

1 STATE OF NEW MEXICO  
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
3 OIL CONSERVATION DIVISION

4 IN THE MATTER OF THE HEARING CALLED  
5 BY THE OIL CONSERVATION DIVISION FOR  
6 THE PURPOSE OF CONSIDERING:

7 APPLICATION OF CIMAREX ENERGY CO. CASE NOS. 20395,  
8 FOR COMPULSORY POOLING, EDDY COUNTY, 20396,  
9 NEW MEXICO. 20397,  
10 20398

11 REPORTER'S TRANSCRIPT OF PROCEEDINGS

12 EXAMINER HEARING

13 April 4, 2019

14 Santa Fe, New Mexico

15 BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER  
16 DAVID K. BROOKS, LEGAL EXAMINER

17 This matter came on for hearing before the  
18 New Mexico Oil Conservation Division, Michael McMillan,  
19 Chief Examiner, and David K. Brooks, Legal Examiner, on  
20 Thursday, April 4, 2019, at the New Mexico Energy,  
21 Minerals and Natural Resources Department, Wendell Chino  
22 Building, 1220 South St. Francis Drive, Porter Hall,  
23 Room 102, Santa Fe, New Mexico.

24 REPORTED BY: Mary C. Hankins, CCR, RPR  
25 New Mexico CCR #20  
Paul Baca Professional Court Reporters  
500 4th Street, Northwest, Suite 105  
Albuquerque, New Mexico 87102  
(505) 843-9241

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APPEARANCES

FOR APPLICANT CIMAREX ENERGY CO.:

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1 (4:39 p.m.)

2 EXAMINER McMILLAN: Go back on the record.

3 Call Case Number 20395, application of  
4 Cimarex Energy Company for compulsory pooling, Eddy  
5 County, New Mexico.

6 Will these cases be combined with Cases  
7 20396, 20397 and 20398?

8 MR. DeBRINE: Earl DeBrine, with the  
9 Modrall, Sperling firm, for the Applicant.

10 Yes. We'd ask that these cases be  
11 combined. They're all similar cases, 20395, 20396,  
12 20397 and 20398.

13 EXAMINER McMILLAN: Are there any other  
14 appearances?

15 Please proceed.

16 MR. DeBRINE: We're presenting this case by  
17 affidavit, Mr. Examiner. And if you look at what's in  
18 front of you, we've presented two different affidavits.

19 Exhibit A is the affidavit of Riley Morris,  
20 who is a landman for Cimarex.

21 Exhibit B is an affidavit of Staci Mueller,  
22 who is a geologist with Cimarex.

23 Turning to Exhibit A, which is Mr. Morris'  
24 affidavit, he is a landman who has previously testified  
25 before the Division. He presents, as part of his

1 testimony, four exhibits. Each of them pertains to the  
2 separate applications that are at issue here. Exhibit A  
3 is the plat that outlines all four of the horizontal  
4 spacing units that are the subject of these  
5 applications.

6 Exhibit B to his affidavit is the C-102s  
7 for the well, which identifies the proposed horizontal  
8 spacing unit and the pool and pool code that is the  
9 subject of these applications. The pool code is --

10 EXAMINER McMILLAN: 60660.

11 MR. DeBRINE: Yes.

12 And the Turkey Track; Bone Spring pool, as  
13 referenced in paragraph F of his affidavit.

14 He also includes the sample well proposal  
15 that was sent out, which is Exhibit C, and the AFE that  
16 was included with that sample well-proposal letter. He  
17 opines that he has entered into a good-faith effort in  
18 trying to reach voluntary pooling with respect to these  
19 applications. The letters were sent out. There is also  
20 summary of the contacts that's behind -- I believe it's  
21 behind Exhibit C, where he details the various contacts  
22 that he made with the working interest owners in an  
23 effort to reach voluntary pooling. He also offers his  
24 opinion that the applications are in the interest of  
25 conservation and the protection of correlative rights

1 and the prevention of waste. He also indicates that  
2 there are no depth severances within the Bone Spring  
3 Formation with any of the proposed units.

4           There are some overrides that we learned as  
5 we were preparing these affidavits. I'm not sure -- we  
6 did not provide notice to those overriding royalty, so  
7 we'll need to keep this case open for notice purposes.  
8 There was an unlocatable interest that was provided  
9 notice by publication, and Exhibit C is the Affidavit of  
10 Publication within the paper of circulation where the  
11 units are located. The unlocatable interest was  
12 provided notice through the -- through the publication.  
13 But I could not verify that the overriding royalty  
14 interests were notified. It may be that they are  
15 subject to pooling under the terms of their leases, but  
16 we'll need to confirm that, and we'll need to provide  
17 them notice. We can keep this case open.

18           EXAMINER BROOKS: Yeah. If they're not  
19 covered by the lease pooling --

20           MR. DeBRINE: Right. We'll need to include  
21 them, and we'll want to include them within the terms of  
22 the order, so we'll have to keep this case open for  
23 notice purposes and come back.

24           You've looked at Exhibit B, which is the  
25 affidavit of Staci Mueller. She is the geologist for

1 Cimarex. She has previously testified before the  
2 Division and qualified as an expert in petroleum  
3 geology. She indicates that she conducted a geological  
4 study with regard to the geology underlying the proposed  
5 spacing unit to her affidavit.

6 Exhibit A, if you look at it, it's a  
7 structure map of the area which identifies the area of  
8 interest and the four proposed wells in the spacing  
9 units, also showing the basic -- from A to A prime that  
10 is the subject of the cross section, which is Exhibit  
11 B -- I'm sorry -- Exhibit C.

12 Exhibit B to her affidavit is the net  
13 porosity, 3rd Bone Spring sand map, which is the target  
14 at issue. It identifies the wells and shows the -- the  
15 line from A to A prime that form the wells that comprise  
16 the cross sections, which is Exhibit C.

17 If you look at Exhibit C, it is the cross  
18 section hung on the top of the Bone Spring. It  
19 identifies the target zone with an arrow there at the  
20 bottom. She also opines that the applications are in  
21 the interest of conservation and the protection of  
22 correlative rights and the prevention of waste.

23 Exhibit C, as I mentioned earlier, is the  
24 Affidavit of Publication in the "Carlsbad  
25 Current-Argus," which identifies the parties that were

1 provided notice of -- through publication of each of the  
2 four applications. There are four separate Affidavits  
3 of Publication with respect to each of the different  
4 applications that were filed by Cimarex.

5 That concludes my presentation, and I'd ask  
6 that Exhibits A, B and C be admitted into evidence.

7 EXAMINER McMILLAN: Exhibits A, B and C in  
8 Cases 20395, 396, 397 and 398 may now be accepted as  
9 part of the record.

10 (Cimarex Energy Co. Exhibits A, B and C are  
11 offered and admitted into evidence.)

12 EXAMINER McMILLAN: Did the geologist state  
13 all quarter-quarter sections --

14 MR. DeBRINE: Yes. If you look at her  
15 affidavit, she indicates that all quarter-quarter  
16 sections will contribute relatively equally to the  
17 production in the proposed spacing units and that there  
18 are no geological impediments that would prevent or  
19 hinder horizontal development of these spacing units.

20 And I also failed to mention that the  
21 landman also requests that Cimarex be allowed overhead  
22 and administrative rates of 7,500 per month during  
23 drilling, 750 a month while producing, and that these  
24 rates are fair and comparable to those charged by other  
25 operators for wells of this type in New Mexico and

1 consistent with rates awarded by the Division in  
2 previous pooling cases.

3 EXAMINER McMILLAN: Any unlocatable  
4 interests?

5 MR. DeBRINE: As I indicated earlier, there  
6 is one unlocatable interest, and if you look at his  
7 Exhibit A, he identifies who that is. It's the Galesi  
8 Trusts, which owns a 1.5625 percent working interest in  
9 Contract Area A, indicated on the tract map.

10 EXAMINER McMILLAN: And you're going to PDF  
11 this (indicating)?

12 MR. DeBRINE: Yes.

13 EXAMINER McMILLAN: Yeah, because it's  
14 copied on both sides.

15 MR. DeBRINE: Sure.

16 EXAMINER McMILLAN: Do you have any  
17 questions?

18 EXAMINER BROOKS: No questions.

19 EXAMINER McMILLAN: Okay.

20 MR. DeBRINE: We ask these cases be  
21 taken -- well, we ask that these cases be continued to  
22 allow for further notice to the overriding royalty  
23 owners and then a hearing set to address the notice  
24 issue and anything that might come up in the interim.

25 EXAMINER McMILLAN: Okay. Sounds good. So

1 these cases, 395 through 398, shall be continued.

2 All right. Thank you very much.

3 MR. DeBRINE: Thank you, Mr. Examiner.

4 EXAMINER BROOKS: Thank you.

5 (Case Numbers 20395 through 20398 conclude,  
6 4:48 p.m.)

7 (Recess, 4:48 p.m.)

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1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

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4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, Certified Court  
6 Reporter, New Mexico Certified Court Reporter No. 20,  
7 and Registered Professional Reporter, do hereby certify  
8 that I reported the foregoing proceedings in  
9 stenographic shorthand and that the foregoing pages are  
10 a true and correct transcript of those proceedings that  
11 were reduced to printed form by me to the best of my  
12 ability.

13 I FURTHER CERTIFY that the Reporter's  
14 Record of the proceedings truly and accurately reflects  
15 the exhibits, if any, offered by the respective parties.

16 I FURTHER CERTIFY that I am neither  
17 employed by nor related to any of the parties or  
18 attorneys in this case and that I have no interest in  
19 the final disposition of this case.

20 DATED THIS 24th day of April 2019.

21

22

23 MARY C. HANKINS, CCR, RPR  
24 Certified Court Reporter  
25 New Mexico CCR No. 20  
Date of CCR Expiration: 12/31/2019  
Paul Baca Professional Court Reporters