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July 3, 2014

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Ms. Jami Bailey, Director
New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Re: NMOCD Case No. 15157: Application of Read Operating Company, LLC for Compulsory Pooling and Designation as Operator, Lea County, New Mexico

Dear Ms. Bailey:

On behalf of Magnum Hunter Production, Inc., Cimarex Energy Co. of Colorado and Snow Oil and Gas, Inc., enclosed is the pre-hearing statement for the hearing to take place on July 10, 2014.

Thank you.

Very truly yours,

J. Scott Hall

Enclosure a/s

582504

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

APPLICATION OF READ OPERATING
COMPANY, LLC FOR COMPULSORY
POOLING AND DESIGNATION AS
OPERATOR, LEA COUNTY, NEW MEXICO

Case No. 15157

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PRE-HEARING STATEMENT

Magnum Hunter Production, Inc., ("Magnum Hunter"), Cimarex Energy Co. of Colorado ("Cimarex") and Snow Oil and Gas, Inc. provides this Pre-Hearing Statement as required by the rules of the Division.

APPEARANCES

OPPONENT

Magnum Hunter Production, Inc. and
Cimarex Energy Co. of Colorado
Snow Oil and Gas, Inc.

OPPONENTS ATTORNEY

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OTHER PARTY

Read-Operating Company, LLC

OTHER PARTY'S ATTORNEY

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STATEMENT OF THE CASE

Read Operating Company, LLC ("ROC") seeks an order pooling the interests of Magnum Hunter, Snow and fifteen others in the W/2 E/2 of Section 9, Township 20 South, Range 34 East, NMPM in Lea County.

The lands and formation described in ("ROC's") application are subject to a pre-existing Joint Operating Agreement dated August 1, 1979. Magnum Hunter is the operator and is the party responsible for proposing and drilling wells on the lands. Because the lands are already the subject of a voluntary agreement, they are not available to be force pooled and ROC cannot act as operator.

By letter dated April 25, 2014, ROC and Read & Stevens, Inc. proposed to drill the Lea 9 Fed No. 2H horizontal well. The proposal letter was accompanied by a proposed operating agreement dated April 15, 2014 describing the E/2 and W/2 of Section 9 as Contract Areas "A" and "B", but with the same vertical limits as the 1979 JOA. The proposed JOA shows ROC as Operator, but ROC and Read & Stevens are the only signatories. Both the April 25, 2014 well proposal and draft operating agreement are invalid.

On June 12, 2014, Magnum Hunter as Operator proposed to the other parties under the August 1, 1979 Joint Operating Agreement, the drilling of the Union Federal 9 Well No. 2H to be drilled horizontally to the Bone Spring formation underlying the W/2 E/2 of Section 9 T20S R34E. As Magum Hunter's well will be drilled under an existing

voluntary agreement, ROC's compulsory pooling application serves no purpose and must be dismissed.

ROC's Application is defective for another reason: Roc failed to include in its Application, notice or advertisement any request for an exception to the acreage dedication requirements of the applicable pool rules or for approval of a non-standard spacing and proration unit. The Division cannot grant the relief requested by the current Application for the reason that it would violate the Division's acreage dedication rules and the applicable pool rules.

PROPOSED EVIDENCE

OPPONENT

<u>WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
Mark Compton, Landman	30	6
Michael Swain, Petroleum Engineer	30	4
Diana Doshier, Landman (Read & Stevens)	15	3

APPLICANT

<u>WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
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PROCEDURAL MATTERS

Magnum Hunter/Cimarex filed a Motion to Dismiss on June 16, 2014. As of today, July 3, 2014, the Applicants have failed to file any response. Magnum Hunter/Cimarex respectfully request the Examiner to address the Motion to Dismiss and the Applicants' lack of response before any hearing on the Application in this matter.

Respectfully submitted,

MONTGOMERY & ANDREWS, P. A.

By:


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Gas, Inc.

Certificate of Service

I hereby certify that a true and correct copy of the foregoing was served to counsel of record by electronic mail this 3rd day of July, 2014.

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