

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

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

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

RECEIVED OCT
2010 NOV 19 P 1000
**DE NOV
CASE NO. 14418**

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

CASE NO. 14480

APPLICANT CIMAREX ENERGY CO.'S CLOSING STATEMENT

As directed by the Commission Chair at the November 4, 2010 hearing on these consolidated cases, Applicant Cimarex Energy Co. ("Cimarex") submits its closing statement.

In requesting approval of two non-standard 160-acre oil spacing and proration units to be dedicated to horizontal wells and the pooling of all uncommitted interests within the proposed units, Cimarex seeks relief that the Commission is clearly authorized to grant under the Oil and Gas Act, *Rutter & Wilbanks Corp. v. Oil Conservation Comm'n*, 87 N.M. 286, 289, 582 P.2d 582, 585 (1975), and the Commission's rules. *See* NMSA 1978, § 70-2-17(C); 19.15.2.7(S)(9) NMAC. Cimarex holds working interests in each quarter-quarter section of the proposed units and, therefore, it has the right to drill the horizontal wells. Based on its extensive experience in drilling and completing horizontal wells in the Bone Spring formation in southeastern New Mexico, Cimarex proposed the wells after evaluating the productive intervals and reserves in the

2nd Bone Spring Sandstone that it concluded could be produced efficiently. Cimarex's geologist and petroleum engineer presented expert testimony and documentary exhibits demonstrating that the horizontal wells will be productive and will encounter substantially similar pay in each quarter-quarter section of the proposed units.


In a futile attempt to convince the Commission that it should deny Cimarex's applications, Lynx Petroleum Consultants, Inc.'s ("Lynx's") Pre-Hearing Statement and hearing testimony offer an untenable interpretation of the governing statutory provision and the Commission's rules, and attempt to morph Cimarex's applications for compulsory pooling into requests for statutory unitization. Lynx's apparent motivation in characterizing Cimarex's applications as requests for unitization is to convince the Commission that it has the discretion afforded under the Statutory Unitization Act to make its own allocation determination and to adopt Lynx's proposal that, if it grants Cimarex's applications, the Commission should allocate production based on the reserves in each quarter-quarter section within the units. However, the Commission is statutorily mandated to allocate production based solely on the surface acreage within the units. *See* NMSA 1978, § 70-2-17(C). From a factual standpoint, Lynx's contention that there are significant differences in reservoir quality between the N/2 and S/2 of the proposed units is directly refuted by the production data from the completed Penny Pincher Federal Com No. 1 well.

Cimarex submits that it has satisfied its evidentiary burden of demonstrating that it is entitled to the relief that it requests in its applications and that the Commission is authorized to grant. Cimarex has demonstrated that the approval of the proposed non-standard spacing and proration units, and the pooling of all uncommitted interests in the proposed units, will result in the prevention of waste and the protection of the correlative rights of all of the interest owners.

Accordingly, Cimarex requests that the Commission enter an order approving Cimarex's applications in all respects.

Respectfully submitted,

HINKLE, HENSLEY, SHANOR &
MARTIN, LLP



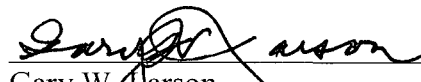
Gary W. Larson
Post Office Box 2068
Santa Fe, New Mexico 87504-2068
(505) 982-4554

Attorney for Cimarex Energy Co.

CERTIFICATE OF SERVICE

I hereby certify that on this 19th day of November, 2010, I sent a true and correct copy of the foregoing *Applicant Cimarex Energy Co.'s. Closing Statement* via email to:

Ocean Munds-Dry
Holland & Hart, LLP
Post Office Box 2208
Santa Fe, NM 87504
omundsdry@hollandhart.com



Gary W. Larson