

MILLER STRATVERT

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* New Mexico Board of Specialization Recognized Specialist in Natural Resources - Oil & Gas Law
** New Mexico Board of Specialization Recognized Specialist in Real Estate Law

March 2, 2004

RECEIVED

MAR 2 2004

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

HAND-DELIVERED

Ms. Florene Davidson
New Mexico Oil Conservation Division
1220 South St. Francis
Santa Fe, New Mexico 87505

Re: Order No. R-12106; NMOCC Case No. 13085

Dear Florene:

Please schedule the hearing before the Commission for the above-referenced matter on April 8, 2004.

Thank you for your assistance.

Very truly yours,

MILLER STRATVERT P.A.



J. Scott Hall

JSH/glb

cc: W. Thomas Kellahin, Esq.
Carol Leach, Esq.

LAW OFFICES

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FARMINGTON
(505) 326-4521

LAS CRUCES
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SANTA FE
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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION FOR THE PURPOSE OF
CONSIDERING:

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MAR 2 2004

APPLICATION OF EGL RESOURCES, INC.
AND ROBERT LANDRETH FOR POOL EXTENSION
FOR THE NORTH BELL LAKE-DEVONIAN
GAS POOL, OR ALTERNATIVELY, FOR POOL
CREATION AND SPECIAL POOL RULES, AND
EXPANSION OF GAS SPACING AND PRORATION
UNIT LEA COUNTY, NEW MEXICO.

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

CASE NO. 13085
ORDER NO. R-12106
DE NOVO

APPLICATION FOR HEARING DE NOVO

EGL Resources, Inc. and Robert Landreth, pursuant to NMSA 1978 Section 70-2-13,
request this matter be set for hearing de novo before the New Mexico Oil Conservation
Commission.

Respectfully submitted,



J. Scott Hall
Miller Stratvert, P.A.
Post Office Box 1986
Santa Fe, New Mexico 87504
(505) 989-9614
Attorneys for EGL Resources, Inc.
and Robert Landreth

Certificate of Mailing

I hereby certify that a true and correct copy of the foregoing was faxed to counsel of record on the 7 day of March, 2004 as follows:

Thomas Kellahin, Esq.
Post Office Box 2265
Santa Fe, New Mexico 87504
Attorney for Devon Energy Production Company, LP

Carol Leach, Esq.
New Mexico Oil Conservation Commission
1220 South St. Francis Drive
Santa Fe, New Mexico 87504



J. Scott Hall

MILLER STRATVERT

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September 19, 2003

HAND-DELIVERED

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

Re: New Mexico Oil Conservation Case No. 13085; Amended Application of EGL Resources, Inc. and Robert Landreth for Pool Extension for the North Bell Lake-Devonian Gas Pool, or Alternatively, for Pool Creation and Special Pool Rules, and Expansion of Gas Spacing and Proration Unit, Lea County, New Mexico

Dear Ms. Wrotenbery:

On behalf of EGL Resources, Inc. and Robert Landreth, the Applicants in the above-referenced matter, enclosed is our Application for Hearing De Novo.

This case remains pending before Examiner Catanach and a hearing on the merits of the Application is presently set for a special hearing date on October 2, 2003. On August 22, 2003, Mr. Catanach entered the *Decision of the Examiner* which denied the Amended Motion of EGL Resources, Inc. and Robert Landreth for Temporary Suspension of Drilling Permits, but with the admonition to Devon Energy Production Company that it act so as not to compound the disagreement regarding the proper well spacing and well density in the Devonian formation in the area. (Copy attached.) In spite of this admonition, Devon has this week commenced the drilling of a second Devonian well on the acreage that was the subject of our Amended Motion.

Although it is not an Order, the August 22, 2003 *Decision of the Examiner* would seem to fit within the statutory definition of matters for which applications for hearings de novo must be filed under NMSA 1978 Section 70-2-13. This Application for Hearing De Novo is accordingly being

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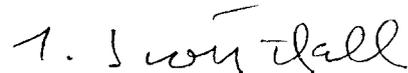
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Oil Conservation Division

Lori Wrotenbery, Chair
September 19, 2003
Page 2

filed in order to preserve the issues raised in the Amended Motion and to avoid any waiver of rights. In view of the imminent Division Examiner hearing on the Application on October 2nd, we do not request this particular matter be set for hearing before the full Commission for now.

Very truly yours,

MILLER STRATVERT P.A.

A handwritten signature in cursive script that reads "J. Scott Hall".

J. Scott Hall

JSH:dml

Enclosure

cc (w/enc.): David Catanach, NMOCD
Gail MacQuesten, Esq., NMOCD
W. Thomas Kellahin, Esq.
Carol Leach, Esq., NMOCC
Wes Perry
Bob Landreth

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

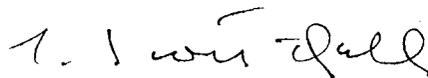
CASE NO. 13085

**IN THE MATTER OF THE APPLICATION OF EGL RESOURCES, INC. AND
ROBERT LANDRETH FOR POOL EXTENSION, OR ALTERNATIVELY POOL
CREATION, AND EXPANSION OF GAS SPACING AND PRORATION UNIT,
LEA COUNTY, NEW MEXICO.**

APPLICATION FOR HEARING DE NOVO

EGL Resources, Inc. and Robert Landreth, pursuant to NMSA 1978 Section 70-2-13, request this matter be set for hearing de novo before the New Mexico Oil Conservation Commission on a date to be subsequently determined. This Application For Hearing De Novo is limited to those issues and matters arising from the August 22, 2003 *Decision of the Examiner* (attached).

Respectfully submitted,



J. Scott Hall
Miller Stratvert P.A.
Post Office Box 1986
Santa Fe, New Mexico 87504
(505) 989-9614
Attorneys for EGL Resources, Inc. and
Robert Landreth

Certificate of Mailing

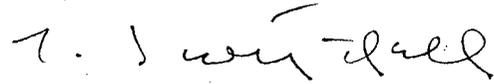
I hereby certify that a true and correct copy of the foregoing was mailed to counsel of record on the 19th day of September, 2003 as follows:

David Catanach
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Gail MacQuesten, Esq.
New Mexico Oil Conservation Commission
1220 South St. Francis Drive
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Santa Fe, New Mexico 87505



J. Scott Hall

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

CASE NO. 13085

**IN THE MATTER OF THE APPLICATION OF EGL RESOURCES, INC.
AND ROBERT LANDRETH FOR POOL EXTENSION, OR
ALTERNATIVELY POOL CREATION, AND EXPANSION OF GAS
SPACING AND PRORATION UNIT, LEA COUNTY, NEW MEXICO.**

**DECISION OF THE EXAMINER
REGARDING
EGL RESOURCES, INC. AND ROBERT LANDRETH'S
MOTION TO STAY DEVON ENERGY PRODUCTION
COMPANY, L.P.'S OPERATIONS**

This matter, having come before the Division upon the motion of EGL Resources, Inc and Robert Landreth ("EGL/Landreth") to temporarily suspend or hold in abeyance approval of Devon Energy Production Company, L.P.'s ("Devon") Applications for Permit to Drill ("APD") for the Rio Blanco "33" Federal Well No 1 to be drilled 1000 feet from the South line and 1620 feet from the West line (Unit N) and the Rio Blanco "33" Federal Well No. 2 to be drilled 1980 feet from the North and West lines (Unit F), both in Section 33, Township 22 South, Range 34 East, NMPM, and the Rio Blanco "9" Well No 1 to be drilled 660 feet from the North line and 1575 feet from the East line (Unit B) of Section 9, Township 23 South, Rand 34 East, 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 temporarily suspend or hold in abeyance Devon's drilling permits for the Rio Blanco "33" Federal Wells No. 1 and 2;
- (2) On July 2, 2003, Devon filed its response to EGL/Landreth's motion to suspend Devon's drilling operations in Section 33;

(3) On July 11, 2003, EGL/Landreth filed their amended motion to suspend Devon's drilling operations in Section 33 and to suspend the drilling permit for Devon's proposed Rio Blanco "9" Well No. 1 in Section 9;

(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 a supplement to its response;

BACKGROUND

(7) On May 13, 2003 the Division entered Order No. R-11962 in Cases No. 13048 and 13049. This order pooled all mineral interests in the N/2 of Section 4, Township 23 South, Range 34 East, NMPM, to form a standard 320-acre spacing and proration unit for the Devonian formation, and awarded well operations to EGL/Landreth. This unit was to be dedicated to the Rio Blanco "4" Federal Well No. 1 located 1980 feet from the North and West lines (Unit F) of Section 4;

(8) In Case No. 13048, Devon sought to pool a standard 320-acre spacing and proration unit for the Devonian formation comprising the N/2 of Section 4, said unit to be dedicated to the Rio Blanco "4" Federal Well No. 1. In companion Case No. 13049, EGL/Landreth sought to pool a 640-acre spacing and proration unit for the Devonian formation comprising all of Section 4, said unit to be dedicated to the aforesaid Rio Blanco "4" Federal Well No. 1;

(9) Subsequent to the entry of Division Order No. R-11962, EGL/Landreth commenced re-entry operations into the Rio Blanco "4" Federal Well No. 1;

(10) In pending Case No. 13085, currently scheduled to be heard by the Division on September 4, 2003, EGL/Landreth seek to extend the boundaries of the 640-acre spaced North Bell Lake-Devonian Gas Pool to include Section 4, or in the alternative, to create a new gas pool for Devonian production in Section 4 spaced on 640-acres;

(11) EGL/Landreth contend that Devon should not be allowed, prior to the presentation of evidence in Case No. 13085 and prior to a determination by the Division whether the Devonian formation in this area should be developed on 640 or 320-acre spacing, to drill two wells in Section 33 and should not be allowed to drill at well locations that may be less stringent than those associated with 640-acre spacing.

EXAMINER DECISION

(12) Devon's applications to drill the Rio Blanco "33" Federal Wells No. 1 and 2 and the Rio Blanco "9" Well No. 1 are in compliance with current Division rules governing the development of the Devonian formation in Sections 33 and 9;

(13) The drilling permits for the Rio Blanco "33" Federal Wells No. 1 and 2 have already been approved by the United States Bureau of Land Management;

(14) Devon should be allowed to continue with the development of the Devonian formation in Sections 33 and 9, provided however that: Devon should act in a prudent manner so as not to compound the disagreement regarding the proper well spacing and well density in the Devonian formation in this area;

(15) Both Devon and EGL/Landreth should be further advised that Division is empowered to protect correlative rights and that if it becomes necessary, will take such action as may be necessary to do so, including, but not limited to, prorating the North Bell Lake-Devonian Gas Pool, prorating any pool subsequently created within Sections 4, 9 and 13, and imposing production penalties on unorthodox well locations.

IT IS THEREFORE ORDER THAT:

(1) The motion by EGL Resources, Inc and Robert Landreth to temporarily suspend or hold in abeyance approval of Devon Energy Production Company, L.P.'s Applications for Permit to Drill ("APD") for the Rio Blanco "33" Federal Well No 1 to be drilled 1000 feet from the South line and 1620 feet from the West line (Unit N) and the Rio Blanco "33" Federal Well No. 2 to be

Examiner Decision
EGL/Landreth's Motion
Case No. 13085
Page 4

drilled 1980 feet from the North and West lines (Unit F), both in Section 33, Township 22 South, Rand 34 East, NMPM, and the Rio Blanco "9" Well No 1 to be drilled 660 feet from the North line and 1575 feet from the East line (Unit B) of Section 9, Township 23 South, Rand 34 East, all in Lea County, New Mexico, is hereby **denied**.



David R. Catanach, Examiner
August 22, 2003