the Division to create a new pool in Section 4 prior to having a discovery well and without sufficient data from this well to estimate that this “discovery well” will be capable of draining 640 acres. The Division has no authority to take such action and to the best of our recollection has never done so before. **See 19 NMAC 15.5.19.S(7)**

**4. EGL/Landreth's speculations:**

EGL/Landreth's premise for its requests are summarized in their Amended Motion, filed July 11, 2003, in which they state: “There is a reasonable likelihood that, if allowed to proceed, Devon's wells will dispute the permissible development pattern of the reservoir if it is subsequently determined in the pending proceeding that 640-acre spacing is appropriate.” This is nothing more than speculation piled upon speculation reminding one that “if pigs had wings and feathers they might someday learn to fly.”

In essence, EGL/Landreth are saying they speculate that Devon may be drilling unnecessary wells and in doing so invited the Division to misunderstand its statutory authority. None of the Division's definitions of WASTE include the phrase “unnecessary wells.” **See 19 NMAC 15.1.7(W)** Only the compulsory pooling section and the proration section of the Oil & Gas Act use the phrase “unnecessary wells.” Section 70-2-17.C provides for a compulsory pooling order to consolidate the tracts for a spacing unit and thereby limit the number of wells within an established spacing unit which in this case is 320-acres. Section 70-2-17.B provides for equitable allocation of allowable production (“prorating”) that can only be attempted after a discovery well and the generation of sufficient data. After a discovery has been made and in compliance with its own rules “the

Division may establish a proration unit for each pool, such being the area that can be efficiently and economically drained and developed by one well and in so doing the division shall consider the economic loss caused by the drilling of unnecessary wells..." See Section 70-2-17.B In order to "get to where EGL/Landreth want the Division to go" the Division must turn this process upside down and inside out and prematurely create a new pool prior to a discovery. To do as EGL/Landreth request is to act arbitrarily, capriciously and to violate Devon's correlative rights.

**EGL/LANDRETH'S SUPPLEMENTAL REPLY  
MISTATES THE EVIDENCE**

Devon views the Morrow formation as a most viable shallower objective. Obviously, since the Morrow formation is shallower than the Devonian, Devon will penetrate, and later, test the Morrow formation. If EGL/Landreth know of a technique to drill to the Devonian formation without drilling through the Morrow formation, Devon would be anxious to learn more about this new technology. In Devon's experience it would be unlikely to commingle production from the Devonian and Morrow formations. It is Devon's plan to develop these formations sequentially, not simultaneously, producing the Devonian first. Therefore, Devon permitted these wells as single zone gas wells.

EGL/Landreth assert that Devon could have used the Patterson UTI Rig 5 to commence operations in Section 9. First, Devon plans on using a rig more suitable for drilling a 15,000 feet test well than the Patterson UTI Rig 5 which Patterson rates only to 14,000 feet. Second, Devon has prioritized its locations using its 3-D seismic data and it would be imprudent for Devon to drill the location in Section 9 prior to drilling the legal location in the S/2 of Section 33. Should EGL/Landreth dispute this, Devon suggests that they purchase this 3-D seismic data to determine a more appropriate schedule for Devon's wells.

EGL/Landreth point to the fact that Devon does not have a lease expiration issue as a reason for staying Devon's permits. How this fact should preclude Devon from continuing its operations in Sections 33 and 9, at legal locations permitted by the BLM and in accordance with Division rules, is a mystery to Devon.

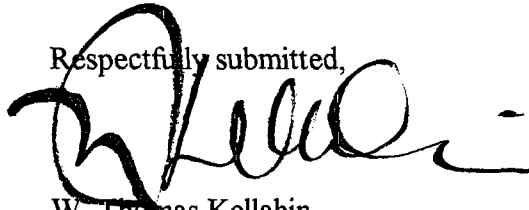
EGL/Landreth assert that Devon is intentionally delaying commencement of its wells in Section 33 and 9. This is another in a long list of assertions by EGL/Landreth that has no basis in fact. Devon could not start the surface portions of its operations in Section 33 until receiving, in hand, an approved APD from the BLM. The APD approvals were delayed due to the BLM's concern about the casing program to protect the waters in the Capitan Reef. The BLM approved the APDs on August 7, 2003, after recognizing that Devon's proposed casing program complied with industry standards for the area. The BLM notified Devon on August 8, 2003, that it had approved the APDs and would forward them to Devon on that date. Devon received the approved APDs on August 12, 2003. Devon will commence its surface work on the location for the Rio Blanco "33" Federal Well No. 1 the week of August 18, 2003, and move a rig on location as soon as possible, subject to rig availability and partner approval.

EGL/Landreth also cites that Devon's proposed plan of operations for the Rio Blanco 4-1 well as "extraordinary testing protocol" as a reason for their assumption that Devon intend to delay drilling its well in the S/2 of Section 33. Devon's question for EGL/Landreth is "What is so extraordinary about requesting open-hole logs, DSTs and pressure build-up tests?" This information was obtained from the three Devonian penetrations in the North Dell Lake-Devonian Gas Pool. Open-hole logs, DSTs and pressure build-up tests are industry-recognized standard evaluation tools. Devon considers it "extraordinary" that EGL/Landreth would deepen a well to 15,000 feet and not even attempt to run open-hole logs.

### CONCLUSION

Once again, EGL/Landreth makes no attempt to argue that Devon's operations in Sections 9 and 33 are anything other than properly conducted in accordance with Division rules and orders. Instead, they want the Division to deny Devon the opportunity to protect its correlative rights, while precluding Devon from obtaining reservoir data that may help determined well density for Section 4 and they want the Division to accept EGL/Landreth's speculation about a 640-acre spacing unit for Section 4

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a stylized flourish at the end.

W. Thomas Kellahin

P. O. Box 2265

Santa Fe, New Mexico 87504

(505) 982-4285

Attorney for Devon Energy Production Company, L.P.



CASE NO. 13085

Devon's motion to dismiss EGL's Amended Application

And supplemental response to EGL's Motion to Stay Devon

Page 8

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### **CERTIFICATE OF SERVICE**

I, W. Thomas Kellahin, certify that a true and correct copy of this pleading was hand delivered or send via facsimile, this August 18, 2003, as follows:

J. Scott Hall, Esq.,

P. O. Box 1986

Santa Fe, New Mexico 87505

Fax (505) 989-9857

Attorney for EGL Resources and Robert Landreth.

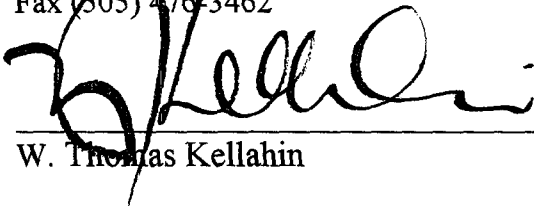
David R. Catanach, Hearing Examiner

New Mexico Oil Conservation Division

1220 South St. Francis Drive

Santa Fe, New Mexico 87505

Fax (505) 476-3462



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W. Thomas Kellahin

Participation and Farmout Agreement between Robert E. Landreth and Devon  
Rio Blanco Prospect  
Lea County, New Mexico

BEFORE THE  
OIL CONSERVATION EXAMINER  
Case No. 13048 Exhibit No. **19**  
Submitted By:  
Devon Energy Production Co.  
Hearing Date: April 10, 2003

Note: Changes to Devon's draft have been underlined.

Robert E. Landreth, 505 N. Big Spring, Midland, Texas 79701, (hereinafter referred to as "Landreth") is the owner and holder of certain oil and gas interests located in Section 4, Township 23 South, Range 34 East, Lea County, New Mexico. Devon Energy Production Company, L.P., 20 N. Broadway, Suite 1500, Oklahoma City, Oklahoma 73102 (hereinafter referred to as "Devon"), and Landreth have agreed to terms by which Devon may earn an undivided interest in said oil and gas interests from Landreth (Devon and Landreth may each be referred to herein as a "Party" or be collectively referred to herein as the "Parties"). The terms agreed to by the Parties as set forth in this Participation and Farmout Agreement ("Agreement") follow:

1. SUBJECT LEASES:

The Parties agree that Landreth owns oil and gas leasehold interests and term assignments of oil and gas leases ("Leases") covering lands in Section 4, T23S-R34E, Lea County, New Mexico (herein referred to as the "Contract Area"), sufficient to entitle Landreth to an undivided 62.5% of 8/8ths interest of all oil, gas and other minerals produced from and attributable to the Contract Area ("Landreth's Interests"), which interests and Leases are more fully described on Exhibit "A" attached hereto and made a part hereof for all purposes, and are hereinafter referred to as the "Leases".

2. SEISMIC DATA REVIEW:

Upon execution of this Agreement by the Parties, Devon shall make available for Landreth's review, WesternGeco's Southwest Lea Phase I 3-D seismic data ("Data"), only insofar as said Data covers Sections 3,4,5,6,7,8,9 and 10, T23S-R34E, together with (a) a single north-south line passing through the Rio Blanco Fed Com #1 in the NW/4 Section 4 and ending at a point 1 1/2 miles north of the Gaucho Unit #1 in the NE/4 Section 29, T22S-R34E and (b) a single east-west line passing through the Gaucho Unit #1 and extending two miles on either side of that well, for the purpose of allowing a data tie-in to the Devonian in that well, together with any synthetic seismograms within the data review area. Devon will make said Data available to Landreth, or his agent, on weekdays during normal business hours, subject to Landreth providing Devon forty-eight (48) hours prior written notice. Landreth's right to review said Data shall be limited to the extent that such review relates to operations contemplated under the terms of this Agreement. Landreth's right to review said Data shall terminate one (1) year from the date of this Agreement.

3. Same as Devon's draft

4. TEST WELL:

On or before May 1, 2003, Devon will commence or cause to be commenced re-entry and drilling operations on the Rio Blanco "4" Federal COM#1 Well ("Test Well"), located 1,980' FNL and 1,980' FWL of Section 4, T23S-R34E, Lea County, New Mexico, and pursue such drilling operations with due diligence to a depth of 15,000' subsurface or a depth sufficient to adequately test the Devonian formation, whichever is the lesser depth ("Objective Depth"). The Parties agree that the spacing unit established for said Test Well will be the N/2 of Section 4, T23S-R34E. If during the re-entry or drilling of the Test Well, Devon shall encounter granite or any other practically impenetrable substance or encounter mechanical difficulties or if the hole is lost for any reason not reasonably within the control of Devon, Devon shall have the right to abandon the re-entry effort. Should Devon do so, the Parties shall immediately meet and agree upon a location for a new well at the most favorable geologic location, and Devon shall immediately 1) file an APD for such well, 2) contract for a competitively priced drilling rig to drill said well at the earliest possible date, and 3) submit an AFE for the drilling of said well. In the alternative, Devon may elect to terminate this agreement and its rights to re-enter/drill and earn hereunder. In the event that the Parties agree to a new well location, the interests earned by Devon from Landreth on the Minimum Interest and any Additional Interest, shall increase from 2/3rds to 3/4ths.

5. Same as Devon's draft

6. TEST WELL COST AND EXPENSE OBLIGATIONS

All of the costs, risks and expenses of drilling, testing, completing and equipping the Test Well which are attributable to the Minimum Interest and, if applicable, the Additional Interest shall be borne by borne by Devon; provided, however, Devon's responsibility for the total of such costs attributable to Landreth's carried 1/3<sup>rd</sup> interest therein shall be limited to 125% of the total costs set forth in the Authority For Expenditure ("AFE") attached hereto as Exhibit "C" which are attributable to such carried 1/3<sup>rd</sup> interest. At the point in time when it appears that the original AFE will be overexpended by more than 25%, Devon shall submit a supplemental AFE, and Landreth shall have the opportunity to (a) go non-consent under the terms of the Joint Operating Agreement, or (b) begin paying what was previously the carried 1/3 working interest, on expenses in excess of 125% of the original AFE. If Landreth elects (b), he shall have another election to go non-consent when expenditures exceed 150% of the original AFE. All other costs, including without limitation costs of operation and production, shall be borne by the Parties as provided in the Operating Agreement.

EXHIBIT

A

7. AREA OF MUTUAL INTEREST

(a) In item (d), line 1, after the words "separate operating agreement," add the words "identical to the one attached hereto as Exhibit "B"".

ADDITIONAL PROVISIONS

(a) Under any scenario under this Agreement whereby Devon fails or elects not to a) commence the re-entry set out in paragraph 4 or b) commence a replacement well, as provided for in said paragraph, Devon agrees to either join in any re-entry or new well proposed by either Landreth, EGL Resources, Inc., or any assignee thereof or assign its interest in all of Section 4 to Landreth and EGL Resources, Inc. in the relative proportions of the interests of those two Parties in Section 4 as of the date of this Agreement.

(b) Devon agrees to make available to Landreth, on a current basis, all information gathered in the drilling of any well in Section 33, T22S-R34E, including, without limitation, daily drilling reports, regulatory filings, open hole logs including dip meter and mud log, testing information, etc.

(c) Devon agrees not to alter or amend the current gas gathering contract with Conoco covering any well or acreage in Section 4 in a way which would increase the transportation, gathering or other charges from the current contract, prior to the expiration date thereof, without Landreth's consent.

(d) Devon agrees to make prompt contract arrangements for the sale of gas from any well completed in Section 4, and to promptly connect any such well to pipeline.

(e) Prior to completion of any well for which it is operator, Devon shall submit a recommended completion procedure to Landreth. Recognizing that the Devonian is a water drive reservoir and that the oil/water contact is likely to be unknown, Devon agrees to grant Landreth reasonable input in the completion procedure and the manner and rate at which the well is produced. Since additional wells may be drilled in the same reservoir in which Landreth has no interest, Devon covenants and agrees to produce any well in Section 4 in a manner and at rates which will allow it to recover its/their fair share of reservoir reserves.

(f) Devon agrees that any well drilled in Section 33 must be at least 1,320' FSL of Section 33.

(g) In the event Devon fails to commence the re-entry operation by May 1, it will transfer or assign its approved APD and any other regulatory approvals for the re-entry operation to either Landreth or EGL Resources, Inc., immediately upon request.

(h) Some provision (to be negotiated) to cover the situation whereby the re-entry results in a marginal well or waters out and Section 4 is being drained by other wells in which Landreth has no interest. Would need to be able to propose and drill another location.

# OPERATOR'S COPY

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

FORM APPROVED  
OMB No. 1004-0136  
Expires November 30, 2000

**EC**

## APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NMNM100864
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator DEVON ENERGY PRODUCTION CO LP		7. If Unit or CA Agreement, Name and No.
Contact: KAREN COTTOM E-Mail: karen.cottom@devn.com		8. Lease Name and Well No. RIO BLANCO 33 FED 1
3a. Address 20 NORTH BROADWAY, SUITE 1500 OKLAHOMA CITY, OK 73102	3b. Phone No. (include area code) Ph: 405.228.7512 Fx: 405.552.4621	9. API Well No.
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface SESW 1000FSL 1620FWL At proposed prod. zone SESW 1000FSL 1620FWL		10. Field and Pool, or Exploratory WILDCAT
14. Distance in miles and direction from nearest town or post office 20 MILES WEST OF JAL, NEW MEXICO		11. Sec., T., R., M., or Bk. and Survey or Area Sec 33 T22S R34E Mer NMP SME: BLM
15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1000'	16. No. of Acres in Lease 360.00	12. County or Parish LEA
17. Spacing Unit dedicated to this well 320.00	13. State NM	
18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth 15000 MD	20. BLM/BIA Bond No. on file
21. Elevations (Show whether DF, KB, RT, GL, etc.) 3407 GL	22. Approximate date work will start 07/15/2003	23. Estimated duration 90 DAYS

### 24. Attachments

### Capitan Controlled Water Basin

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification
- Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature (Electronic Submission)	Name (Printed/Typed) KAREN COTTOM	Date 06/05/2003
Title ENGINEERING TECHNICIAN		
Approved by (Signature) <i>James A. Amos</i>	Name (Printed/Typed) James A. Amos	Date 8/7/03
Title FIELD MANAGER		
Office CARLSBAD FIELD OFFICE		

Application approval does not warrant or certify the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.  
Conditions of approval, if any, are attached.

**APPROVAL FOR 1 YEAR**

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

Additional Operator Remarks (see next page)

Electronic Submission #22728 verified by the BLM Well Information System  
For DEVON ENERGY PRODUCTION CO LP, sent to the Hobbs  
Committed to AFMSS for processing by Linda Askwig on 06/05/2003 (03LA0197AE)

**APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS AND  
SPECIAL STIPULATIONS  
ATTACHED**

\*\* BLM REVISED \*\* BLM REVISED \*\* BLM REVISED \*\* BLM REVISED \*\* BLM REVISED \*\*

**EXHIBIT**

*B*

DISTRICT I  
1525 N. French Dr., Hobbs, NM 88240

DISTRICT II  
311 South First, Artesia, NM 88210

DISTRICT III  
1800 Rio Brazos Rd., Amar, NM 87410

DISTRICT IV  
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised March 17, 1999

Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

2040 South Pacheco  
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name	Well Number
OGRID No. 6137	Operator Name DEVON ENERGY PRODUCTION CO., L.P.	Elevation 3407'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	33	22 S	34 E		1000	SOUTH	1620	WEST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 320	Joint or Infill	Consolidation Code	Order No.						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<p><b>OPERATOR CERTIFICATION</b></p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Bill Greenlees</i></p> <p>Signature</p> <p>Bill Greenlees</p> <p>Printed Name</p> <p>Sr. Operations Engineering</p> <p>Title</p> <p>May 27, 2003</p> <p>Date</p>
	<p><b>SURVEYOR CERTIFICATION</b></p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>MARCH 5, 2003</p> <p>Date Surveyed</p> <p>Signature of Gary L. Jones</p> <p>Professional Surveyor</p> <p>W.O. No 3090</p> <p>Certificate No. Gary L. Jones 7977</p> <p>PROFESSIONAL SURVEYOR</p>

**EC**UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT**OPERATOR'S COPY**FORM APPROVED  
OMB No. 1004-0136  
Expires November 30, 2000**APPLICATION FOR PERMIT TO DRILL OR REENTER**1a. Type of Work: ☒ DRILL ☐ REENTER1b. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other ☒ Single Zone ☐ Multiple Zone2. Name of Operator  
DEVON ENERGY CORPORATION  
Contact: KAREN COTTOM  
E-Mail: karen.cottom@dvn.com3a. Address  
1500 MID-AMERICA TOWER 20 N. BROADWAY  
OKLAHOMA CITY, OK 731023b. Phone No. (include area code)  
Ph: 405.228.7512  
Fx: 405.552.4621

4. Location of Well (Report location clearly and in accordance with any State requirements. \*)

At surface SENW 1980FNL 1980FWL

At proposed prod. zone SENW 1980FNL 1980FWL

14. Distance in miles and direction from nearest town or post office\*  
20 MILES WEST OF JAL, NEW MEXICO15. Distance from proposed location to nearest property or  
lease line, ft. (Also to nearest drig. unit line, if any)  
1000'16. No. of Acres in Lease  
360.0018. Distance from proposed location to nearest well, drilling,  
completed, applied for, on this lease, ft.  
660'19. Proposed Depth  
15000 MD21. Elevations (Show whether DF, KB, RT, GL, etc.)  
3406 GL22. Approximate date work will start  
07/15/20035. Lease Serial No.  
NMNM100864

6. If Indian, Allottee or Tribe Name

7. If Unit or CA Agreement, Name and No.

8. Lease Name and Well No.  
RIO BLANCO 33 FED 2

9. API Well No.

10. Field and Pool, or Exploratory  
WILDCAT

11. Sec., T., R., M., or Bk. and Survey or Area

Sec 33 T22S R34E Mer NMP  
SME: BLM12. County or Parish  
LEA13. State  
NM17. Spacing Unit dedicated to this well  
320.00

20. BLM/BIA Bond No. on file

23. Estimated duration  
90 DAYS

## 24. Attachments

**Capitan Controlled Water Basin**

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

1. Well plat certified by a registered surveyor.
2. A Drilling Plan.
3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).

4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operator certification
6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature  
(Electronic Submission)Name (Printed/Typed)  
KAREN COTTOMDate  
06/09/2003Title  
ENGINEERING TECHNICIAN

Approved by (Signature)

Name (Printed/Typed)

Date

Title  
FIELD MANAGER

Office

CARLSBAD FIELD OFFICE

Application approval does not warrant or certify the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.  
Conditions of approval, if any, are attached.**APPROVAL FOR 1 YEAR**

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

Additional Operator Remarks (see next page)

**APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS AND  
SPECIAL STIPULATIONS  
ATTACHED**Electronic Submission #22910 verified by the BLM Well Information System  
For DEVON ENERGY CORPORATION, sent to the Hobbs  
Committed to AFMSS for processing by Armando Lopez on 06/09/2003 (03AL0101AE)**EXHIBIT**

THREE

C

**\*\* BLM REVISED \*\* BLM REVISED \*\* BLM REVISED \*\* BLM REVISED \*\* BLM REVISED \*\***

DISTRICT I  
1825 E. French Dr., Hobbs, NM 88240

DISTRICT II  
611 South First, Artesia, NM 88210

DISTRICT III  
1000 Rio Brakes Rd., Aztec, NM 87410

DISTRICT IV  
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised March 17, 1999

Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

2040 South Pacheco  
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
		WILDCAT
Property Code	Property Name	Well Number
	RIO BLANCO "33" FEDERAL	2
OGRID No.	Operator Name	Elevation
6137	DEVON ENERGY PRODUCTION CO., L.P.	3406'

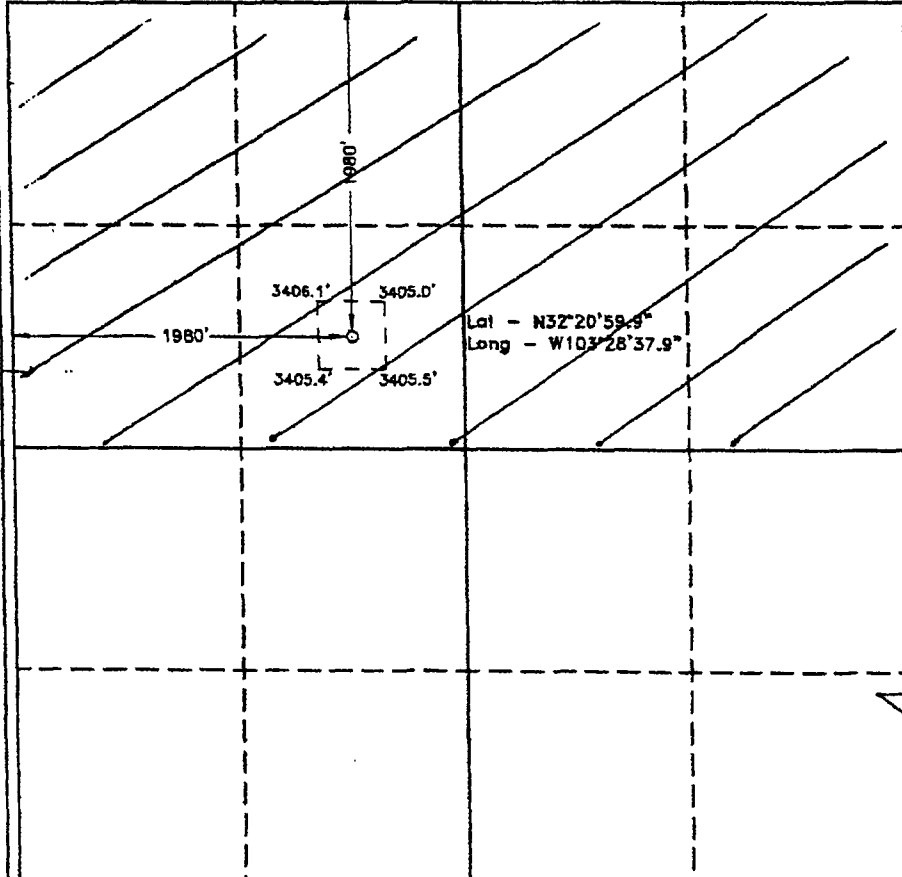

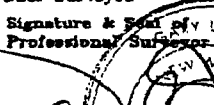
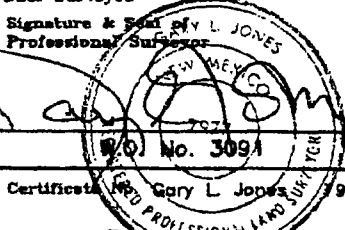
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
F	33	22 S	34 E		1980	NORTH	1980	WEST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.						
320									

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<p><b>OPERATOR CERTIFICATION</b></p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p> Signature</p> <p>Bill Greenlees Printed Name</p> <p>Operations Engineering Advisor Title</p> <p>June 6, 2003 Date</p>
	<p><b>SURVEYOR CERTIFICATION</b></p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>MARCH 5, 2003</p> <p>Date Surveyed</p> <p> Signature &amp; Seal of Gary L. Jones Professional Surveyor</p> <p></p> <p>Certified by Gary L. Jones 1977</p> <p>BASIC SURVEYS</p>

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

**RECEIVED**

AUG 18 2003

Oil Conservation Division

**IN THE MATTER OF THE APPLICATION  
OF EGL RESOURCES, INC. FOR POOL  
CREATION OR EXPANSION  
LEA COUNTY, NEW MEXICO.**

**CASE NO. 13085**

**ORDER OF THE DIVISION  
DENYING THE AMENDED MOTION  
OF  
EGL RESOURCES, INC. AND ROBERT LANDRETH'S  
TO STAY  
DEVON'S OPERATIONS**

This matter. Having come before the Division upon the motion of EGL Resources, Inc and Robert Landreth (EGL/Landreth") to stay Devon Energy Production Company, L.P. ("Devon") federally approved Applications to permit to drill ("APD") the Rio Blanco 33 Federal Well No 1, Unit N, Section 33, T22s, R34E, the Rio Blanco 33 Federal Well No. 2 Unit F Section 33, T22S, R34E and the Rio Blanco 9 Well No 1. Unit\_\_, Section 9, T22S, R34E, all in Lea County, New Mexico and the Division having reviewed the motion, responses, reply and supplemental comments and considering the argument of counsel,

**FINDS THAT:**

- (1) On June 26, 2003, EGL/Landreth filed their motion to Stay Devon's operations in Section 33, T22S, R34E.
- (2) On July 2, 2003, Devon filed its response to the motion to stay.



- (3) On July 11, 2003, EGL/Landreth filed their amended motion to Stay Devon's operations in both Section 33 and Section 9, T22S, R34E.
- (4) On July 14, 2003, EGL/Landreth filed their reply to Devon's Response to the Stay motion
- (5) On August 14, 2003, EGL/Landreth filed a supplement reply.
- (6) On August 18, 2003, Devon filed its supplement to its response.
- (7) On May 13, 2003, the Division entered Order R-11962 (Case 13048 and 13049) granting Devon's request to compulsory pool the N/2 of Section 4, T22S, R34E stating in Finding (18) of Order R-11962 that:

"To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owners of each interest in the Unit the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, Devon's application in Case 13048 for the creation of a 320-acre unit comprised of the N/2 of Section 4 should be approved by pooling all uncommitted interest, whatever they may be, in the oil and gas within the Unit."
- (8) Subsequent to the entry of Division Order R-11962, EGL/Landreth, in reliance upon this order, commenced the re-entry of the Rio Blanco 4-1 well in the N/2 of Section 4, T22S, R34E.
- (9) This well still has not penetrated the top of the Devonian formation.
- (10) EGL/Landreth argue that "There is a reasonable likelihood that, if allowed to proceed, Devon's wells will dispute the permissible development pattern of the reservoir if it is subsequently determined in the pending proceeding that 640-acre spacing is appropriate."
- (11) The Division should decline to speculate upon the technical data not yet available from a well that has not been completed and proven productive of gas from the Devonian formation.

- (12) Devon in reliance on this order R-11962 and in compliance with Division rules, including Rule 104, Devon has obtained a Bureau of Land Management approval of its application to drill ("APD") for a well in the S/2 of Section 33 and by doing so has commenced operations.
- (13) Devon argues that it is unprecedented for the Division to create a new pool in Section 4 prior to having a discovery well and without sufficient data from this well to estimate that this "discovery well" will be capable of draining 640 acres.
- (14) Devon argues that it is premature for the Division to stay operations that are being conducted in accordance with Division rules and regulations pursuant to federally approved APD.
- (15) Commission Order R-11231 states "Therefore, if an interest owner believes that the drainage area for wells in a particular pool justify different well densities and/or setbacks, an action can be brought to institute such provisions."
- (16) The Division has no authority to stay a federally approved APD and believes that the Division lacks jurisdiction to do so.
- (17) In essence, EGL/Landreth are saying they speculate that Devon may be drilling unnecessary wells.
- (18) None of the Division's definitions of WASTE include the phrase "unnecessary wells." **See 19 NMAC 15.1.7(W)**
- (19) Only the compulsory pooling section and the proration section of the Oil & Gas Act use the phrase "unnecessary wells." Section 70-2-17.C provides for a compulsory pooling order to consolidate the tracts for a spacing unit and thereby limit the number of wells within an established spacing unit which in this case is 320-acres. Section 70-2-17.B provides for equitable allocation of allowable production ("prorationing") that can only be attempted after a discovery well and the generation of sufficient data after a discovery has been made and in compliance with its own rules "

- (20) The Division may establish a proration unit for each pool, such being the area that can be efficiently and economically drained and developed by one well and in so doing the division shall consider the economic loss caused by the drilling of unnecessary wells..." See **Section 70-2-17.B**
- (21) It is premature to establish a proration unit for a Devonian Gas Pool in Section 4, 33 and 9.
- (22) EGL/Landreth makes no attempt to argue that Devon's operations in Sections 9 and 33 are anything other than properly conducted in accordance with Division rules and orders.
- (23) Instead, they want the Division to deny Devon the opportunity to protect its correlative rights, while precluding Devon from obtaining reservoir data that may help determined well density for Section 4 and they want the Division to accept EGL/Landreth's speculation about a 640-acre spacing unit for Section 4
- (24) It is premature of establish a proration unit for a Devonian Gas Pool in Section 4, 33 and 9.
- (25) EGL/Landreth request is to act arbitrarily, capriciously and to violate Devon's correlative rights and should be **DENIED**.

**IT IS THEREFORE ORDER THAT:**

- (1) EGL/Landreth's motion to stay Devon's APDs in Section 33 and 9 of T22S, R34E, Lea County, New Mexico is **DENIED**.