



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

August 22, 2003

Lori Wrotenbery

Director

Oil Conservation Division

Mr. W. Thomas Kellahin
Kellahin & Kellahin
P.O. Box 2265
Santa Fe, New Mexico 87504

Mr. J. Scott Hall
Miller Stratvert
P.O. Box 1986
Santa Fe, New Mexico 87504-1986

Faxed 8/22/2003 to 989-9857 & 982-2047

Re: Motion of EGL Resources, Inc./Robert Landreth
Case No. 13085

Dear Mssr. Kellahin & Hall:

Enclosed please find my decision regarding EGL Resources, Inc. and Robert Landreth's motion to suspend Devon Energy Production Company, L.P.'s drilling operations in Section 33, Township 22 South, Range 34 East, NMPM, and Section 9, Township 23 South, Range 34 East, NMPM.

Sincerely,

A handwritten signature in cursive script, appearing to read "David Catanach".

David Catanach
Examiner

Xc: Case File-13085
Ms. Gail Macquesten, Division Counsel

**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;

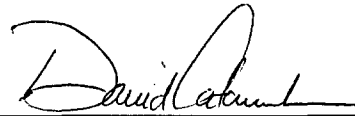
(14) Devon should be allowed to continue with the development of the Devonian formation in Sections 33 and 9, provided however that: Devon should act in a prudent manner so as not to compound the disagreement regarding the proper well spacing and well density in the Devonian formation in this area;

(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

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