

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

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**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 AND PRORATION
UNIT FOR COMPULSORY POOLING, EDDY
COUNTY, NEW MEXICO.**

Case No. 14480

APPLICANT CIMAREX ENERGY CO.'S PRE-HEARING STATEMENT

Pursuant to 19.15.4.13(B), applicant Cimarex Energy Co. ("Cimarex") submits its Pre-Hearing Statement.

APPEARANCES

Cimarex's business address is Suite 600, 600 North Marienfeld, Midland, Texas 79701. It is represented by the undersigned counsel.

Lynx Petroleum Consultants, Inc. ("Lynx") opposes Cimarex's application. Lynx is represented by Ocean Munds-Dry of Holland & Hart, LLP.

STATEMENT OF THE CASE

Cimarex's application seeks an order approving a 160-acre non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the E/2 W/2 of Section 21, Township 19 South, Range 31 East, NMPM in Eddy County. The application further seeks the pooling of all mineral interests from 2,500 feet subsurface to the base of the Bone Spring formation underlying (i) the NE/4 NW/4 of Section 21, to form a standard 40-acre oil spacing and proration unit, and (ii) the E/2 W/2 of Section 21, to form a non-standard 160-acre oil spacing and proration unit (project area). The proposed units are to be dedicated to the Penny

Pincher 21 Federal Com No. 2 well, a horizontal well to be drilled at an orthodox surface location in the NE/4 NW/4 of Section 21, with a terminus at an orthodox location in the SE/4 SW/4 of Section 21. Also to be considered by the Commission will be (i) the cost of drilling and completing the well and the allocation of the cost thereof, (ii) the actual operating costs and charges for supervision, (iii) the designation of Cimarex Energy Co. of Colorado as the operator of the well, and (iv) a 200% charge for the risk involved in drilling and completing the well.

Lynx appeared at the Division hearing in this case and opposed Cimarex's application. The Division did not render a decision on Cimarex's application. On August 31, 2010, the Commission entered its order consolidating this case with Case No. 14418.

PROPOSED EVIDENCE

<u>WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
Mark Compton (landman)	15 min.	7
Lee Catalano (geologist)	15 min.	4
Michael Swain (engineer)	15 min.	3

In accordance with 19.15.4.13(B)(2) NMAC, Cimarex has attached hereto copies of the exhibits it proposes to offer in evidence at the hearing.

PROCEDURAL MATTERS

Cimarex is not aware of any procedural matters to be resolved prior to the hearing.

Respectfully submitted,

HINKLE, HENSLEY, SHANOR &
MARTIN, LLP



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Attorney for Cimarex Energy Co.

CERTIFICATE OF SERVICE

I hereby certify that on this 28th day of October, 2010, I sent a true and correct copy of
the foregoing ***Applicant Cimarex Energy Co.'s Pre-Hearing Statement*** via email to:

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Attorney for Lynx Petroleum Consultants, Inc.



Gary W. Larson