

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:

COPY

7 APPLICATION OF CIMAREX ENERGY Consolidated Cases  
8 COMPANY FOR COMPULSORY 14844, 14845  
9 POOLING, EDDY COUNTY,  
10 NEW MEXICO

11 TRANSCRIPT OF PROCEEDINGS

12 EXAMINER HEARING

13 BEFORE: RICHARD EZEANYIM, Technical Examiner  
14 DAVID K. BROOKS, Legal Examiner

15 June 25, 2012

16 Santa Fe, New Mexico

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

24 REPORTED BY: PAUL BACA, CCR #112  
25 PAUL BACA COURT REPORTERS  
500 4th Street, NW, Suite 105  
Albuquerque, New Mexico 87102

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  
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Holland & Hart  
110 North Guadalupe, Suite 1  
Santa Fe, New Mexico 875012  
505-988-4421

1                   CHAIRMAN BROOKS: And I'm assuming,  
2     Mr. Bruce, that from the exhibits you have handed me  
3     that you want to consolidate Case Numbers 14844 and  
4     14845 for purposes of hearing?

5                   MR. BRUCE: That is correct.

6                   CHAIRMAN BROOKS: Very good.

7                   Are you making an appearance in these  
8     cases?

9                   MR. RANKIN: I am, as well.

10                  CHAIRMAN BROOKS: And do you have any  
11     objection to consolidating?

12                  MR. RANKIN: No.

13                  CHAIRMAN BROOKS: Case Number 14844 and  
14     Case Number 148- --

15                  I will call Case Number 14844, application  
16     of Cimarex Energy Company for compulsory pooling,  
17     Eddy County, New Mexico, and Case Number 14845,  
18     application of Cimarex Energy Company for compulsory  
19     pooling, in Eddy County.

20                  I call for appearances in both cases.

21                  MR. BRUCE: Mr. Examiner, Jim Bruce, of  
22     Santa Fe, representing the applicant.

23                  MR. RANKIN: Adam Rankin with Holland &  
24     Hart, Santa Fe, representing COG Operating.

25                  CHAIRMAN BROOKS: Very good.

1           Mr. Bruce, neither one of you can have any  
2 witnesses because nobody is present.

3           MR. BRUCE: Mr. Examiner, again, I'm  
4 looking at the land plat. The pool collectively is  
5 the northeast quarter of Section 6, again in 19  
6 south, 26 east.

7           And although the individual 40-acre tracts  
8 are highlighted on there, again, this 80 acres was  
9 originally a single -- was patented a single Fee  
10 tract.

11           CHAIRMAN BROOKS: That's Section 6, 19  
12 south, 26 east?

13           MR. BRUCE: That's correct.

14           Applicant seeks to drill the Illinois 6  
15 Fee Well Number 1 in the northwest quarter/northeast  
16 quarter of Section 6, and the Illinois 6 Fee Well  
17 Number 2 in the northeast quarter/northeast quarter  
18 of Section 6.

19           The interest owners are set forth. Again,  
20 there is a slight difference. Cimarex does believe  
21 that it has located all of the pertinent parties and  
22 either leased them or has -- has made offers to  
23 everyone. Again, this is a tract of land where just  
24 last week COG and Cimarex did sign a JOA.

25           There are still a few unleased parties.

1     Yates, Abo, Myco -- and I have been informed, again  
2     by Mr. Moran of Yates, that they are working toward  
3     a JOA and they will probably consummate that at some  
4     time in the relatively near future.

5             There are some unlocatable owners who are  
6     identified here.

7             And also, if you'll note on page 2 of the  
8     affidavit, there are three other parties named. We  
9     do not believe they own an interest, as stated at  
10    the top of page 3 of the affidavit of the landman.  
11    These parties are simply being named because,  
12    although Cimarex believes it has leased up the heirs  
13    of these parties, there are no probates or any other  
14    affidavits of heirship or any other type of public  
15    data which would verify that all of their interests  
16    have been leased up.

17            It's just kind of a coverall, I guess,  
18    although we believe that all parties have been  
19    identified.

20            CHAIRMAN BROOKS: So, unlike Mr. Gaynor,  
21    you can't passionately assure me that you've got all  
22    the heirs included?

23            MR. BRUCE: That is correct.

24            Again, the applicant requests a 200  
25    percent risk charge. And the overhead rates are

1     \$4,500 and \$450 per month for a producing well.

2                   When you refer back to the Mack case, just  
3     because that's over in Lea County, I believe those  
4     wells are deeper -- and quite a bit deeper than  
5     these Yeso wells.

6                   CHAIRMAN BROOKS:   Okay.

7                   MR. BRUCE:   By 2- to 3,000 feet.

8                   CHAIRMAN BROOKS:   Okay.

9                   MR. BRUCE:   Attached is the correspondence  
10    to the locateable parties.

11                   And the AFEs for the wells are attached.  
12    Again, they are about \$2.3 million each.  And again,  
13    I will verify the -- the pool for you.  Again, I  
14    believe it's the Penasco pool.

15                   I did check yesterday.  And as of  
16    yesterday I -- I want to make sure what I'm saying  
17    here.

18                   Oh, yeah, there it is.  It is the Penasco  
19    Draw and San Andres-Yeso associated pool.  It is an  
20    associated pool, but I think both -- all of the  
21    wells completed out here recently by both COG and  
22    Cimarex are oil wells which are spaced on 40 acres.

23                   The -- I do have API numbers for these  
24    wells.  The Illinois 6 Number 1 is -- the last 5  
25    digits are 40227.  And the Illinois 6 Number 2, the

1 last 5 digits are 40228.

2 Exhibit 2 is the affidavit of notice by  
3 which Yates, et al., did receive actual written  
4 notice.

5 Exhibit 3 is an affidavit -- or Exhibits 3  
6 and 4 are both affidavits of publication naming the  
7 people who could not be located or whose estates  
8 could not be located.

9 And with that, I would move the admission  
10 of Exhibits 1 through 4.

11 CHAIRMAN BROOKS: Okay. 1 through 4 are  
12 admitted.

13 You're asking for surface to base?

14 MR. BRUCE: Of the Glorieta Yeso.

15 CHAIRMAN BROOKS: Is the title identical  
16 to all of those depths?

17 MR. BRUCE: Yes. Yes, it is.

18 CHAIRMAN BROOKS: Very good.

19 Mr. Rankin?

20 MR. RANKIN: No objections to the  
21 admission of the exhibits.

22 CHAIRMAN BROOKS: And no questions for  
23 counsel?

24 MR. RANKIN: No questions for counsel.

25 CHAIRMAN BROOKS: Very good. The Case

1 Numbers 14844 and 14845 will be taken under  
2 advisement.

3 (Proceedings concluded.)

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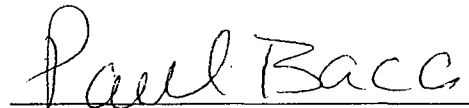
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I hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 14844 & 45  
heard by me on 6-25-12  
David K. Booth Examiner  
Oil Conservation Division

## 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  
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