

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**APPLICATION OF GRUY PETROLEUM MANAGEMENT CASE NO. 12015
FOR AN UNORTHODOX WELL LOCATION AND
SIMULTANEOUS DEDICATION, LEA COUNTY, NEW MEXICO.**

**APPLICATION OF GRUY PETROLEUM MANAGEMENT CASE NO. 12017
FOR AN UNORTHODOX WELL LOCATION AND
SIMULTANEOUS DEDICATION, LEA COUNTY, NEW MEXICO.**

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by ARMSTRONG ENERGY CORPORATION, as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

Gruy Petroleum Management Co.

ATTORNEY

William F. Carr, Esq.

INTERESTED PARTY

Doyle Hartman

ATTORNEY

Michael Condon, Esq.

INTERESTED PARTY

Armstrong Energy Corporation
P. O. Box 1973
Roswell New Mexico 88202
(505) 623-8726
attn: Robert Armstrong

ATTORNEY

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STATEMENT OF CASE

Armstrong Energy Corporation ("Armstrong") is the operator of certain oil wells in the Rhodes Oil Pool and owns interests in the oil rights from the surface to 4,000 feet in Section 8, T26S, R37E. Armstrong is concerned about Gruy Petroleum Management Co.'s application which includes the following allegation:

"Until the rules for these pools can be amended and, perhaps the Oil Pool even abolished, Gruy seeks an exception"

Arguably, Armstrong is subject to complex and onerous agreements which would cause Armstrong to forfeit its interest in any oil production should the Rhodes Oil Pool be abolished. In addition, these agreements can be interpreted such that if Armstrong drills a well in the Yates-Seven Rivers formation, then Gruy is entitled to the gas produced from that well. However, if Gruy drills the well, Gruy keeps both the oil and gas. By Gruy attempting to drill wells in excess of the number permitted by the rules for the Rhodes-Yates Seven Rivers Gas Pool, it will create the opportunity for Gruy to confiscate Armstrong's rights to any oil production.

Accordingly, Armstrong is opposed to any attempt by Gruy to circumvent the rules for these pools or to otherwise obtain exceptions, amendments or abolishment of these rules. Such action by Gruy will violate the correlative rights of Armstrong.

PROPOSED EVIDENCE

WITNESSES

EST. TIME

EXHIBITS

None

PROCEDURAL MATTERS

None anticipated

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By: 

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