

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:

ORIGINAL

6 APPLICATION OF CIMAREX ENERGY Consolidated Cases  
COMPANY FOR COMPULSORY 14842, 14843  
7 POOLING, EDDY COUNTY,  
8 NEW MEXICO

9 TRANSCRIPT OF PROCEEDINGS

10 EXAMINER HEARING

11 BEFORE: RICHARD EZEANYIM, Technical Examiner  
12 DAVID K. BROOKS, Legal Examiner

13 June 25, 2012

14 Santa Fe, New Mexico

15 This matter came on for hearing before the New  
16 Mexico Oil Conservation Division, RICHARD EZEANYIM,  
17 Technical Examiner, and DAVID K. BROOKS, Legal  
18 Examiner, on Monday, June 25, 2012, at the New  
19 Mexico Energy, Minerals, and Natural Resources  
20 Department, 1220 South St. Francis Drive, Room 102,  
21 Santa Fe, New Mexico.

22  
23  
24 REPORTED BY: PAUL BACA, CCR #112  
25 PAUL BACA COURT REPORTERS  
500 4th Street, NW, Suite 105

2012 JUL -3 P 2:04  
RECEIVED OGD

A P P E A R A N C E S

For Applicant:

James Garrett Bruce  
P.O. Box 1056  
Santa Fe, New Mexico 87504  
505-982-2043

For COG Operating:

Adam G. Rankin  
agrarkin@hollandhart.com  
Holland & Hart  
110 North Guadalupe, Suite 1  
Santa Fe, New Mexico 875012  
505-988-4421

I N D E X

CERTIFICATE OF COURT REPORTER 8

EXHIBIT: DESCRIPTION

1-3 Mr. Bruce's Exhibits 6

1 CHAIRMAN BROOKS: Okay. Back on the  
2 record.

3 Mr. Bruce, I assume that you want to  
4 combine -- want to consolidate 14842 and 14843 for  
5 purposes of hearing.

6 MR. BRUCE: That's correct.

7 CHAIRMAN BROOKS: All right. Very good.

8 I will call at this time Case Number  
9 14842, application of Cimarex Energy Company for  
10 compulsory pooling, Eddy County, New Mexico, and  
11 Case Number 14843, application of Cimarex Energy  
12 Company for compulsory pooling, Eddy County,  
13 New Mexico.

14 I call for appearances.

15 MR. BRUCE: Mr. Examiner, Jim Bruce, of  
16 Santa Fe, representing the applicant. I intend to  
17 present these cases by affidavit.

18 MR. RANKIN: Mr. Examiner, Adam Rankin,  
19 with Holland & Hart, Santa Fe, on behalf of COG  
20 Operating, appearing in both cases.

21 CHAIRMAN BROOKS: Appearing in both cases?

22 MR. RANKIN: Correct, for COG Operating.

23 MR. BRUCE: Mr. Examiner, I have submitted  
24 three exhibits to you. Just if you would look --  
25 turn back to the land plat. Attachment A to the

1 Exhibit 1, the statement of Cimarex's landman, the  
2 wells being drilled are in the southwest/northeast  
3 of Section 6 and the southeast/northeast of Section  
4 6 of Township 19 south, Range 26 east.

5 You can see the two well units outlined.  
6 Actually, that south half of the northeast quarter  
7 is -- or was originally patented as a single Fee  
8 tract.

9 CHAIRMAN BROOKS: Okay. What were the  
10 township and range?

11 MR. BRUCE: 19/26.

12 CHAIRMAN BROOKS: Go ahead.

13 MR. BRUCE: And they have the same well  
14 name, so I -- I consolidated them, although there is  
15 a difference in ownership. But nonetheless, this  
16 is -- as I think you will recall -- an area that  
17 there were some fights -- some substantial fights  
18 between COG and Cimarex, in which they split up the  
19 areas they were going to operate.

20 This is one of those areas. And in fact  
21 late last week, COG did -- and Cimarex did sign a  
22 JOA regarding these two wells, so we're not seeking  
23 to force pool COG.

24 The two wells are the Alabama 6 Fee Well  
25 Number 1, which will be a Glorieta Yeso test in the

1 southwest quarter/northeast quarter of Section 6,  
2 and then the Alabama 6 Fee Well Number 4, which is a  
3 Glorieta Yeso test in the southeast  
4 quarter/northeast quarter of Section 6.

5 I believe the pool in this area is the  
6 Penasco. I think it's the Penasco San Andres  
7 Glorieta Yeso, something like that. I can verify  
8 the pool name for you, but I believe that's what it  
9 is.

10 CHAIRMAN BROOKS: Okay.

11 MR. BRUCE: Anyway, the parties being  
12 pooled are identified on the second page of the  
13 affidavit.

14 The interest ownership does vary somewhat  
15 in the two well units. The applicant does request a  
16 200 percent risk charge. And the overhead rates are  
17 4,500 a month for a drilling well and 450 a month  
18 for a producing well. These are vertical wells.

19 The correspondence is attached to the  
20 interest owners, one of whom is unlocatable.

21 And the AFEs are attached. These wells  
22 will cost approximately \$2.3 million each.

23 Attached as -- submitted as Exhibit 2 is  
24 the affidavit of notice whereby Yates, Abo, and Myco  
25 did receive actual notice of this well and some

1 other wells in this area.

2 Normally I would have sent separate  
3 letters, but it was actually Mr. Moran, Yates'  
4 landman, who asked me to conglomerate them into one  
5 package to minimize his paperwork.

6 And finally, Exhibit 3 is the affidavit of  
7 publication in the Carlsbad newspaper, whereby  
8 notice was given to Mr. Gustof Johnson or his heirs,  
9 who is a person who was unlocatable after the normal  
10 county search, Internet search, et cetera.

11 And with that, we would move the admission  
12 of Exhibits 1 through 3 and we ask that the matters  
13 be taken under advisement.

14 CHAIRMAN BROOKS: Okay. Exhibits 1  
15 through 3 are admitted.

16 I suppose the difference in the overhead  
17 rate had something to do with the fact that -- your  
18 agreement with COG?

19 MR. BRUCE: It is. Cimarex has been  
20 asking, for its vertical wells, a lower overhead  
21 rate.

22 CHAIRMAN BROOKS: Yeah. But the previous  
23 case included -- well, the previous case was not  
24 Cimarex. That was...

25 MR. BRUCE: That was -- correct. That was

1 Mack Energy.

2 CHAIRMAN BROOKS: The common factor was  
3 Jim Bruce.

4 MR. BRUCE: Yeah.

5 CHAIRMAN BROOKS: Okay. I have no further  
6 questions.

7 Mr. Ezeanyim?

8 CHIEF ENGINEER EZEANYIM: I have no  
9 questions.

10 CHAIRMAN BROOKS: Very good. The case  
11 is --

12 I'm sorry. Adam, did you have any  
13 questions?

14 MR. RANKIN: No questions, Mr. Examiner.

15 CHAIRMAN BROOKS: Case Numbers 14842 and  
16 14843 are taken under advisement.

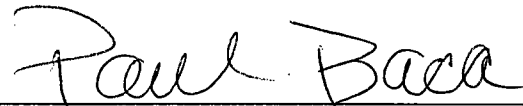
17 (Proceedings concluded.)  
18  
19  
20

21 I do hereby certify that the foregoing is  
22 a complete record of the proceedings in  
23 the Examiner hearing of Case No. 14842-43  
24 heard by me on 6-25-12

25 David K. Burch Examiner  
Oil Conservation Division

## CERTIFICATE

I, Paul Baca, RPR, CCR in and for the  
State of New Mexico, do hereby certify that the  
above and foregoing contains a true and correct  
record, produced to the best of my ability via  
machine shorthand and computer-aided transcription,  
of the proceedings had in this matter.



PAUL BACA, RPR, CCR  
Certified Court Reporter #112  
License Expires: 12-31-12