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June 9, 2005

VIA OVERNIGHT MAIL

Florene Davidson
Hearing Clerk
EMNRD
Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

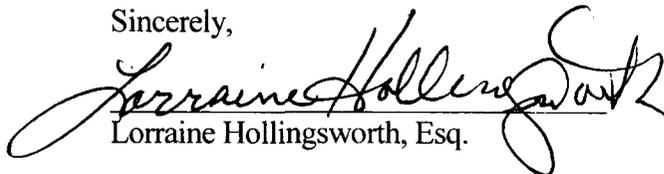
RE: Case No. 13451: Application of the Division Through the Director of the New Mexico
Underground Injection Control Program to Revoke Division Administrative Permit
SWD-966, Eddy County, New Mexico.

Dear Ms. Davidson:

Please find enclosed the original and requisite copies of Lynx Petroleum's Pre-Hearing
Statement in the above-captioned matter. Please file the original and return an endorsed copy
in the enclosed stamped envelope.

Thank you for your courtesies in this matter.

Sincerely,


Lorraine Hollingsworth, Esq.

Encl.
cc: file

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

**CASE NO 13451: APPLICATION OF THE DIVISION THROUGH THE DIRECTOR
FO THE NEW MEXICO UNDERGROUND INJECTION CONTROL PROGRAM TO
REVOKE DIVISION ADMINISTRATIVE PERMIT SWD-966, EDDY COUNTY, NEW
MEXICO.**

PRE-HEARING STATEMENT

COMES NOW Lynx Petroleum Consultants, Inc. (Lynx), by and through undersigned
counsel of record, and submits the following Pre-Hearing Statement in the above-captioned
matter

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I. Name of the Party and Party's Attorney

Lynx Petroleum Consultants, Inc.
Permittee
P.O. Box 1708
3325 Enterprise Drive
Hobbs, New Mexico 88241

Pete V. Domenici, Jr., Esq.
Attorney for Lynx Petroleum Consultants, Inc.
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II. LYNX'S STATEMENT OF THE CASE

On December 29, 2004, Lynx applied to the Oil Conservation Division (Division) for
permission to utilize its Jones Federal "B" Well No. 3 ((API NO. 30-015-10394), located 660
feet from the South line and 660 feet from the East line of Section 23, Township 19 South,
Range 31 East, NMPM, Eddy County, New Mexico) for disposal of produced water.

On January 20, 2005, the Division issued Administrative Order SWD-966, granting Lynx permission to use Jones Federal "B" Well No. 3 for the injection of produced water for disposal purposes into the Yates and Seven Rivers formations through perforations from 2,370 feet to 2,720 feet and through plastic-lined tubing set with a packer located within 100 feet of the top of the injection interval. The Division specifically found that "[t]he applicant has presented satisfactory evidence that all requirements prescribed in Rule 701 will be met." SWD-966, ¶(3).

On February 22, 2005, the Division notified Lynx that it is considering revocation of SWD-966. The Division stated that, after SWD-966 was issued, the Division's geologist in the Artesia District office expressed concerns about the permitted well. The specific concerns identified were: 1) the permitted injection interval may be near the Capitan Reef facies; and 2) whether the Jones Federal 2-23, located within the area of review, is plugged well enough to prevent injection fluids from migrating into the Salado formation.

Lynx opposes the proposed revocation of SWD-966 and will present testimony demonstrating the following:

- 1) State records indicate the presence of cement plugs in the Jones Federal 3-23 located 55 feet above the top of the injection interval approved for the Jones Federal "B" Well No. 3. The location of the cement plugs, in combination with the 1320 foot distance between wellbores, will be sufficient to prevent fluid migration into the Salado formation.
- 2) Although the approved interval immediately overlies the Capitan Reef, there are approved active injection wells in similar intervals bracketing the Jones Federal "B" Well No. 3 both to the east and the west.
- 3) The upper 255 feet of the approved interval has proved oil productive within 1 mile of the Jones Federal "B" Well No. 3. Oil and water production has been established from

the lower portion of the interval at 5/8 of a mile and non-commercial Yates oil production has been proven in the upper Yates sands in this wellbore.

The testimony to be presented by Lynx answers the concerns raised by the Division and demonstrates that there is no basis for revocation of SWD-966. Lynx requests that the Hearing Examiner deny the Division's request to revoke Administrative Order SWD-966.

III. WITNESSES TO TESTIFY AT THE HEARING

Lynx will call the following witness to testify at the hearing in this matter:

Larry Scott, Lynx Petroleum Consultants, Inc.

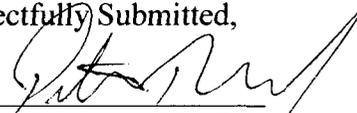
IV. APPROXIMATE TIME NEEDED TO PRESENT LYNX'S CASE

Lynx will need approximately one hour to present its case.

V. PROCEDURAL MATTERS TO BE RESOLVED PRIOR TO THE HEARING

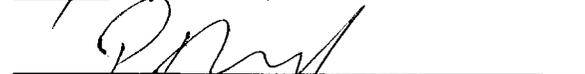
None at this time.

Respectfully Submitted,



Pete V. Domenici, Jr. Esq.
Attorney for Lynx Petroleum Consultants, Inc.
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Albuquerque, NM 87109
(505) 883-6250

I hereby certify that a true and correct copy of the foregoing was served on the parties of record this 9 day of June, 2005.


Pete V. Domenici, Jr., Esq.