

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

**IN THE MATTER OF THE APPLICATION
OF LYNX PETROLEUM CONSULTANTS, INC.
FOR PERMIT TO DRILL IN POTASH AREA,
EDDY 'BD' STATE NO. 2 WELL,
EDDY COUNTY, NEW MEXICO**

Case No. 13762

LYNX PETROLEUM CONSULTANTS INC.'S PRE-HEARING STATEMENT

Lynx Petroleum Consultants Inc. ("Lynx") hereby submits this Pre-Hearing Statement is as required by the Rules of the Oil Conservation Division.

APPEARANCES

Applicant

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Protestant

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STATEMENT OF THE CASE

Lynx staked and applied for a permit to drill the Eddy 'BD' State No. 2 well, located at 660' FNL & 1980' FEL, Section 32, T20S, R30E, Eddy County, New Mexico, to test the Morrow formation with a total depth projected at 12,620'. Lynx filed a C-101 form for the proposed location electronically with OCD on March 24, 2006. The proposed drilling location is located in a Known Potash Leasing Area. As such, Oil Conservation Commission Order No. R-111-P controls.

In accordance with Order R-111-P, the Oil Conservation Division contacted the New Mexico State Land Office and the Bureau of Land Management concerning the proposed location. Both of these agencies indicated that the proposed well location was not located within any LMR or within any Buffer Zone.

In accordance with Order R-111-P, on March 24, 2006 Lynx wrote to Intrepid Mining NM, LLC, ("Intrepid"), which is a potash operator holding a potash lease that falls within a one-mile radius of the proposed well location. Lynx's letter was received by Intrepid on March 28, 2006. In its letter, Lynx informed Intrepid that the proposed location was outside of Intrepid's known Life of Mine Reserves, but that it may be affected by the Order R-111-P buffer zone. Lynx enclosed a plat and a copy of the C-101, and requested that, if Intrepid had no objections, that Intrepid sign and return a copy to Lynx. Intrepid did not sign and return the letter and/or plat to Lynx. Intrepid did not respond to Lynx within the 20-day period required under R-111-P.

In a letter of May 9, 2006, Intrepid wrote to Lynx informing Lynx that Intrepid was opposed to Lynx's drilling of the well at the proposed location, claiming spoilage of "approximately 491 acres of minable ore (wellbore plus ½ mile radius safety pillar)." Attached to Intrepid's letter was a plat prepared by Intrepid, which showed the proposed drilling location to be outside of Intrepid's LMR and outside of Intrepid's one-half mile buffer. A copy of this letter was sent to Bryan Arrant, OCD District 2 Geologist.

Based upon the objection from Intrepid, OCD denied Lynx's Application for Permit to Drill the Eddy 'BD' State No. 2 well, and suggested that Lynx request that the dispute be set for hearing. Lynx requested a hearing on this matter, which is the present case.

The issue before the OCD is whether Intrepid's objection is valid under Order R-111-P. Intrepid's objection to Lynx's proposed well location was made well beyond the 20-day protest

period required under Section (G)(e)(3) of R-111-P; and Intrepid's own map indicates that the proposed location is outside of Intrepid's LMR and outside of the R-111-P buffer. As the OCC stated in Order No. R-9650-B/R-9651-B:

"The intent of the notification requirement in NMOCC Order No. R-111-P is to determine if a proposed drill site for an oil and gas well is within a designated LMR or its buffer zone. It is not intended to give a potash lessee information concerning where oil and gas drilling will occur so that the potash operator may immediately revise its LMR to preclude the proposed drilling."

Lynx contends that no additional spoilage of potash reserves will occur due to the extensive previous oil and gas development surrounding the proposed location of the Eddy 'BD' State No. 2 well. Considering the existing wells located in proximity to the proposed location, less than 37 acres within the "one-half mile buffer" delineated on the plat attached to Intrepid's protest are not located within an existing safety buffer.

The approval of Lynx's application will prevent waste and protect correlative rights.

PROPOSED WITNESSES OF INTREPID

Lynx may call the following witnesses:

Larry Scott – Owner and Manager, Lynx Petroleum Consultant's Inc.

Nelson Muncy – Petroleum Engineer

Gary Hutchinson – Mining Economist.

Lynx reserves the right to add or delete witnesses.

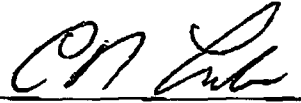
ESTIMATED TIME TO PRESENT LYNX'S CASE

Lynx estimates that it will take three to four hours to present its case.

PROCEDURAL MATTERS

A Pre-Hearing Conference is set for Wednesday, August 23, 2006. At that time, Applicant will request, under NMAC 19.15.14.1214, to issue a subpoena to Intrepid to require the production of certain records and documents relevant to the issues in this proceeding.

Respectfully Submitted,
DOMENICI LAW FIRM, P.C.



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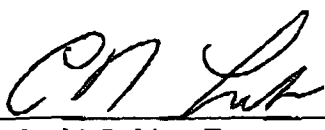
I hereby certify that on this 22nd day of August 2006 I served a true and correct copy of the foregoing via facsimile to the following parties of record:

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