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July 12, 2006

VIA PRIORITY MAIL, DELIVERY CONFIRMATION # 0604 1560 0001 8125 6279

Florene Davidson
Hearing Clerk
EMNRD
Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Case 13762

2006 JUL 13 PM 12 09

RE: Application for Adjudicatory Hearing on Permit to Drill, Lynx Petroleum, Inc's.
application for a permit to drill the Eddy 'BD' State No. 2 well, located at 660' FNL &
1980' FEL, Section 32, T20S, R30E, Eddy County, New Mexico

Dear Ms. Davidson:

Please find enclosed the original and two copies of Lynx Petroleum's *Application for Adjudicatory Hearing on Permit to Drill* and a Proposed Legal Notice. Please file the original and return one endorsed copy in the enclosed stamped envelope. A copy of this Application and proposed Notice has been mailed to Intrepid Potash.

Thank you for your courtesies.

Sincerely,
DOMENICI LAW FIRM, P.C.



Charles N. Lakins, Esq.

cc: 1606.02

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

2006 JUL 13 PM 12 09

**IN THE MATTER OF THE APPLICATION
OF LYNX PETROLEUM CONSULTANTS, INC.
FOR PERMIT TO DRILL IN POTASH AREA,
EDDY 'BD' STATE NO. 2 WELL,
EDDY COUNTY, NEW MEXICO**

Case No. 13762

APPLICATION FOR ADJUDICATORY HEARING ON PERMIT TO DRILL

The Applicant, Lynx Petroleum Consultants, Inc., ("Lynx") by and through undersigned counsel of record, under NMAC 19.15.14.1206, hereby requests that the Oil Conservation Division conduct an adjudicatory hearing regarding Lynx's application for a permit to drill the Eddy 'BD' State No. 2 well, located at 660' FNL & 1980' FEL, Section 32, T20S, R30E, Eddy County, New Mexico in order to consider the objection received from Intrepid Potash to Lynx's drilling of this well. In support of this request, Lynx states as follows:

1. Lynx staked and applied for a permit to drill the Eddy 'BD' State No. 2 well, located at 660' FNL & 1980' FEL, Section 32, T20S, R30E, Eddy County, New Mexico, to test the Morrow formation with a total depth projected at 12,620'.
2. Lynx filed a C-101 form for the proposed location electronically with OCD on March 24, 2006.
3. The proposed drilling location is located in a Known Potash Leasing Area. As such, Oil Conservation Division Order No. R-111-P controls.
4. In accordance with Order R-111-P, the Oil Conservation Division contacted the New Mexico State Land Office and the Bureau of Land Management. Both of these agencies indicated that the proposed well location was not located within any LMR or within any Buffer Zone.

5. In accordance with Order R-111-P, on March 24, 2006 Lynx wrote to Intrepid Mining NM, LLC, (“Intrepid”), which is a potash operator holding a potash lease that falls within a one-mile radius of the proposed well location. Lynx’s letter was received by Intrepid on March 28, 2006. In its letter, Lynx informed Intrepid that the proposed location was outside of Intrepid’s known Life of Mine Reserves, but that it may be affected by the Order R-111-P buffer zone. Lynx enclosed a plat and a copy of the C-101, and requested that, if Intrepid had no objections, that Intrepid sign and return a copy to Lynx. Intrepid did not sign and return the letter and/or plat to Lynx.
6. In a letter of May 9, 2006, Intrepid wrote to Lynx informing Lynx that Intrepid was opposed to Lynx’s drilling of the well at the proposed location, claiming spoilage of “approximately 491 acres of minable ore (wellbore plus ½ mile radius safety pillar).” Attached to Intrepid’s letter was a plat prepared by Intrepid, which showed the proposed drilling location to be outside of Intrepid’s LMR and outside of Intrepid’s one-half mile buffer. A copy of this letter was sent to Bryan Arrant, OCD District 2 Geologist.
7. Based upon the objection from Intrepid, OCD denied Lynx’s Application for Permit to Drill the Eddy 'BD' State No. 2 well, and suggested that Lynx request that the dispute be set for hearing.
8. Lynx has written to Intrepid and requested that Intrepid withdraw its objection, as the objection to drill was not received by OCD within the 20-day period as required under Order R-111-P, and also because, based upon Intrepid’s own map, Lynx’s proposed well is outside of Intrepid’s half-mile LMR buffer. Lynx has received no response.
9. Lynx believes that the objection by Intrepid to Lynx’s proposed well location is without merit, and was made well beyond the 20-day protest period required under Section (G)(e)(3)

of Order R-111-P. Intrepid's own map indicates that the proposed location is outside of Intrepid's LMR and is also outside of Intrepid's one-half mile buffer.

10. Lynx believes that no additional spoilage of potash reserves will occur due to the extensive previous oil and gas development surrounding the proposed location of the Eddy 'BD' State No. 2 well.
11. The approval of Lynx's application will prevent waste and protect correlative rights.

WHEREFORE, Lynx Petroleum Consultants, Inc. requests that the Oil Conservation Division hold a hearing on Lynx's application for a permit to drill the Eddy 'BD' State No. 2 well, located at 660' FNL & 1980' FEL, Section 32, T20S, R30E, Eddy County, New Mexico.

Respectfully Submitted,
DOMENICI LAW FIRM, P.C.



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Proposed Legal Notice

Case No. 13762 : **Application of Lynx Petroleum Consultants, Inc. for an adjudicatory hearing, Eddy County, New Mexico:** Lynx Petroleum Consultants, Inc. seeks an adjudicatory hearing before the Oil Conservation Division in order for the OCD to consider the objection received from Intrepid Potash to Lynx's application for a permit to drill the Eddy 'BD' State No. 2 well, located at 660' FNL & 1980' FEL, Section 32, T20S, R30E, Eddy County, New Mexico in a Known Potash Leasing Area. The hearing is set before the Oil Conservation Division on the ____ day of _____, 2006.

2006 JUL 13 PM 12 09