

HOLLAND & HART^{LLP}



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July 10, 2007

HAND-DELIVERED

Mark E. Fesmire, P.E.
Director
Oil Conservation Division
New Mexico Energy, Minerals and
Natural Resources Department
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 13897

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2007 JUL 10 PM 2:59

Re: Application of Great Western Drilling Ltd to re-open Case No. 13897:
Application of Cimarex Energy Co. of Colorado for pool creation, a
discovery allowable, and special pool rules, Eddy County, New
Mexico.

Dear Mr. Fesmire:

Enclosed is the application of Great Western Drilling Ltd. in the above-referenced case as well as a copy of a legal advertisement. Great Western requests that this matter be placed on the docket for the August 9, 2007 Examiner hearings.

Sincerely,

Ocean Munds-Dry
Ocean Munds-Dry

Enclosures

cc: Mr. Carter Muire
Mr. James Bruce, Esq.

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

IN THE MATTER OF THE APPLICATION OF
GREAT WESTERN DRILLING LTD.
TO RE-OPEN CASE NO. 13897: APPLICATION
OF CIMAREX ENERGY CO. OF COLORADO
FOR POOL CREATION, A DISCOVERY ALLOWABLE,
AND SPECIAL POOL RULES, EDDY COUNTY, NEW MEXICO.

CASE NO. 13897

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APPLICATION

Great Western Drilling Ltd. ("Great Western"), through its undersigned attorneys, hereby makes application to the New Mexico Oil Conservation Division to re-open Case No. 13897, *Application of Cimarex Energy Company of Colorado for pool creation, a discovery allowable, and special pool rules, Eddy County, New Mexico*. This case was heard on April 12, 2007 by Examiner Richard Ezeanyim.

In support of re-opening the case, Great Western states as follows:

1. Great Western is a working interest owner in the Grayburg Deep Unit ("the Unit") which is a Federal Unit that was approved by Order No. R-715, dated July 7, 1954. ConocoPhillips is the Unit Operator.
2. Pursuant to an Exploration Agreement with ConocoPhillips, Cimarex Energy Co. of Colorado ("Cimarex") has the right to drill on and earn an interest in portions of the Unit and non-Unit areas.
3. The Exploration Agreement is subject to the terms of the Unit Operating Agreement.
4. The Unit Operating Agreement provides that when parties appear before governmental agencies for the purpose of securing spacing or pooling orders, other parties to the Agreement may appear at such hearings, if they desire.

5. Cimarex operates the Keely 26 Fed. Well No. 1 ("the Keely well"), which is located 1980 feet from the North line and 1550 feet from the East line of Section 26.

6. The Unit Area originally included all of said Section 26.

7. Although the Unit was contracted to exclude Section 26, Great Western retains an ownership interest in the original Unit Area.

8. The Keely well was originally proposed and drilled as a Morrow well at a standard location on a 320-acre deep gas unit but was later completed as a Wolfcamp oil well in the Northeast Loco Hills-Wolfcamp Pool. Great Western owns an interest in the SW/4 NE/4 of Section 26. Great Western is a non-consenting party in the Keely well.

9. This pool is developed under statewide rules which provide for 40-acre oil spacing with wells to be at least 330 feet from the outer boundary of the dedicated 40-acre tract. The Keely well is therefore at an unorthodox location in the Wolfcamp formation (only 220 feet from the outer boundary of the spacing unit).

10. When Cimarex sought approval of the unorthodox location for the Keely well, it advised the Division that it was not required to provide notice of this application to any other interest owner since it was the operator of all offsetting tracts in the Wolfcamp formation. No notice of Cimarex's application for an unorthodox well location was provided to Great Western and the unorthodox location was approved by Administrative Order NSL-5578, dated March 9, 2007. A 40-acre spacing unit comprised of the SW/4 NE/4 of Section 26 was dedicated to the well.

11. Thereafter, Cimarex filed its application in this case seeking, among other things, an increase in the gas/oil ratio for the well.

12. Again, no notice was provided of this application to Great Western or other interest owners in the offsetting tracts because, as Applicant advised the Division at the examiner

hearing on this application, it is the operator of all offsetting tracts in the Wolfcamp formation.

13. Because it did not receive notice of this application, Great Western was unable to timely intervene in this case.

14. If Cimarex's application is granted, the result will be a Wolfcamp well at an unorthodox location that is authorized at an accelerated rate. Great Western believes that this well and the rules sought by Cimarex will result in imprudent and potentially wasteful development practices and requests that the case be re-opened to enable Great Western to appear and present testimony in opposition to the proposed Special Pool Rules for this new Wolfcamp Pool.

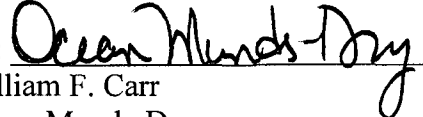
15. Re-opening this case will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

16. A copy of this application has been sent to Cimarex.

WHEREFORE, Great Western respectfully requests that the case be re-opened and the application set for hearing before an Examiner of the Oil Conservation Division on August 9, 2007 and, after notice and hearing as required by law, that the application of Cimarex be denied.

Respectfully submitted,

HOLLAND & HART LLP

By: 
William F. Carr

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ATTORNEYS FOR GREAT WESTERN
DRILLING LTD.

CASE 1389? Application of Great Western Drilling Ltd. to Re-open Case No. 13897: Application of Cimarex Energy Co. of Colorado for Pool Creation, a Discovery Allowable and Special Pool Rules, Eddy County, New Mexico. Applicant in the above-styled cause seeks to re-open Case No. 13897: Application of Cimarex Energy Co. of Colorado for Pool Creation, A Discovery Allowable, and Special Pool Rules, Eddy County, New Mexico to allow Great Western to appear and present testimony in opposition to the proposed special pool rules. Cimarex has proposed the creation of a new pool for the production of oil from the Wolfcamp formation, to be named the Northeast Loco Hills-Wolfcamp Pool, comprising the NE/4 of Section 26, Township 17 South, Range 29 East, NMPM and also seeks special rules and regulations for the pool, including a limiting gas:oil ratio of 6000 cubic feet of gas for each barrel of oil produced. The discovery well for the proposed pool is the Keely 26 Fed. Well No. 1, located 1980 feet from the North line and 1550 feet from the East line of Section 26. The proposed pool is located 5 miles west-northwest of Loco Hills, New Mexico.