

# MILLER STRATVERT

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## Reply to Santa Fe

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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

October 14, 2003

## HAND-DELIVERED

Mr. David Catanach  
New Mexico Oil Conservation Division  
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 Mr. Catanach:

Devon Energy Production Company, L.P.'s proposed order in the above matter, at finding paragraph 5, refers to the proportionate reduction of interests if the 320-acre spacing and proration unit is increased to 640 acres. (In this regard, see finding paragraphs 60-62 of the EGL/Landreth draft order.) It is correctly pointed-out that the reduction will occur after the payment by Devon and Southwestern of their proportionate share of drilling costs for the Rio Blanco 4-1 well.

While no party discussed the payment of drilling costs at the hearing, that issue should not be a factor in the Division's deliberations on the Amended Application. In this regard, my clients have confirmed that if the unit is expanded to 640 acres, then Devon and Southwestern will each receive immediate cash refunds for the overpayments of their share of drilling expenses resulting from the proportionate reduction in their working interests. The EGL transmittal letters accompanying the AFE's for the drilling costs that were sent to Devon and Southwestern referred to the possibility that the participation factors might change pending the outcome of these administrative proceedings. (Copies attached.)

## LAW OFFICES

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Mr. David Catanach  
October 14, 2003  
Page Two

If further information is required, please let me know.

Very truly yours,

MILLER STRATVERT P.A.

A handwritten signature in black ink, appearing to read "J. Scott Hall", written in a cursive style.

J. Scott Hall

JSH/glb

Enclosures

cc: Gail McQuestan (via facsimile)  
W. Thomas Kellahin (via facsimile)  
James A. Bruce (via facsimile)



E. G. L. Resources, Inc. 508 West Wall Street, Suite 1250 P.O. Box 10886 Midland, Texas 79702 915.687.8560 telephone 915.682.5852 facsimile

5/21/2003

Sam Thompson  
Southwestern Energy Production Company  
2350 North Sam Houston Parkway E, Suite 300  
Houston, Texas 77032-0310

Via Certified Mail

281-618-4757

RE: Rio Blanco #4 well  
T23S, R34E, NMPM  
Section 4: N/2  
Eddy County, NM

Dear Sam:

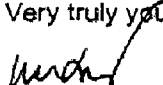
Under Order No. R-11962 EGL Resources, Inc. was named Operator to to deepen the captioned well and form a Unit covering N/2 of Section 4, T23S, R34E to test the Devonian Formation at a depth of approximately 15,000 feet. Attached is an Authority for Expenditure (AFE).

Your participation is based on Paragraph 10 (a) of the order but is possible that it may change based upon the upcoming Commission Hearing.

We have contracted with Patterson Drilling for a rig to move on this location on or about June 11, 2003. Please review this information, sign the AFE and return with your share of the cost at your earliest convenience.

Thank you for your consideration and should you have any questions, please call 915.686.4360. I am,

Very truly yours,

  
W. Wesley Perry  
President

The undersigned agrees to this proposal, signed this the 4th day of June, 2003.

Southwestern Energy Production Company

by: 

Name: Jim R. Dewbre

Title: Vice President - Land



E. G. L. Resources, Inc. 508 West Wall Street, Suite 1250 P.O. Box 10886 Midland, Texas 79702 915.687.6560 telephone 915.682.5852 facsimile

5/21/2003

Richard Winchester  
Devon Energy Company  
20 North Broadway, Suite 1500  
Oklahoma City, OK 73102

Via Certified Mail

405-552-8113

RE: Rio Blanco #4 well  
T23S, R34E, NMPM  
Section 4: N/2  
Eddy County, NM

Dear Richard:

Under Order No. R-11962 EGL Resources, Inc. was named Operator to to deepen the captioned well and form a Unit covering N/2 of Section 4, T23S, R34E to test the Devonian Formation at a depth of approximately 15,000 feet. Attached is an Authority for Expenditure (AFE).

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Thank you for your consideration and should you have any questions, please call 915.686.4360. I am,

Very truly yours,

  
W. Wesley Perry  
President

The undersigned agrees to this proposal, signed this the \_\_\_\_\_ day of \_\_\_\_\_, 2003.

Devon Energy Company

by: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**JAMES BRUCE**  
ATTORNEY AT LAW

POST OFFICE BOX 1056  
SANTA FE, NEW MEXICO 87504

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(505) 982-2043 (PHONE)  
(505) 982-2151 (FAX)

jamesbruc@aol.com

RECEIVED

OCT 20 2003

OIL CONSERVATION  
DIVISION

October 15, 2003

Via Fax and U.S. Mail

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

Re: Case 13085; Application of E.G.L. Resources, Inc. and  
Robert Landreth for pool extension, etc., Lea County, New  
Mexico

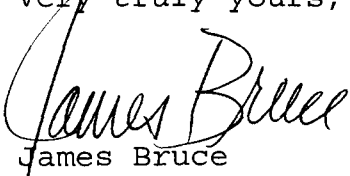
Dear Mr. Catanach:

Mr. Hall, on behalf of E.G.L. Resources, Inc. and Robert Landreth, has written two letters to you regarding the submittals by Southwestern Energy Production Company and Devon Energy Production Company, L.P. I submit this response on behalf of my client.

1. Mr. Hall admits that Landreth's application, as amended, does not request that Devon's well in Section 33 be shut-in. Such omission applies whether the North Bell Lake pool is expanded or a new pool is created. However, Ordering Paragraph (3) of Landreth's proposed order asks for exactly that relief. Such request is not properly before the Division, and cannot be granted.
2. More importantly, Landreth has requested that his application, insofar as it seeks to expand the North Bell Lake pool, be dismissed. Since all of Landreth's testimony was based on a geological and engineering connection between Section 4 (the North Bell Lake pool) and Section 6, then his testimony is erroneous and must be ignored.

The application must be denied.

Very truly yours,

  
James Bruce

Attorney for Southwestern Energy Production Company

cc: Counsel of record (via fax and U.S. mail)

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October 16, 2003

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Mr. David Catanach  
New Mexico Oil Conservation Division  
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 Mr. Catanach:

Mr. Bruce's October 15, 2003 letter on behalf of Southwestern Production Company requires a response on two points:

1. The Division's jurisdiction to act to impose production penalties on an unorthodox well location in this case, as suggested in Ordering Paragraph 3 of the EGL/Landreth draft order, was previously determined in the August 22, 2003 *Examiner's Decision*. (*Examiner's Decision*, Paragraph 15.) Southwestern did not pursue a de novo appeal of that decision and is accordingly bound by it.
2. Southwestern's assertion that all of Mr. Landreth's testimony was based on a geological and engineering connection between Sections 4 and 6 is demonstrably incorrect. The transcript of testimony from the hearing will speak for itself in this regard.

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Mr. David Catanach  
October 16, 2003  
Page Two

Thank you for your consideration of these points.

Very truly yours,

MILLER STRATVERT P.A.

A handwritten signature in cursive script, appearing to read "J. Scott Hall".

J. Scott Hall

JSH/glb

cc: Gail McQuestan (via facsimile)  
W. Thomas Kellahin (via facsimile)  
James A. Bruce (via facsimile)  
Bob Landreth (via facsimile)  
Wes Perry (via facsimile)