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July 9, 2003

HAND DELIVERED

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Oil Conservation Division

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

Re: Devon's Motion to Remand Cases 13048 and 13049 to
the Division for the Purpose of Amending Division Order R-11962 to
Include Devon's Plan of Operations

Dear Ms. Wrotenbery:

On behalf of Devon Energy Production Company, L.P. ("Devon"), please find enclosed
our referenced motion.

Very truly yours,


W. Thomas Kellahin

Copies hand-delivered to:

Carol Leach, Esq.

Attorney for the Secretary of the Energy,

Minerals and Natural Resources Department

David K. Brooks, Esq.

Attorney for the Commission

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 COMMISSION**

CASE 13048 (de novo)

**IN THE MATTER OF THE APPLICATION
OF DEVON ENERGY PRODUCTION
COMPANY, L.P. FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.**

CASE 13049 (de novo)

**IN THE MATTER OF THE APPLICATION
OF EGL RESOURCES, INC.
FOR COMPULSORY POOLING
LEA COUNTY, NEW MEXICO**

ORDER R-11962

**DEVON ENERGY PRODUCTION COMPANY, L.P.'S
MOTION TO REMAND
CASES 13048 AND 13049
TO THE DIVISION
FOR THE PURPOSE OF
AMENDING DIVISION ORDER-11962
TO INCLUDE
DEVON'S PLAN OF OPERATION**

DEVON ENERGY PRODUCTION COMPANY, L.P. ("Devon") moves that the New Mexico Oil Conservation Commission ("Commission") remand Division Cases 13048 and 13049, in pending a de novo hearing, to the Division for the purpose of reopening these cases for the purpose of amending Division Order R-11962 to include Devon's plan of operation, including rig access, for the re-entry of the Rio Blanco "4" Well No 1 (Unit F, N/2 Section 4, T22S, R34S). As grounds for this pleading, Devon states:

SUMMARY

On July 2, 2003, Devon filed a motion with the Division to reopen Division Cases 13048 and 13049 for the purpose of amending Division Order R-11962 to include Devon's plan of operation.

Despite the fact that Division retained continuing jurisdiction¹ of these cases for the entry of such further orders as the Division may deem necessary, by letter ²dated July 7, 2003, David K Brooks, assistance General Counsel, "dismissed" Devon's motion on the grounds that the Division does not have jurisdiction over its orders if the order is subject of a "de novo" hearing before the Commission.³ Accordingly, Devon's requests that the Commission remand these cases to the Division for the purpose of the matter set forth in this motion.⁴

The operations for the re-entry of the Rio Blanco "4" Well No.1, Unit F, N/2 Section 4, T22S, R34S, are in turmoil. The Division must take immediate action in order to protect Devon and to prevent the loss of reservoir data which may resolve the well spacing unit dispute between Devon and EGL Resources, Inc. ("EGL").

Devon has exhausted all reasonable effort to have EGL commit to a detailed engineering plan of operation for the Devonian formation when the Rio Blanco 4-1 is re-entered. Despite Devon's repeated efforts, EGL continues to refuse to agree to Devon's reasonable Plan of Operation for this re-entry. EGL, it appears, is under the misunderstanding that it alone can decide when, if, and how to test and complete the Devonian formation in this wellbore.

Devon requests that the Division requires that any operations for the Rio Blanco 4-1 be conducted in accordance with Devon's proposed detailed engineering Plan of Operations. **See Devon Exhibit "B" attached.** In addition, Devon requests that the Division also authorize Devon to have access to the rig and the re-entry operations. See standard provisions of a Joint Operating Agreement. **See Devon Exhibit "C" attached.**

¹ See Ordering Paragraph (19) of Order R-11962

² See Mr. Brook's letter, dated July 7, 2003, attached as Devon's Exhibit "A"

³ See 1978 NMSA Section 70-2-13. Devon disagrees with Mr. Brook's characterization that a "de novo" proceeding amounts to an "appeal" in which the Division is divested of jurisdiction.

⁴ By filing this motion with the Commission, Devon is not waiving its rights to dispute Mr. Brook's interpretation of the Division's jurisdiction.

BACKGROUND FACTS

In accordance with all applicable Division rules, Devon filed a compulsory pooling application (Case 13048) requesting that a standard 320-acres consisting of the N/2 of this section be pooled and dedicated the Rio Blanco 4-1. EGL opposed the dedication to a 320-acre gas spacing unit and argued that the well was subject to the North Bell Lake-Devonian Gas Pool⁵. EGL filed a compulsory pooling application (Case 13049) requesting that a 640-acre unit be pooled and dedicated to the Rio Blanco 4-1.

In Order R-11962, dated May 13, 2003, Examiner Brooks dismissed EGL's request for 640-acre dedication and decided that the Division should approve Devon's request that the N/2 of Section 4 pooling, **but then** awarded operations to EGL, who along with Landreth, has a majority working interest ownership of Devon's proposed 320-acre spacing unit. Examiner Brooks awarded operations to EGL under the mistaken opinion that there was no substantial geological dispute between Devon and EGL.⁶

In Cases 13048 and 13049, EGL argued that Section 4 is subject to 640-acre spacing because it is an extension of the North Bell Lake-Devonian Gas Pool. The Division Examiner rejected that claim⁷ declaring that Section 4 is subject to 320-acre spacing but then allowed EGL to be the operator of a well dedicated to a 320-acre spacing unit despite the fact that EGL had never proposed a 320-acre spacing unit and continues to dispute it.⁸

On May 29, 2003, EGL/Landreth opposed Devon's motion to stay the Division order that allowed EGL to operate the Rio Blanco 4-1 stating that EGL had a rig on location and created the impression that it was

⁵ Division Order R-6424, dated August 4, 1980

⁶ Although, Devon and EGL both proposed to re-enter the same well, the geologic opinions and interpretations of Devon and EGL could not have been more different. The Examiner failed to recognize that he must decide the geologic dispute within the context of the compulsory pooling cases, and over the objection of Devon, declare that the technical evidence was irrelevant after hearing some 4 hours of technical testimony.

⁷ The Examiner failed to recognize that he must decide the geologic dispute within the context of the compulsory pooling case, and over Devon's objection declared the technical evidence irrelevant after hearing for than 4 hours of technical testimony.

⁸ See Devon Exhibit A, Case 13048

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Devon's Motion to the Commission to Remand and

Re-open cases 13048 and 13049

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drilling to the Devonian. In fact, EGL simply had a workover rig on location preparing the wellbore for the sidetrack operations. In fact, EGL's proposed drilling rig was not then and is not now the location and EGL has not commenced this re-entry.

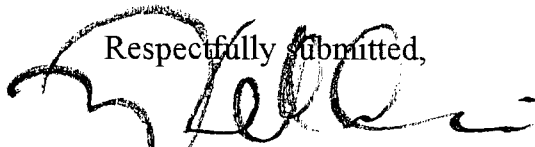
Without waiting for the Commission DeNovo hearing on EGL's appeal, EGL alleges it has commenced operations of the re-entry of the Rio Blanco 4-1 despite the facts that the Division has authorized that re-entry for a 320-acre spacing unit that EGL continues to dispute.⁹ EGL continues to refuse Devon's proposed plan of operations. See **Scott Hall's letter dated, June 25, 2003, attached as Devon's Exhibit "D"**.

CONCLUSION

If EGL is allowed to re-entry the Rio Blanco 4-1 without being required to comply with Devon's proposed Plan of Operations, then Devon will be denied the opportunity to obtain essential reservoir data that may help the Division to decide the Section 4 well spacing dispute between the parties.

WHEREFORE, Devon requests that the Commission remand Cases 13048 and 13049 to the Division and to Re-open these cases to require any re-entry of the Rio Blanco 4-1 to be in accordance Devon's Plan of Operations and to allow Devon access to the rig and well operations. See **Exhibit "B" AND "C" attached.**

Respectfully submitted,



W. Thomas Kellahin

Kellahin & Kellahin

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Santa Fe, New Mexico 87504

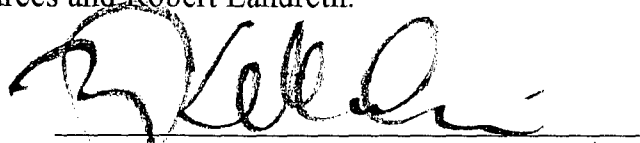
Attorney for Devon Energy Production Company, L.P.

⁹ EGL's proposed drilling rig has not been located at the location of the Rio Blanco 4-1, located in Unit F, S/2 Section 4, T22S, R34E. In fact, EGL simply had a workover rig on location to prepare the wellbore for the sidetrack operations.

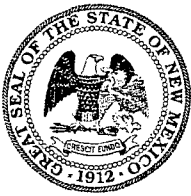
DIVISION CASES 13048 AND 13049
Devon's Motion to the Commission to Remand and
Re-Open Cases 13048 and 13049
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CERTIFICATE OF SERVICE

I, W. Thomas Kellahin, certify that a true and correct copy of this pleading was hand delivered on July 9, 2003 to J. Scott Hall, Esq., and attorney for EGL Resources and Robert Landreth.



W. Thomas Kellahin



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

July 7, 2003

Mr. W. Thomas Kellahin
Kellahin and Kellahin
P.O.Box 2265
Santa Fe, NM 87504-2265

Mr. J. Scott Hall
Miller, Stratvert & Torgeson, P.A.
P.O.Box 1986
Santa Fe, NM 87504-1986

Re: Cases No. 13048 and 13049: Devon Energy Production Company, L.P.'s Motion to Reopen Cases 13048 and 13049 for the Purpose of Amending Division Order-11962 (sic) to Include Devon's Plan of Operation

Gentlemen:

I am in receipt of the referenced motion, which was filed on July 2, 2003.

All parties to Cases 13048 and 13049 have filed *de novo* appeals to the Oil Conservation Commission. Although OCD procedural rules do not address the issue specifically, it is a fundamental principal of appellate jurisdiction that the filing of an appeal divests the lower court of jurisdiction so long as the appeal is pending.

Accordingly, it would be inappropriate to reopen these cases so long as the appeals are pending, and any request for modification of these orders, other than a stay request for which provision is specifically made in Rule 1220.B must be addressed to the Commission.

Accordingly, the captioned Motion to Reopen is dismissed.

Very truly yours,

David K. Brooks
Assistant General Counsel



DEVON'S PROPOSED PLAN OF OPERATIONS FOR THE RE-ENTRY OF THE RIO BLANCO 4-1 WELL

Devon has no material difference of opinion with EGL's plan of operations (attached) up until the point of drilling out the 5" liner, which will top-set the Devonian formation.

From this point forward, Devon has material difference with EGL's plan of operations.

DEFECTS IN EGL'S PROPOSED PLAN:

EGL merely states as their final step of the operations plan, "Note: The remainder of the procedure is pending a final decision about utilizing the drilling rig versus a workover rig for drilling into the Devonian. More information to follow. The basic procedure will provide for drilling a few feet into the Devonian then testing. If no shows or drilling breaks are encountered, testing will likely occur after only drilling about 20 feet into the pay zone. This iteration may be repeated several times before releasing the rig."

EGL spent a lot of time describing how they plan to sidetrack the Rio Blanco 4 Fed #1 and top-set the Devonian with casing, and then goes on to make a generalized statement about operations during drilling the critical Devonian payzone section of the well. No details are provided for the most critical point in the well design.

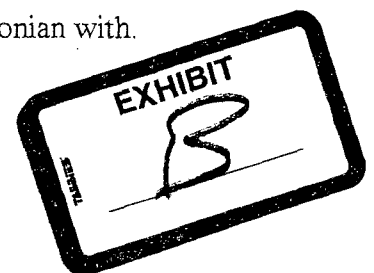
EGL makes no mention about what type of reservoir analysis they plan to conduct. Devon expressed to EGL during a telephone conference call on Wednesday June 18, 2003 its opinion that it was paramount that open-hole logs are obtained over the Devonian interval. This was further communicated via email, on this same date, by Devon's geologist Steve Hulke to EGL's geologist Jim Brezina.

Further, during this telephone conversation, Devon expressed its views regarding running drillstem tests to evaluate the Devonian. No mention of Drill stem testing is made by EGL in their proposed plan of operations.

Devon also mentioned to EGL that it prefers to use Morco as a mudlogging company. EGL doesn't mention mudloggers during drilling the Devonian pay section.

Other items that lack detail within the EGL plan of operations include.

- (1) EGL doesn't mention the size and type of drill pipe it plans to utilize.
- (2) EGL doesn't mention if they plan to run open-hole logs.
- (3) EGL is not explicit in its description of what reservoir tests it plans to do.
- (4) EGL doesn't mention what type of mud system it plans to drill the Devonian with.
- (5) EGL doesn't mention when to rig up a mudlogger.



(6) EGL doesn't mention what type of Hydrogen Sulfide detection equipment to Install or what type of H2S safety program it anticipates using, if at all.

(7) Regarding their statement about considering a workover rig versus a drilling rig to drill the open-hole portion of the Devonian, Devon is against this consideration. Devon expressed this opinion to EGL during the conference call noted above.

There will be incremental costs associated with the use of a workover rig. Further, using a workover rig will require that the drilling rig be rigged down and the workover rig be rigged up. All components of the workover rig will require pressure and function testing. These components will already be rigged up and functioning on the drilling rig.

A typical Permian Basin, workover rig is not designed or equipped for 24 hour operations. A drilling rig is designed for 24 hour operation. A typical Permian Basin, workover rig is not designed to work above a multiple ram BOP system that includes an annular BOP and/or a rotating head. Drilling rigs are designed for such operations.

Use of a workover rig will require but not be limited to the following additional rental items, many of which are included in a drilling rig package, which will be already on the well.

Steel pits
Mud pumps
Circulating pumps
Power Swivel
Solids Control Equipment
Well control equipment, BOP, Gas buster, choke manifold, accumulator, etc
Lights – for 24 hour operation.
Trip tanks
Geolograph and Automatic Driller
Power plant
Water Tanks

The above items will have to be rented at incremental cost, when using a workover rig. Further, workover rig crews are not trained as drilling crews. They do not always have well-control certification like drilling crews.

DEVON'S PROPOSED PLAN OF OPERATION:

It is Devon's belief that drilling the Devonian with the drilling rig is the safest, most efficient and cost effective method. Devon's proposed plan of operations for drilling the Devonian pay section would include but not be limited to the following.

1. Have Morco mudlogging rigged up with all equipment calibrated.
2. If not already rigged up, rig up BOP system with proper ram sizes for all drill string components.
3. If not already rigged up, rig up H2S monitoring safety equipment.

4. Assuming the liner top has been tested, TIH with 4 1/8" bit on 2 3/8" x 3 1/2" tapered drill string, drill collars may or may not be required. Note: Depending on the ID of the 5" casing line, 2 7/8" drill pipe might be a consideration versus 2 3/8" drill pipe.
5. Tag float collar, circulate hole over to fresh water fluid system. Devonian will be drilled with fresh water.
6. Drill into the top of the Devonian, stop and circulate for samples as required to ensure depth correlations are correct and to prevent us from getting "lost in the hole".
7. After drilling no more than 20' into the Devonian or through the first drilling break, which ever occurs first. POOH for a drillstem test.
8. Drillstem test will be run with a packer set in the casing liner. Rig up all surface flowback equipment. DST will be designed for two flow periods and two shut-in periods. Run dual pressure bombs on bottom with possibly a surface "spider" gauge (to be determined). Perform DST. Note: flow period and shut-in period times will be determined based on how the well responds during testing. Catch samples of all fluids and gas that come to surface. Be aware that Devonian gas can contain H₂S. Have all safety equipment available and in working order.
9. POOH with DST tools and TIH to resume drilling.
10. Drill until additional drilling breaks are encountered or faster drilling relative to that which was previously drilled is encountered.
11. POOH for drillstem test and follow steps 8 & 9 above.
12. Continue drilling and drillstem testing, by repeating steps 10, 8, and 9 above.
13. When sufficient gas rates and recoveries have been obtained or water is encountered, stop drilling and POOH.
14. Rig up loggers, under full lubrication if necessary, and run at a minimum a dual lateral log-micro-lat log with SP/GR, a compensated neutron-z-density log w/GR/caliper. Additional logging runs based on hole conditions might include a sonic, formation image FMI log, Magnetic resonance log (CMR/NMR), RFT pressure points might be taken, sidewall cores might be taken. Note: Devon is still investigating tool availability for slim-hole logging. Some of the logs and tests mentioned in step 14 might be impossible to run in slim-hole. They are mentioned, however, to convey Devon's opinion that the more quality log and reservoir data that can be obtained, the better the analysis of original-gas-in-place and recoverable gas estimation will be.
15. TIH with drill pipe, circulate hole clean, POOH lay down drill pipe, rig down drilling rig, install production tree as necessary.
16. Completion is expected to consist of TIH with production tubing and/or packer, swabbing the well "in" to establish production. The need for stimulation will be determined based on production rates/pressures.
17. Devon strongly believes that extended and possibly multiple reservoir pressure build-ups will be required. In this event, detailed procedures will be provided. In general, the procedure will consist of running tandem pressure bombs in the well while it is flowing, taking gradient stops while tripping in the hole and pulling out of the hole. Once the pressure bombs are retrieved, the data will be downloaded and checked for quality assurance and accuracy. LEAVE THE WELL SHUT-IN. DO NOT OPEN THE WELL TO PRODUCTION UNTIL DEVON'S OKLAHOMA CITY OFFICE GIVES THE GO-AHEAD. In the event that enough pressure data has not been obtained, the bombs will be run back in the well.
18. Return well to production.

Article VI.D. of the 1982 A.A.P.L. Form 610 Model Form Operating Agreement

"Each party shall have access to the Contract Area at all reasonable times, at its sole cost and risk to inspect or observe operations, and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books and records relating thereto. Operator, upon request, shall furnish each of the other parties with copies of all forms or reports filed with governmental agencies, daily drilling reports, well logs, tank tables, daily gauge and run tickets and reports of stock on hand at the first of each month, and shall make available samples of cores or cuttings taken from any well drilled on the Contract Area. The cost of gathering and furnishing information to Non-Operator, other than that specified above, shall be charged to the Non-Operator that requests the Information.



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COUNSEL

WILLIAM K. STRATVERT
JAMES B. COLLINS

PLEASE REPLY TO SANTA FE

* NEW MEXICO BOARD OF SPECIALIZATION RECOGNIZED SPECIALIST IN NATURAL RESOURCES - OIL & GAS LAW
** NEW MEXICO BOARD OF SPECIALIZATION RECOGNIZED SPECIALIST IN REAL ESTATE LAW

June 25, 2003

VIA FACSIMILE

W. Thomas Kellahin, Esq.
Kellahin & Kellahin
117 North Guadalupe Street
Santa Fe, New Mexico 87501

Re: EGL Resources, Inc. Rio Blanco "4" Federal Well No. 1
Section 4, T-23-S, R-34-E, NMPM, Lea County, New Mexico

Dear Tom:

This letter responds to your e-mail dated June 23, 2003.

I am informed that the EGL and Devon drilling engineers held a very productive conference call on June 18, 2003 to discuss the drilling and completion of the Rio Blanco well, as well as those matters raised in Devon's June 9th letter to EGL. During the conference call, the Devon engineers offered a number of constructive suggestions with the result that both companies are in close agreement on a plan of operations. It should be obvious from the discussions on June 18th that EGL has thoroughly thought through and planned the re-entry operation to the benefit of all participants. While EGL and Landreth are receptive to reasonable input from Devon, it must be noted that EGL is the designated operator and, along with Landreth, will be paying at least 75% of the costs of the re-entry.

Although it is under no obligation to do so, the December 4, 2002 plan of operations that was previously provided to Devon is being updated to reflect some of the modifications discussed during the June 18th conference and will be forwarded to Devon as soon as it is completed. It appears that a rig will not be available for two weeks, allowing time to work out final details.

There is no basis for your apparent demand that the parties execute some form of agreement in the next 48 hours. EGL and Landreth have no intention of entering into a signed agreement that



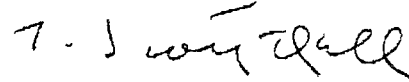
W. Thomas Kellahin, Esq.
June 25, 2003
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would bind the operator to a plan of operations that might be contra-indicated by actual unanticipated conditions encountered down-hole during drilling.

If Devon wishes to propose a form of agreement whereby it would guaranty the procedure it contemplates, assume 100% of the risks, as well as indemnify EGL and Landreth, my clients would give such a proposal appropriate consideration. In the interim, EGL as operator will proceed to exercise reasonable prudence and diligence in the prosecution of the re-entry and drilling procedures.

Very truly yours,

MILLER STRATVERT P.A.



J. Scott Hall

JSH/glb

cc: Wes Perry
Robert Landreth