

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

**IN THE MATTER OF THE HEARING CALLED BY THE
OIL CONSERVATION COMMISSION FOR THE PURPOSES
OF CONSIDERING:**

CASE NO. 14418 De Novo

**APPLICATION OF CIMAREX ENERGY CO.
FOR A NON-STANDARD OIL SPACING AND
PRORATION UNIT AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

RECEIVED OGD
2010 JUN 10 P 4:42

PRE-HEARING STATEMENT

This Amended Pre-Hearing Statement is submitted by Holland & Hart LLP, as required by the Oil Conservation Commission.

APPEARANCES OF PARTIES

APPLICANT

Cimarex Energy Co.

ATTORNEY

Gary Larson
Hinkle, Hensley, Shanor & Martin, LLP
P.O. Box 2068
Santa Fe, NM 87504
(505) 982-4554

OPPONENT

Lynx Petroleum Consultants, Inc.
Attn: Larry Scott, President
P.O. Box 1208
Hobbs, New Mexico 882110

ATTORNEY

Ocean Munds-Dry
Holland & Hart LLP
110 N. Guadalupe St. Suite 1
Santa Fe, NM 87501
(505) 988-4421

STATEMENT OF CASE

OPPONENT

Cimarex seeks an order compulsory pooling all interests in a horizontal well project area comprised of the W/2 W/2 of Section 21, Township 19 South, Range 31 East, NMPM, Eddy County, New Mexico for its Penny Pincher 21 Federal Well No. 1 which it proposes to drill from a surface location in the NW/4 NW/4 of the section to a bottomhole location in the SW/4 SW/4 of the section. Compulsory pooling, as authorized by the Oil and Gas Act, is limited to single spacing and proration units. See e.g. NMSA 1978, § 70-2-17. To enable the Commission to compulsory pool interests in this horizontal well project area, Cimarex seeks the creation of a non-standard spacing unit comprised of four complete standard 40-acre spacing units.

There are significant differences in the reservoir quality between each of the four standard complete contiguous spacing units that Cimarex wants to combine to create a project area for this well. Lynx Petroleum Consultants, Inc. is a working interest owner in the W/2 SW/4 of said Section 21 and opposes this application because the spacing units in which it owns interests are significantly better than other spacing units in this proposed project area and will contribute more reserves to the subject well than other spacing units dedicated to the well. Accordingly, granting Cimarex's application would deny Lynx the opportunity to produce its just and equitable share of the oil and gas underlying its acreage thereby violating its correlative rights in violation of Section 70-2-17 of the Oil and Gas Act.

The formation of a non-standard spacing unit for a project area is inappropriate under Commission rules for what the Commission is asked is not to create a non-standard unit for a well but, instead to statutorily unitize a number of complete standard spacing units for primary production – something it is prohibited from doing by New Mexico statute.

PROPOSED EVIDENCE

APPLICANT

WITNESSES	ESTIMATED TIME	EXHIBITS
-----------	----------------	----------

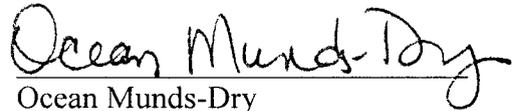
RESPONDENT

WITNESSES	ESTIMATED TIME	EXHIBITS
-----------	----------------	----------

Larry Scott, Petroleum Engineer and Practical Oilman	1 hour	8
--	--------	---

PROCEDURAL MATTERS

Lynx requests a continuance of this case.



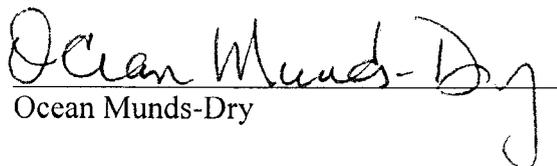
Ocean Munds-Dry
Attorney for Lynx Petroleum Consultants,
Inc.

CERTIFICATE OF SERVICE

I certify that on June 10, 2010 I served a copy of the foregoing document to the following
by

- U.S. Mail, postage prepaid
- Hand Delivery
- Fax
- Electronic Service by LexisNexis File & Serve

Gary Larson
Hinkle, Hensley, Shanor & Martin LLP
PO Box 2068
Santa Fe, New Mexico 87504


Ocean Munds-Dry