

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

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**IN THE MATTER OF THE APPLICATION OF
DEVON ENERGY PRODUCTION COMPANY,
L.P. FOR DESIGNATION OF A NON-
STANDARD OIL SPACING AND PRORATION
UNIT AND FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

CASE NO. 14569

PRE-HEARING STATEMENT

APPEARANCES

APPLICANT

Devon Energy Production Company, LP
20 N. Broadway
Oklahoma City, OK 73102

APPLICANT'S ATTORNEY

J. Scott Hall
Montgomery & Andrews
P.O. Box 2307
Santa Fe, New Mexico 87504-2307
(505) 986-2646

OPPOSING PARTY

Cimarex Energy Co. of Colorado
600 N. Marienfeld Street, Suite 600
Midland, TX 79701

OPPOSING PARTY'S ATTORNEY

W. Thomas Kellahin
Kellahin & Kellahin
706 Gonzales Road
Santa Fe, New Mexico 87501
(505) 982-4285

STATEMENT OF THE CASE

In Case No. 14569, Devon Energy Production Company seeks an order consolidating the 40-acre spacing units within the N/2 N/2 of Section 15, Township 18 South Range 32 East, NMPM and designating the consolidated units as a 160-acre± non-standard oil spacing and proration unit for a well location in the Bone Springs formation for Applicant's horizontal drilling project area. Applicant further seeks the compulsory pooling of all interests in the Bone Spring formation underlying the N/2 N/2 of Section 15 to be dedicated to its West Shinnery 15 Federal No. 2-H Well.

In related Case No. 14570, Devon Energy Production Company seeks an order consolidating the 40-acre spacing units within the S/2 N/2 of Section 15, Township 18 South Range 32 East, NMPM and designating the consolidated units as a 160-acre± non-standard oil spacing and proration unit for a well location in the Bone Springs formation for Applicant's

horizontal drilling project area. Applicant further seeks the compulsory pooling of all interests in the Bone Spring formation underlying the S/2 N/2 of Section 15 to be dedicated to its West Shinnery 15 Federal Com No. 3-H Well.

Devon's Applications in Case No. 14569 and Case No. 14570 together seek the approval of two non-standard 160-acre lay-down spacing units in the N/2 of Section 15 and the compulsory pooling of un-joined interests. Both applications share common facts and Devon will ask that they be consolidated for hearing. In the time since Devon filed its Applications, Cimarex Energy Company has proposed a conflicting stand-up spacing unit and has filed a competing compulsory pooling application. Consequently, Cimarex is opposed.

For a significant period of time preceding this dispute, Devon has been proactive, moving forward with the title work, planning and permitting necessary to develop its reserves in Section 15. As part of that process, on September 23, 2010 Devon circulated its well proposal for its West Shinnery 15 Federal Com. No. 3-H. The designated well unit is the S/2 N/2 Section 15. Devon's well proposal is complete. In this unit, Devon owns approximately 45% and Cimarex owns approximately 50.00%.

On October 4, 2010, Cimarex rejected Devon's well proposal and circulated its own conflicting well proposal (undated) for its North Young 15 Federal Com No. 2-H well. The well unit is identified as E/2 W/2 Sec. 15. Cimarex's well proposal does not conform to NMOCD requirements. The JOA included is incomplete and does not state the interest owners' ownership percentage in the unit, indicating that the necessary title work has not been done. The surface/bottom-hole locations are also mis-stated. The Cimarex well proposal letter also makes apparent that the location has not been staked or an archeological survey obtained.

Also on October 4, 2010, Devon circulated its well proposal for West Shinnery 15 Federal No. 2-H. The well unit is the N/2 N/2 Sec. 15. Cimarex purported to have acquired a very small working interest in this unit (1.30% X .5, or 0.65%). As of the date of this well proposal (and when the county and BLM records were last checked on November 8th), Cimarex had no record title interest in this unit.

On October 28, 2010, Cimarex filed a conflicting compulsory pooling application for its North Young 15 Federal Com No. 2-H. *Case No. 14573; Application of Cimarex Energy Co. for a Non-Standard Spacing Unit and Compulsory Pooling, Lea County, New Mexico*. This case is set for the December 2, 2010 examiner hearing docket.

PROPOSED EVIDENCE

APPLICANT

<u>WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
Jim Ball, Landman	30 minutes	7
Stephen Burns, Geologist	20 minutes	6
Kevin Olson, Petroleum Engineer	20 minutes	6

OPPOSING PARTY

WITNESSES

EST. TIME

EXHIBITS

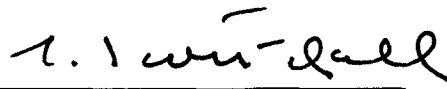
PROCEDURAL MATTERS

On November 8, 2010, Cimarex filed its Motion to Dismiss Case No. 14569 (Devon West Shinnery 15 Federal No. 2-H). The motion contained a number of errors and misstatements in its statement of facts (unsupported) as to the quantum of interests and timeline of events. The statement of facts is disputed. On November 9, 2010, Cimarex filed an Amended Motion To Dismiss (unsupported). The statement of facts continues to be disputed. Further, because Cimarex has no record title interest, its standing to seek dismissal of this case is in question. (See Order No. R-1062-A, Conclusions of Law ¶¶D (1), (2), (3), Case No. 11510, *Application of Branko, Inc. et al. to Reopen Case No. 10656*; Order No. R-10672-A *De Novo*; Party not an interest owner of record at the time an application is filed is not entitled to notice.)

Devon may file a motion to dismiss Cimarex's Application in Case No. 14573.

Respectfully submitted,

MONTGOMERY & ANDREWS, P. A.

By: 

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Company, L.P.

Certificate of Service

I hereby certify that on November 10, 2010, a true and correct copy of the foregoing was deposited with the U.S. Postal Service, with proper postage affixed, addressed as follows:

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00232720



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