

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

**IN THE MATTER OF THE HEARING CALLED BY THE
OIL CONSERVATION DIVISION FOR THE PURPOSES
OF CONSIDERING:**

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CASE NO. 14418

**APPLICATION OF CIMAREX ENERGY CO.
FOR A NON-STANDARD OIL SPACING AND
PRORATION UNIT AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

ENTRY OF APPEARANCE AND PRE-HEARING STATEMENT

This Pre-Hearing Statement is submitted by Holland & Hart LLP, as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

Cimarex Energy Co.

ATTORNEY

James Bruce
P.O. Box 1056
Santa Fe, NM 87504
(505) 982-2043
(505) 982-2151 (Fax)

OPPONENT

Lynx Petroleum Consultants, Inc.
Attn: Larry Scott, President
P.O. Box 1208
Hobbs, New Mexico 882110

ATTORNEY

Ocean Munds-Dry
Holland & Hart LLP
110 N. Guadalupe St. Suite 1
Santa Fe, NM 87501
(505) 988-4421
(505) 983-6043 (Fax)

STATEMENT OF CASE

OPPONENT

Lynx Petroleum Consultants, Inc. is a working interest owner in the W/2 SW/4 of Section 21, Township 19 South, Range 31 East, NMPM, Eddy County, New Mexico. Cimarex seeks to pool the W/2 W/2 of Section 21, Township 19 South, Range 31 East, NMPM. to drill the Penny Pincher 21 Fed Well No. 1 at a surface location in the NW/4 NW/4 and a bottomhole location in the SW/4 SW/4 of Section 21. Cimarex owns no working interest in the W/2 of the SW/4 which is why it seeks to invoke the police power of the Division to compulsory pool all the working interests in the W/2 SW/4 in order to produce minerals it has no interest in otherwise. Lynx opposes this application because it believes there are significant differences in reservoir quality between each of the 40-acre spacing units Cimarex proposes to combine. Accordingly, its correlative rights will be violated by denying Lynx its just and equitable share of the oil and gas.

The pooling statutes and rules address pooling to form a spacing or proration unit rather than a project area. See e.g. NMSA 1978, § 70-2-17. Section 70-2-17 of the Oil and Gas Act requires all orders of the division "so far as practicable to do so" to afford to each interest owner "the opportunity to produce his just and equitable share of the oil or gas...." The size of a spacing unit is determined by presuming a drainage area. There is also a presumption that each tract is contributing the same per acre share of reserves to the unit dedicated to the well. There is no practical way to test in a vertical well whether or not this assumption is correct. However, it is technically feasible to complete and test each spacing unit in a horizontal wellbore that traverses multiple spacing units. Thus if the Division grants Cimarex's application, the Division should also require the operator of the unit to: (1) complete and test each spacing unit for a sufficient length of time to establish each unit's probable contribution to the total well production; and then (2) allocate total production from the wellbore back to each spacing unit based on the share of total production that each spacing unit will contribute.


PROPOSED EVIDENCE

OPPONENT

WITNESSES	ESTIMATED TIME	EXHIBITS
Larry Scott, Petroleum Engineer and Practical Oilman	Approx. 20 minutes	Approx. 5

PROCEDURAL MATTERS

Lynx has none at this time.


Ocean Munds-Dry
Attorney for Lynx Petroleum Consultants,
Inc.

CERTIFICATE OF SERVICE

I certify that on January 14, 2010 I served a copy of the foregoing document to the following by

- ☒ U.S. Mail, postage prepaid
- ☐ Hand Delivery
- ☐ Fax
- ☐ Electronic Service by LexisNexis File & Serve

James Bruce, Esq.
PO Box 1056
Santa Fe, NM 87504

Ocean Munds-Dry
Ocean Munds-Dry