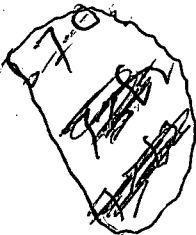


**STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES  
OIL CONSERVATION DIVISION**



**IN THE MATTER OF THE APPLICATION  
OF EOG RESOURCES, INC.  
FOR COMPULSORY POOLING  
LEA COUNTY, NEW MEXICO**

**CASE NO. 13912**

**IN THE MATTER OF THE APPLICATION OF  
OCCIDENTAL PERMIAN LTD. FOR CANCELLATION  
OF A DRILLING PERMIT, FOR DETERMINATION OF THE  
RIGHT TO DRILL AND APPROVAL OF A DRILLING PERMIT,  
LEA COUNTY, NEW MEXICO**

**CASE NO. 13945**

**PRE-HEARING STATEMENT**

This Pre-Hearing Statement is submitted by W. Thomas Kellahin, Kellahin & Kellahin, on behalf of Cimarron Exploration Company, as required by the Oil Conservation Division,

**APPEARANCES**

**ATTORNEY**

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**PARTIES**

EOG Resources, Inc.

Occidental Permian, Ltd.

Cimarron Exploration Company

**CASE 13912**

In Case 13912, EOG Resources, Inc. ("EOG") is the applicant with Cimarron Exploration Company ("Cimarron") appearing in support and Occidental Permian, Ltd. ("OPL") appearing in opposition.

**CASE 13945**

In Case 13945, OPL is the applicant and EOG and Cimarron are appearing in opposition.

**STATEMENT OF THE CASES**

These two cases involve a dispute between EOG and OPL over the SW/4NW/4 of Section 17, T18S, R34E.

In Case 13912, EOG is seeking to pool OPL. In order to avoid being pooled, OPL, in Case 13945, is attempting to have the Division decide OPL's claim of a forfeiture supposedly occurred some ten years ago in 1997 by EOG predecessor in interest, Union Texas Petroleum Corporation.

In addition, OPL wants the Division to determine that EOG's title is invalid and thus to cancel EOR's APD. In doing so, OPL had ignored Commission Order R-11700-B, dated April 26, 2002, in a similar dispute over the issuance of approved APDs where the Commission held:

"The Oil Conservation Commission has no jurisdiction to determine the validity of any title, or the validity or continuation in force and effect of any oil and gas lease. Exclusive jurisdiction of such matters resides in the courts of the State of New Mexico."

EOR has obtained its APD in good faith and has complied with Finding 33 of Commission's Order R-1233-E and Findings 27 and 28 of Commission's Order R-11700-B.

"28, It is the responsibility of the operator filing an application for a permit to drill to do so under a good faith claim to title and a good faith belief that it is authorized to drill the well applied for..."

EOG has done so in this case

In its simplest terms the chain of title is as follows:

- (1) On January 21, 1985, Amoco Production Company, with all the interest in this 40-acre spacing unit and other lands,<sup>1</sup> based upon a State of New Mexico oil and gas lease LG-1125, dated April 1, 1973, assigned 75% such that: Amoco held 25%, Union Texas Petroleum Corporation held 37.5% and Santa Fe Exploration Company held 37.5%.

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<sup>1</sup> Lands are S/2N/2, N/2SW/4 and NE/4MW/4 of Sec 17 and N/2NE/4, SW/4NE/4 and E/2SE/4 of Sec 18, T18S, R34E, Lea County, NM

- (2) Cimarron, as a result of the bankruptcy of Santa Fe Exploration, now holds 37.5% and has "farmed-out" its interest to EOG, retaining overriding interests.
- (3) EOG now holds the 37.5% formerly held by Union Texas Petroleum Corporation.
- (4) OPL now hold the 25% formerly held by Amoco Production Company.
- (5) In addition, OPL also claims all of the interest of EOG and Cimarron based upon OPL's unilaterally declared that EOG predecessor, Union Texas, had failed to sustain production from other lands subject to this 1985 Agreement and that EOG interest terminated sixty days after October 31, 1997.
- (6) In reply, Cimarron will contend that:
  - a. EOG's APD was obtained in good faith and is valid until such time as a district court holds otherwise.
  - b. That OPL's application must be dismissed for lack of jurisdiction by the OCD.
  - c. OPL wrongfully filed this unilaterally declaration of termination.
  - d. That OPL without objection has allowed EOG to drilled additional wells including the Cimarron 18 State Well No. 3 (API # 30-025-38516) on December 23, 2006 in the SW/4NE/4 (Unit G) of Sec 18.
  - e. OPL has accepted payment of proceeds from this well; and
  - f. therefore OPL has waiver any opportunity to now declare a termination of the 1985 Agreement or any applicable JOA.
- (7) In summary, Cimarron will argue that EOG permit is valid until such time and a district court with proper jurisdiction to hear OPL's title claim enters an order in favor of OPL. The Division should dismiss OPL's application and enter an order granting EOG compulsory pooling application.

## PROPOSED EVIDENCE

### CIMARRON

#### WITNESSES

**Richard Gilliland,  
Vice president (engineer)**

#### EST. TIME

**30 min.**


#### EST. EXHIBITS

**Conveyance/Bankruptcy Order  
by which Cimarron is Santa Fe  
Exploration's successor**

**Various title documents, including  
assignment from Union Texas and  
JOAs.**

**PROCEDURAL MATTERS**

**Cimarron will ask that the Division grant a motion to dismiss the application of OPL.**

  
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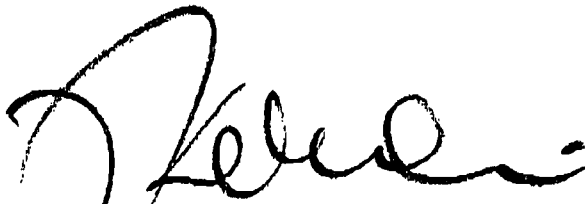
**CERTIFICATE OF SERVICE**

I certify that on August 30, 2007, I served a copy of the foregoing documents by:

- ☐ US Mail, postage prepaid  
☐ Hand Delivery  
☒ Facsimile

to the following:

Phil Brewer, Esq.  
Jim Bruce, Esq.  
Scott Hall, Esq.  
David K. Brooks, Esq. OCD

  
\_\_\_\_\_  
W. Thomas Kellahin