

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 CIMAREX ENERGY  
COMPANY FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

CASE NO. 20559

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

June 13, 2019

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER  
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, William V. Jones, Chief Examiner, and David K. Brooks, Legal Examiner, on Thursday, June 13, 2019, at the New Mexico Energy, Minerals and Natural Resources Department, Wendell Chino Building, 1220 South St. Francis Drive, Porter Hall, Room 102, Santa Fe, New Mexico.

REPORTED BY: Mary C. Hankins, CCR, RPR  
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 COMPANY:

DEANA M. BENNETT, ESQ.  
MODRALL, SPERLING, ROEHL, HARRIS & SISK, P.A.  
500 4th Street, Northwest, Suite 1000  
Albuquerque, New Mexico 87102  
(505) 848-1800  
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FOR INTERESTED PARTY MRC PERMIAN COMPANY:

JAMES G. BRUCE, ESQ.  
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Santa Fe, New Mexico 87504  
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# EXHIBITS OFFERED AND ADMITTED

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1 (3:36 p.m.)

2 EXAMINER JONES: Call Case Number 20559,  
3 application of Cimarex Energy Company for compulsory  
4 pooling in Eddy County, New Mexico.

5 Call for appearances.

6 MS. BENNETT: Deana Bennett on behalf of  
7 Cimarex Energy Company.

8 MR. BRUCE: Mr. Examiner, Jim Bruce  
9 representing MRC Permian Company. I have no witnesses,  
10 and I can agree that this case may be done by affidavit.

11 EXAMINER JONES: Okay. Thank you.

12 MS. BENNETT: Thank you.

13 Yes. I would like to present this case by  
14 affidavit.

15 EXAMINER JONES: Okay. Thanks.

16 EXAMINER BROOKS: "Brevity is the soul of  
17 wit."

18 MS. BENNETT: Yes, exactly.

19 The materials before you are -- pertain to  
20 three affidavits. The first affidavit is the affidavit  
21 of Caitlin Pierce. Ms. Pierce has previously been  
22 qualified to testify before the Division. She's the  
23 landman for -- the land professional for Cimarex. And  
24 behind her affidavit is the application. And in this  
25 case, Cimarex is seeking to dedicate the west half of

1 Section 24 and the west half of Section 25, Township 24  
2 South, Range 26 East in Eddy County to form a 640-acre  
3 more or less spacing unit, and Cimarex plans to drill  
4 the Black River 25 Fed Com 1H well in that unit.

5 Behind Tab 2 is a C-102, and the C-102  
6 identifies the pool and pool code. And the pool here is  
7 the Purple Sage; Wolfcamp, and the pool code is 98220.  
8 Ms. Pierce confirms that the Purple Sage; Wolfcamp Pool  
9 has special pool rules. It's her opinion that the  
10 producing interval for the well will be orthodox and  
11 will comply with the setback requirements for the Purple  
12 Sage; Wolfcamp Pool rules.

13 Behind Tab 3 is a tract map, and it shows  
14 the west half of Sections 24 and 25, and it shows the  
15 owners and their interest percentage and who Cimarex  
16 seeks to pool. She notes that Cimarex owns 50.47  
17 percent interest in the proposed unit. She also notes  
18 that there are no depth severances. She identified all  
19 the working interest owners. She undertook a variety of  
20 searches to find their names and addresses, and it's her  
21 opinion that Cimarex made a good-faith effort to obtain  
22 voluntary joinder.

23 Exhibit 4 is a copy of the proposal letter  
24 that was sent, and it does show the intended  
25 surface-hole location, bottom-hole location and

1 approximate TVD. Ms. Pierce testifies that with the  
2 proposal, she sent an AFE, and the AFE is the attached  
3 as Exhibit A5.

4 The well -- the estimated cost of the well  
5 is approximately 12,965,000. She testifies that that is  
6 fair and reasonable. It's comparable to the cost of  
7 other wells drilled to similar depths in this area of  
8 New Mexico. Cimarex requests overhead and  
9 administrative rates of 7,000 per month while drilling  
10 and 700 a month while producing. In her opinion, these  
11 rates are fair and comparable to rates charged by other  
12 operators. Cimarex requests the maximum -- I'm sorry --  
13 that these rates be adjusted periodically as provided by  
14 the COPAS accounting procedure. Cimarex requests the  
15 maximum cost plus 200 percent risk charge be assessed,  
16 that it be designated operator of the well and that it  
17 be allowed a period of one year between when the well is  
18 drilled and when the first well is completed. She notes  
19 that Cimarex is requesting the overriding royalty  
20 interest owners be pooled and that the parties Cimarex  
21 is seeking to pool were notified of this hearing.

22 That's the end of the affidavit for  
23 Ms. Pierce.

24 Turning now to the affidavit of Harrison  
25 Hastings, Harrison Hastings has previously testified

1 before the Division as an expert petroleum geologist.  
2 He's conducted a geologic study of the area, and his  
3 geologic study is behind Tabs B1, B2, B3 and B4. And  
4 there is a deep structure map, a cross-section locator  
5 map, a cross section and an isochore map. His  
6 conclusions are that the horizontal spacing unit is  
7 justified from a geologic standpoint. There are no  
8 structural impediments or faulting that will interfere  
9 with horizontal development. Each quarter-quarter  
10 section in the unit will contribute more or less equally  
11 to production. The preferred well orientation in this  
12 area is either north-south or east to west. And this is  
13 due to the fact that the regional max horizontal stress  
14 orientation in this area runs approximately north 45 --  
15 north 45 east.

16 Any questions about the geologist's  
17 affidavit?

18 EXAMINER JONES: No.

19 MS. BENNETT: Turning now to Tab C, Tab C  
20 is an affidavit prepared by Mr. Earl DeBrine in my  
21 office, and in his affidavit he states that he provided  
22 notice to the affected parties. And behind his  
23 affidavit, in Tab C1, is the list of parties to whom  
24 letters were sent.

25 Behind Tab 2 is the results of those

1 mailings.

2                   And then behind Tab 3 is an Affidavit of  
3 Publication from the "Carlsbad Current-Argus" showing  
4 that notice of this hearing was published on May 28th,  
5 2019.

6                   Are there any questions about the Notice of  
7 Affidavit?

8                   EXAMINER JONES: The BLM one says "to be  
9 mailed." Does that mean it's just not --

10                  MS. BENNETT: Well, it would have left our  
11 office because we take them directly from our office to  
12 the post office. It may be held up at the post office.

13                  EXAMINER JONES: Okay. That must be it.  
14 It must not have went out from the post office.

15                  MS. BENNETT: Yeah.

16                  Any other questions?

17                  EXAMINER JONES: Well, the location looks  
18 like nonstandard to me, but she said it's going to be  
19 standard. But we always have that clause that if it  
20 becomes nonstandard --

21                  EXAMINER BROOKS: More than 50 feet --

22                  EXAMINER JONES: Well, this one is 200 feet  
23 from the south line. That's what it says, in the Purple  
24 Sage.

25                  MS. BENNETT: I have sent Mr. DeBrine an

1 email about that to see if there is any other  
2 information I might have needed in advance of putting  
3 this case on, but I haven't been able to get that  
4 information at this point. But I tend to agree with  
5 you, that it looks like it may be unorthodox.

6 EXAMINER BROOKS: Has it been permitted?

7 MS. BENNETT: I apologize. I don't know  
8 the answer to that question.

9 EXAMINER BROOKS: Because usually when they  
10 permit it, they stamp to it "NSL required."

11 EXAMINER JONES: It's got an API number,  
12 Ray Podany.

13 EXAMINER BROOKS: Although if we don't  
14 put -- we don't put first and last take point on the  
15 forms, they don't have any way of knowing if it's  
16 standard or not.

17 EXAMINER JONES: It's on here.

18 EXAMINER BROOKS: Oh, it is? Good.

19 EXAMINER JONES: Yeah. It's on here. You  
20 just can't get the C-104 unless it's got an NSL.

21 MS. BENNETT: As I said, I have emailed  
22 Mr. DeBrine about that, and if there is additional  
23 information that would show that it is orthodox as  
24 opposed to what's identified on the plat, I will email  
25 that to you. Otherwise, I will let him know that he



1 will need to do an NSL.

2 EXAMINER JONES: Okay. No problem. Yeah.  
3 Ray's desk is this high (indicating) with federal  
4 applications. So he's processing them pretty fast here,  
5 but whenever he gets them completed.

6 So can we take this one under advisement?

7 MS. BENNETT: I would ask first that  
8 Exhibits -- the exhibits behind Tab A, Tab B and Tab C  
9 be admitted into the record in this case.

10 EXAMINER JONES: Any objections, Mr. Bruce?

11 MR. BRUCE: No objection.

12 EXAMINER JONES: Exhibits behind Tabs A, B  
13 and C are admitted.

14 (Cimarex Energy Company Exhibits A, B and C  
15 are offered and admitted into evidence.)

16 MS. BENNETT: Thank you.

17 And then with that, I would ask that this  
18 case be taken under advisement.

19 EXAMINER JONES: Okay. Case 20559 is taken  
20 under advisement.

21 (Case Number 20559 concludes, 3:46 p.m.)  
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25 STATE OF NEW MEXICO

1 COUNTY OF BERNALILLO

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3 CERTIFICATE OF COURT REPORTER

4 I, MARY C. HANKINS, Certified Court

5 Reporter, New Mexico Certified Court Reporter No. 20,

6 and Registered Professional Reporter, do hereby certify

7 that I reported the foregoing proceedings in

8 stenographic shorthand and that the foregoing pages are

9 a true and correct transcript of those proceedings that

10 were reduced to printed form by me to the best of my

11 ability.

12 I FURTHER CERTIFY that the Reporter's

13 Record of the proceedings truly and accurately reflects

14 the exhibits, if any, offered by the respective parties.

15 I FURTHER CERTIFY that I am neither

16 employed by nor related to any of the parties or

17 attorneys in this case and that I have no interest in

18 the final disposition of this case.

19 DATED THIS 30th day of June 2019.

20

21

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

25