

MONTGOMERY
& ANDREWS
LAW FIRM

J. Scott Hall

Office: (505) 982-3873

Email: js-hall@montand.com

Reply To: Santa Fe Office

www.montand.com

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January 15, 2015

Mr. David Catanach, Director
New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Hand Delivered

Re: NMOCD Case No. 15244: Application of MRC Permian Company for a Non-Standard Spacing and Proration Unit, an Unorthodox Well Location and Compulsory Pooling, Eddy County, New Mexico.

Dear Mr. Catanach:

On behalf of Kaiser-Francis Oil Company, Inc., enclosed is an original and copy of the pre-hearing statement for the hearing to take place on January 22, 2015.

Thank you.

Very truly yours,

J. Scott Hall

Enclosure a/s

642067

325 Paseo de Peralta
Santa Fe, New Mexico 87501

T: 505.982.3873

F: 505.982.4289

P.O. Box 2307

Santa Fe, New Mexico 87504-2307

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

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APPLICATION OF MRC PERMIAN COMPANY
FOR A NON-STANDARD SPACING AND
PRORATION UNIT, AN UNORTHODOX WELL
LOCATION AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO

Case No. 15244

PRE-HEARING STATEMENT

Kaiser-Francis Oil Company, ("Kaiser-Francis") provides this Pre-Hearing Statement as required by the rules of the Division.

APPEARANCES

OPPONENT

Kaiser-Francis Oil Company

OPPONENTS ATTORNEY

J. Scott Hall, Esq.
Seth C. McMillan, Esq.
MONTGOMERY & ANDREWS, P.A.
P.O. Box 2307
Santa Fe, NM 87504-2307
Tele (505) 982-3873
shall@montand.com

APPLICANT

MRC Permian Company

APPLICANT'S ATTORNEY

James Bruce, Esq.
P.O. Box 1056
Santa Fe, NM 87504
Telephone (505) 982-2043
jamesbruc@aol.com

OTHER PARTY

Cimarex Energy Co. of Colorado

OTHER PARTY'S ATTORNEY

Earl E. DeBrine, Jr., Esq.
Modrall, Sperling, Roehl, Harris, & Sisk, P.A.
P.O. Box 2168
Albuquerque, New Mexico 87103-2168
Tele (505) 848-1800
edebrine@modrall.com
jl@modrall.com

STATEMENT OF THE CASE

Applicant, MRC Permian Company (“MRC”) seeks an order (i) approving a 160 acre non-standard oil spacing and proration unit in the Wolfcamp formation comprised of the E½E½ of Section 1, Township 24 South, Range 28 East, N.M.P.M., Eddy County, New Mexico, (ii) approving an unorthodox well location, and (iii) pooling all mineral interests in the Wolfcamp formation underlying the non-standard unit to be dedicated to its proposed Dr. Scrivner 1-24S-28E RB Well No. 224H.

Kaiser-Francis Oil Company opposes MRC’s compulsory pooling application and proposed unorthodox well location. Kaiser-Francis owns contractual working interests in the N/2 of Section 1. The N/2 of Section 1 is subject to that Operating Agreement dated July 1, 1990 designating Enron Oil & Gas Company as Operator and Kaiser-Francis and a number of other interest owners as non-operators. Consequently, the interests in the N/2 of Section 1 are not available to be force-pooled. Under the operation of NMSA § 70-2-17(C) and established Division precedent, there is no basis for the exercise of the Division’s compulsory pooling authority in this case, and consequently, MRC’s Application must be dismissed. Under the pooling statute, ROC has the burden of affirmatively proving that the owners of mineral interests in a spacing unit “have not agreed to pool their interests...”. Such a showing is a mandatory pre-condition to the exercise of the Division’s authority to pool property interests under § 70-2-17(C). It is a showing that MRC cannot make and therefore the only proper course of action for the Division is the dismissal of MRC’s Application.

PROPOSED EVIDENCE

OPPONENT

WITNESSES

Michael Maxey, Landman Kaiser-Francis

EST. TIME

20 minutes

EXHIBITS

4

Kaiser-Francis Oil Company reserves the right to call one or more technical witnesses to provide testimony at the hearing on MRC Permian Company’s Application.

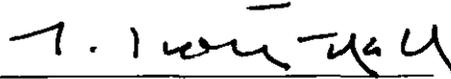
PROCEDURAL MATTERS

Kaiser-Francis will seek the dismissal of MRC's application.

Respectfully submitted,

MONTGOMERY & ANDREWS, P. A.

By:



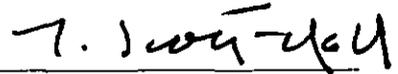
J. Scott Hall, Esq.
Seth C. McMillan, Esq.
Post Office Box 2307
Santa Fe, New Mexico 87504-2307
(505) 982-3873
(505) 982-4289 fax
shall@montand.com
smcmillan@montand.com
Attorneys for Kaiser-Francis Oil Company

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 15th day of January, 2015.

James Bruce, Esq.
P.O. Box 1056
Santa Fe, New Mexico 87504
Telephone (505) 982-2043
jamesbruc@aol.com
Attorneys for MRC Permian Company

Earl E. DeBrine, Jr., Esq.
Modrall, Sperling, Roehl, Harris, & Sisk, P.A.
P.O. Box 2168
Albuquerque, New Mexico 87103-2168
Tele (505) 848-1800
edebrine@modrall.com
jl@modrall.com
Attorneys for Cimarex Energy Co. of Colorado



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