

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

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

**CASE NOS. 14418 & 14480
De Novo**

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

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PRE-HEARING STATEMENT

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

APPEARANCES OF PARTIES

APPLICANT

Cimarex Energy Co.

ATTORNEY

Gary Larson
Hinkle, Hensley, Shanor & Martin, LLP
P.O. Box 2068
Santa Fe, NM 87504
(505) 982-4554

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
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STATEMENT OF CASE

OPPONENT

In Order No. R-13228-D, the Commission Chair consolidated Case Nos. 14418 and 14480. In Case No. 14418, Cimarex seeks an order compulsory pooling all interests in a horizontal well project area comprised of the W/2 W/2 of Section 21, Township 19 South, Range 31 East, NMPM, Eddy County, New Mexico for its Penny Pincher 21 Federal Well No. 1 which it has drilled from a surface location in the NW/4 NW/4 of the section to a bottomhole location in the SW/4 SW/4 of the section. In Case No. 14480, Cimarex seeks an order pooling the E/2 W/2 of Section 21 for its Penny Pincher 21 Federal Well No. 2 which it proposes to drill at an orthodox surface location in the NE/4 NW/4 of Section 21 and a bottomhole location in the SE/4 SW/4 of Section 21.

Compulsory pooling, as authorized by the Oil and Gas Act, is limited to single spacing and proration units. See e.g. NMSA 1978, § 70-2-17. To enable the Commission to compulsory pool interests in this horizontal well project area, Cimarex seeks the creation of a non-standard spacing unit comprised of four complete standard 40-acre spacing units.

There are significant differences in the reservoir quality between each of the four standard complete contiguous spacing units that Cimarex wants to combine to create a project area for this well. Lynx Petroleum Consultants, Inc. is a working interest owner in the W/2 SW/4 of said Section 21 and opposes this application because the spacing units in which it owns interests are significantly better than other spacing units in this proposed project area and will contribute more reserves to the subject well than other spacing units dedicated to the well. Accordingly, granting Cimarex's application would deny Lynx the opportunity to produce its just and equitable share of the oil and gas underlying its acreage thereby violating its correlative rights in violation of Section 70-2-17 of the Oil and Gas Act.

The formation of a non-standard spacing unit for a project area is inappropriate under Commission rules for what the Commission is asked is not to create a non-standard unit for a well but, instead to statutorily unitize a number of complete standard spacing units for primary production – something it is prohibited from doing by New Mexico statute.

PROPOSED EVIDENCE

RESPONDENT

WITNESSES	ESTIMATED TIME	EXHIBITS
Larry Scott, Petroleum Engineer and Practical	1 hour	8


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EXHIBITS

Lynx will submit the same exhibits it has already provided to the Commission in Case No. 14418. Lynx reserves the right to submit rebuttal exhibits at the hearing.

PROCEDURAL MATTERS

Lynx has none at this time.


Ocean Munds-Dry
Attorney for Lynx Petroleum Consultants
Inc.

CERTIFICATE OF SERVICE

I certify that on October 28, 2010 I served a copy of the foregoing document to the following by

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

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