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2015 JAN 15 A 10:52

January 15, 2015

Mr. David Catanach, Director  
New Mexico Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

*Hand Delivered*

**Re: NMOCD Case No. 15244: Application of MRC Permian Company for a Non-Standard Spacing and Proration Unit, an Unorthodox Well Location and Compulsory Pooling, Eddy County, New Mexico.**

Dear Mr. Catanach:

On behalf of Kaiser-Francis Oil Company, Inc., enclosed is an original and copy of the pre-hearing statement for the hearing to take place on January 22, 2015.

Thank you.

Very truly yours,

J. Scott Hall

Enclosure a/s

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

2015 JAN 15 A 10: 52

**Case No. 15244**

APPLICATION OF MRC PERMIAN COMPANY  
FOR A NON-STANDARD SPACING AND  
PRORATION UNIT, AN UNORTHODOX WELL  
LOCATION AND COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO

**PRE-HEARING STATEMENT**

Kaiser-Francis Oil Company, ("Kaiser-Francis") provides this Pre-Hearing Statement as required by the rules of the Division.

**APPEARANCES**

**OPPONENT**

Kaiser-Francis Oil Company

**OPPONENTS ATTORNEY**

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**APPLICANT**

MRC Permian Company

**APPLICANT'S ATTORNEY**

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**OTHER PARTY**

Cimarex Energy Co. of Colorado

**OTHER PARTY'S ATTORNEY**

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## STATEMENT OF THE CASE

Applicant, MRC Permian Company ("MRC") seeks an order (i) approving a 160 acre non-standard oil spacing and proration unit in the Wolfcamp formation comprised of the E½E½ of Section 1, Township 24 South, Range 28 East, N.M.P.M., Eddy County, New Mexico, (ii) approving an unorthodox well location, and (iii) pooling all mineral interests in the Wolfcamp formation underlying the non-standard unit to be dedicated to its proposed Dr. Scrivner 1-24S-28E RB Well No. 224H.

Kaiser-Francis Oil Company opposes MRC's compulsory pooling application and proposed unorthodox well location. Kaiser-Francis owns contractual working interests in the N/2 of Section 1. The N/2 of Section 1 is subject to that Operating Agreement dated July 1, 1990 designating Enron Oil & Gas Company as Operator and Kaiser-Francis and a number of other interest owners as non-operators. Consequently, the interests in the N/2 of Section 1 are not available to be force-pooled. Under the operation of NMSA § 70-2-17(C) and established Division precedent, there is no basis for the exercise of the Division's compulsory pooling authority in this case, and consequently, MRC's Application must be dismissed. Under the pooling statute, ROC has the burden of affirmatively proving that the owners of mineral interests in a spacing unit "have not agreed to pool their interests...". Such a showing is a mandatory pre-condition to the exercise of the Division's authority to pool property interests under § 70-2-17(C). It is a showing that MRC cannot make and therefore the only proper course of action for the Division is the dismissal of MRC's Application.

## PROPOSED EVIDENCE

### OPPONENT

#### WITNESSES

Michael Maxey, Landman Kaiser-Francis

#### EST. TIME

20 minutes

#### EXHIBITS

4

Kaiser-Francis Oil Company reserves the right to call one or more technical witnesses to provide testimony at the hearing on MRC Permian Company's Application.

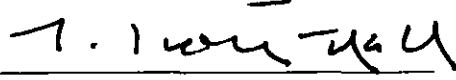
## PROCEDURAL MATTERS

Kaiser-Francis will seek the dismissal of MRC's application.

Respectfully submitted,

MONTGOMERY & ANDREWS, P. A.

By:


  
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*Attorneys for Kaiser-Francis Oil Company*

### Certificate of Service

I hereby certify that a true and correct copy of the foregoing was served to counsel of record by electronic mail this 15<sup>th</sup> day of January, 2015.

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