

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

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

RECEIVED
JUL 2 2003
Oil Conservation Division

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

CASE NO. 13048

APPLICATION OF EGL RESOURCES, INC.
FOR COMPULSORY POOLING
LEA COUNTY, NEW MEXICO

CASE NO. 13049

ORDER NO. R-11962
DE NOVO

MOTION FOR CONTINUANCE

E.G.L. Resources, Inc., (“EGL”), and Robert Landreth, (“Landreth”), move the Commission enter its order continuing the hearing on these consolidated Applications now set for July 17, 2003 until the Oil Conservation Division has had the opportunity to deliberate on a separate but related Application (Case No. 13085; *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*). Case No. 13085 is presently scheduled to be heard by the Division’s Examiner on August 21st. Resolution of the Division proceeding will be based on technical geologic and engineering evidence derived from actual well data and gives rise to a substantial

likelihood that the issues precipitated by this de novo appeal may be obviated, making a hearing in this matter unnecessary.

As grounds for this motion, EGL and Landreth state:

BACKGROUND FACTS

EGL is the operator of the Rio Blanco "4" Federal Well No. 1 well located at a standard location (Unit F) 1980 feet from the north and west lines of Section 4, T-23-S, R-34-E in Lea County. EGL has commenced re-entry operations to deepen the Rio Blanco well from the Morrow formation to the Devonian formation. A work-over rig has recently completed operations and EGL and Devon have recently engaged in extensive consultations to create a plan of operations for the drilling and completion of the well. A deep drilling rig is scheduled to move onto location in the next few days and it is expected the deepened well will be completed by approximately August 15, 2003.

The Section 4 lands dedicated to the Rio Blanco "4" well have been the subject of competing compulsory pooling applications brought by EGL and Devon. Devon's Application in Case No. 13048 sought the creation of a 320-acre N/2 unit. EGL's Application in Case No. 13049 sought the creation of a 640-acre unit. The Division consolidated the two applications for hearing on April 10, 2003 and subsequently issued Order No. R-11962 on May 13, 2002.

In Order No. R-11962, the Division interpreted its well spacing and acreage dedication requirements under Rule 104 and determined that 320-acre "wildcat" well spacing applied. Accordingly, the Order pooled the Devonian formation mineral interests underlying the N/2 of Section 4 to form a 320-acre spacing unit. The Division's findings

in this regard were not based on any technical evidence. Rather, they were based solely on an interpretation of the phraseology of Rule 104.

On May 15, 2003, following the issuance of Order No. R-11962, EGL and Landreth filed an Application for Hearing De Novo in order to have the Commission further consider the Division's interpretation of its acreage dedication rules consistent with established agency precedent. Devon filed its own Application for Hearing De Novo on May 27th.

Under Order No. R-11962, the Division invited EGL and Landreth to file a separate application to expand the 320-acre unit in the context of an application to extend the limits of the North Bell Lake Devonian Gas Pool, the pool rules for which provide for 640-acre spacing units. (Order No. R-11962, finding 17). EGL and Landreth accordingly filed their Application in this matter with the Division on May 23, 2003 (Case No. 13085). Subsequently, on June 25, 2003, EGL and Landreth filed an Amended Application seeking the additional, alternative relief of the creation of a new pool consisting of the entirety of Section 4, along with special pool rules providing for 640 acre spacing and commensurate well location requirements.

It is anticipated that the re-entry and deepening of the Rio Blanco well will be complete by mid-August and that actual well geology and production data will be available for presentation to the Division Examiner on August 21st to support EGL's Application in Case No. 13085.

A determination in Case No. 13085 that 640-acre spacing is appropriate for the subject lands will have the practical effect of eliminating any further consideration by the Commission of the Division's interpretation of the "wildcat well" definition under Rule 104 and therefore a duplicative hearing can be avoided in that respect.

Conversely, the same cannot be said of this de novo hearing if it is to proceed and an order upholding the Division's interpretation of Rule 104 is entered. Even if 320-acre spacing is upheld under the generic, statewide spacing rule in this case, the hearing on the separate application to extend the North Bell Lake-Devonian Gas Pool or, alternatively, to create a new pool and establish 640-acre spacing under special pool rules will continue in any event.

In a worst-case scenario, it is also possible that the well that is the subject of both proceedings will be a dry-hole, making hearings in either case unnecessary.

Under any of these scenarios, it is apparent that continuing the hearing on the de novo applications furthers administrative efficiency, avoids the possibility of convening an unnecessary hearing, and is otherwise well-advised. Moreover, no harm or prejudice accrues to any party from a continuance.¹

We have previously discussed the possibility of requesting a continuance with Devon's counsel, however no commitments were made on either side. We have since attempted to communicate with Devon's counsel regarding this motion, but without success. Consequently, we cannot represent whether Devon either concurs with or opposes a request to continue the hearing in this matter.

RELIEF REQUESTED

WHEREFORE, EGL and Landreth request the Commission Chairperson enter her order continuing the hearing in this matter until after the Division has had the opportunity to consider the pending application in Case No. 13085.

¹ As additional grounds for this motion, counsel for the movants is expected to attend a previously-scheduled hearing in District Court in Farmington on July 17th, the same day the de novo hearing is set to be heard. (See Notice of Hearing, Exhibit 1, attached.)

Respectfully submitted,

MILLER STRATVERT P.A.



By: _____

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Certificate of Mailing

I hereby certify that a true and correct copy of the foregoing was faxed to counsel of record on the 2 day of July 2003, as follows:

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J. Scott Hall

STATE OF NEW MEXICO
COUNTY OF SAN JUAN
ELEVENTH JUDICIAL DISTRICT COURT

DISTRICT COURT
SAN JUAN COUNTY, NM
FILED
JUN 17 2003

EQUIVA TRADING COMPANY, et al., Plaintiffs

vs.

PLAYA MINERALS & ENERGY, INC., et al., Defendants

Case Number: D-1116-CV-200200683

Dated: June 17, 2003

NOTICE OF HEARING

NOTICE IS HEREBY GIVEN that the above cause will be called for Hearing before the Honorable DOUGLAS A ECHOLS, as indicated:

TIME: 08:30 AM DATE: Thursday, July 17, 2003

PLACE: FARMINGTON DISTRICT COURTHOUSE, 920 MUNICIPAL DRIVE,
FARMINGTON, NM

Nature Of Hearing: SJ & all other pending motions.

COMMENTS:

If this hearing requires more or less time than the court has designated, or if this hearing conflicts with any prior settings, please contact us immediately as continuances will not be granted on late notice. The District Court complies with the Americans with Disabilities Act. Counsel or PRO SE persons must notify the Clerk of the Court of the nature of the disability at least five (5) days before ANY hearing so appropriate accomodations may be made. The same requirement applies if an interpreter will be needed.

Weldon Neff
CLERK OF THE DISTRICT COURT

Stacey Biel
By: STACEY BIEL

***** FILE COPY *****

I hereby certify that a copy of the foregoing was mailed to :
THOMAS P DUGAN, Attny & RICHARD T. C. TULLY, Attny & RICHARD J PARMLEY JR,
Attny & CASEY MARTINEZ, Party & CURTIS R GURLEY, Attny & BENJAMIN SILVA JR.,
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