

1 APPEARANCES

2 FOR APPLICANT CIMAREX ENERGY COMPANY:

3 JAMES G. BRUCE, ESQ.
 4 Post Office Box 1056
 5 Santa Fe, New Mexico 87504
 (505) 982-2043
 jamesbruc@aol.com

6 FOR COG OPERATING, LLC, YATES PETROLEUM CORPORATION,
 7 MYCO INDUSTRIES AND ABO PETROLEUM CORPORATION:

8 MICHAEL H. FELDEWERT, ESQ.
 9 HOLLAND & HART
 10 110 North Guadalupe, Suite 1
 Santa Fe, New Mexico 87501
 (505) 988-4421
 mfeldewert@hollandhart.com

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19 EXHIBITS OFFERED AND ADMITTED

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22 Order of the Division	(Attached)
23 Joint Motion to Rescind Order No. R-13490, 24 Replace it with a New Order, and Lift Stay	(Attached)

25

1 (9:35 a.m.)

2 EXAMINER BROOKS: And that brings us to
3 Case Number 23, which is Case Number 14703, reopened.
4 So at this time, we will call Case Number 14703,
5 reopened, the application of Cimarex Energy Company for
6 compulsory pooling, Eddy County, New Mexico.

7 Now, are there other cases to be considered
8 in connection with this or to be considered jointly with
9 this?

10 MR. BRUCE: Yes, Mr. Examiner, if you'll
11 combine the next three cases, 14704, 14705 and 14698.

12 EXAMINER BROOKS: So that would be -- we
13 would be combining Cases Number 23 -- 22 -- no. 22, 23,
14 24 and 25, correct?

15 MR. BRUCE: That is correct.

16 EXAMINER BROOKS: Okay. Then having
17 already called Case Number 14703, we will simultaneously
18 call Case Number 14704, re-opened, application of
19 Cimarex Energy Company for compulsory pooling, Eddy
20 County, New Mexico; reopen Case 14705, the application
21 of Cimarex Energy Company for compulsory pooling, Eddy
22 County, New Mexico; and reopen case 14698, application
23 of Cimarex Energy Company for compulsory pooling, Eddy
24 County, New Mexico.

25 Now, is that all correct?

1 MR. BRUCE: That is correct.

2 EXAMINER BROOKS: Okay. We'll call for
3 appearances in those four cases.

4 MR. BRUCE: Mr. Examiner, Jim Bruce of
5 Santa Fe representing the Applicant Cimarex Energy
6 Company.

7 MR. FELDEWERT: Mr. Examiner, Michael
8 Feldewert, with the Santa Fe office of the law firm of
9 Holland & Hart, appearing on behalf of COG Operating,
10 LLC. And then I am separately appearing, as well, on
11 behalf of Yates Petroleum Corporation, Myco Industries
12 and Abo Petroleum Corporation.

13 EXAMINER BROOKS: Okay.

14 Mr. Bruce, you represent the Applicant, so
15 you may proceed. Tell us what is going on in these
16 cases.

17 MR. BRUCE: Mr. Examiner, I've submitted
18 you a joint motion to rescind the Order Number R-3490
19 and replace it with a new order and lift stay. That has
20 been executed both by myself and by Mr. Feldewert.
21 These cases that are listed on the heading of the motion
22 were heard last September 1. They were consolidated for
23 hearing. An order was issued last December, which --

24 EXAMINER BROOKS: This is Mr. Warnell's --

25 MR. BRUCE: Yeah. That's why he's leaving

1 the Division, I believe right now (laughter).

2 EXAMINER WARNELL: That's true (laughter).

3 MR. BRUCE: And they were heard. The order
4 was issued, and contrary to prior Division policy, the
5 order granted all of the applications, which covered
6 both vertical and horizontal wells. COG sought to drill
7 into horizontal wells in Section 6, 1926. Cimarex
8 sought to drill four vertical wells in the southwest
9 quarter of Section 6.

10 The case -- because of that order, both COG
11 and Cimarex jointly moved the Division to reopen the
12 cases and to be reheard. They were originally set for
13 the second hearing in February, but during that time,
14 the parties conducted intense negotiations to try to
15 resolve the issues among them.

16 And as a result, at least as to the east
17 half of Section 6, Cimarex was appointed -- the parties
18 agreed that Cimarex could operate the east half of
19 Section 6.

20 Other acreage was involved in a rather
21 global settlement between the parties. Cimarex was to
22 operate certain acreage. COG was to operate certain
23 other acreage. I won't go through the motion in detail
24 other than the -- the original order did raise some
25 issues, which obviously weren't addressed at hearing,

1 including how do you split share allowables; how do you
2 locate the wells, et cetera, et cetera. As a result,
3 the request to reopen and stay the order was granted by
4 Division Order R-13490-A.

5 After the settlement -- because of the
6 settlement, the parties wish to rescind the original
7 order, since it is no longer necessary. Cimarex also
8 has another reason for rescinding the order, in that it
9 has filed separate pooling applications on the far east
10 quarter of Section 6 and would like separate orders
11 issued as to its acreage.

12 And I'll let Mr. Feldewert go into the
13 issues that he would like to discuss, also.

14 We have also handed you a proposed order of
15 the Division that I will e-mail to you after the
16 hearing. Both COG and Cimarex had input on this order.
17 Other than making certain recitations regarding the
18 joint motion I've just handed you, it is a rather
19 standard pooling order, with the exception of
20 paragraphs -- ordering paragraphs 10, 11 and 12, which
21 set forth a provision that there can be only be one --
22 since the pooling order covers four wells, only one well
23 proposal or one election notice can go out at a time.

24 EXAMINER BROOKS: Yeah. Okay.

25 MR. BRUCE: And so we would ask -- take a

1 step back. I think Mr. Feldewert would point out that
2 they had previously -- insofar as the COG cases, 14725
3 and 14726, those cases have now been dismissed, which is
4 why the proposed order only contains the Cimarex case
5 numbers. Those orders were dismissed by R-319 --
6 R-3940-B [sic]. And so we would ask that the final
7 order, R-13940-C, be issued to cover these four wells
8 and, as I said, include provisions for the separate
9 sequencing of well proposals or election notices to the
10 pooled parties.

11 EXAMINER BROOKS: Mr. Feldewert.

12 MR. FELDEWERT: Yes, Mr. Examiner. I think
13 that Mr. Bruce summarized everything.

14 This deals with the southeast quarter of
15 Section 6, which is involved here. We have agreed to
16 resolve the issues by way of this order, in particular,
17 adding the paragraphs that he referenced in the order,
18 the ordering paragraphs 10, 11 and 12, which are very
19 important to the resolution reached by the parties,
20 number one.

21 Number two, we do have some remaining
22 issues between the parties with respect to other pooling
23 applications. We're hoping to work through them, but we
24 certainly agree with the concept that at least this
25 order deals with the southeast quarter of Section 6.

1 And we ask that the Division grant the motion and then
2 the entry of this particular form of order as presented
3 by the parties.

4 I can also represent that I've been in
5 touch with Yates, Myco and Abo, and they're in support
6 of this motion and these proposed orders.

7 EXAMINER BROOKS: Very good. Neither
8 party's going to present any evidence, I take it?

9 MR. BRUCE: No additional evidence. There
10 was plenty of evidence submitted on September 1.

11 I do have two follow-up exhibits,
12 Mr. Examiner, which are simply notice exhibits in the
13 cases. There was a lack of notice, at the time, in
14 three of the cases, to COG. And that was due to the
15 fact that I think, at that point, COG had taken a deal
16 with Yates. And so just to make the record complete in
17 the three cases, I sent notice to COG several months
18 ago, and in the other case, there was notice that needed
19 to be send to OXY-Y1 Company. And I have spoken with
20 Mr. Howell about it, who represents OXY-Y1 Company, on
21 the issues.

22 EXAMINER BROOKS: And it does appear that
23 COG has made an appearance.

24 MR. BRUCE: Yeah. I was just making the
25 record complete. I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 14698,
heard by me on 14703, 14704, 14705
5-24-12

1 EXAMINER BROOKS: Okay. Both of your
2 notice exhibits are marked as Exhibit Number X?

3 MR. BRUCE: Yeah, because I couldn't
4 remember the number of exhibits we submitted the last
5 go-around (laughter).

6 EXAMINER BROOKS: Now, are these -- do you
7 have -- did you give copies to the court reporter?

8 EXAMINER WARNELL: Copies of Exhibit X.

9 EXAMINER BROOKS: Of both Exhibits X?

10 MR. BRUCE: Yes. And move for their
11 admission.

12 EXAMINER BROOKS: Okay. Exhibit X in Case
13 Number 14698 is admitted, and Exhibit X in Case Numbers
14 14703, 14704 and 14705 is admitted.

15 (Cimarex Exhibit Letters X were offered and
16 admitted into evidence.)

17 MR. BRUCE: And I have nothing further in
18 this matter.

19 EXAMINER BROOKS: Very good. Cases Numbers
20 14851, 14852, 14- -- no. I'm sorry. Cases Numbers
21 14703, 14704, 14705 and 14698 will be taken under
22 advisement. That's 14705 taken under advisement; 14704
23 taken under advisement; 14703 taken under advisement;
24 and 14698 taken under advisement.

25 (The hearing concluded, 9:46 a.m.)

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

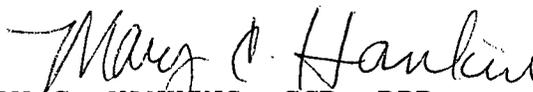
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CERTIFICATE OF COURT REPORTER

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

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

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



MARY C. HANKINS, CCR, RPR
Paul Baca Professional Court Reporters
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2012