

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, LEA COUNTY, )  
NEW MEXICO )

CASE NO. 13,786

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: RICHARD EZEANYIM, Hearing Examiner

October 12th, 2006

Santa Fe, New Mexico

2006 OCT 16 PM 3 30

This matter came on for hearing before the New Mexico Oil Conservation Division, RICHARD EZEANYIM, Hearing Examiner, on Thursday, October 12th, 2006, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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## I N D E X

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 Examiner Hearing  
 CASE NO. 13,786

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## E X H I B I T S

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## A P P E A R A N C E S

## FOR THE DIVISION:

CHERYL O'CONNOR  
Assistant Counsel, NMOCD  
Energy, Minerals and Natural Resources Department  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

## FOR THE APPLICANT:

JAMES G. BRUCE  
Attorney at Law  
P.O. Box 1056  
Santa Fe, New Mexico 87504

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2 8:19 a.m.:

3           EXAMINER EZEANYIM: We'll go back to page 1 and  
4 then call Case Number 13,786. This case was also continued  
5 from September 28th Examiner Hearing, and this is the  
6 Application of Cimarex Energy Company for compulsory  
7 pooling, Lea County, New Mexico.

8           Call for appearances.

9           MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,  
10 representing the Applicant. I'm submitting this case by  
11 affidavit.

12           EXAMINER EZEANYIM: Any other appearances?

13           Okay, Mr. Bruce, you may continue.

14           MR. BRUCE: Mr. Examiner, I've handed you a  
15 package of exhibits.

16           Exhibit 1 is the affidavit of the landman for  
17 Cimarex Energy Company. If you'd turn to Exhibit A to the  
18 exhibit, the land plat --

19           EXAMINER EZEANYIM: Okay.

20           MR. BRUCE: -- and even the page before that, Mr.  
21 Examiner. There are -- Exhibit A is two pages.

22           The Applicant seeks to force pool the north half  
23 of Section 17, Township 15 South, Range 36 East. That's a  
24 land plat. And then attached -- part of Exhibit A, the  
25 next page, is the C-102 for the well, showing that it's at

1 an orthodox location 880 feet. The well, the Caudill West  
2 17 Fee Number 1, is located 880 feet from the north line  
3 and 660 feet from the east line.

4 EXAMINER EZEANYIM: Can you repeat that, please?

5 MR. BRUCE: 880 from the north line and 660 from  
6 the east line.

7 EXAMINER EZEANYIM: Okay.

8 MR. BRUCE: Attached as Exhibit B is a listing of  
9 the -- this is all fee land. Attached as Exhibit B is a  
10 listing of the people who have not yet either leased their  
11 lands or agreed to participate in the well.

12 This is an old -- you know, a fee tract -- two  
13 fee tracts that were patented in the early part of the  
14 1900s, and there are many, many owners. About 15 percent,  
15 maybe 14 percent, of the owners remain unleased, and these  
16 are -- on Exhibit B which is four pages, it lists all the  
17 interest owners and their percentage interest in the 320-  
18 acre well unit. You can see that a lot of these interests  
19 are quite small.

20 The Applicant has tried to lease these interest  
21 owners or ask them to join in the well. I've provided them  
22 with an AFE, and attached as Exhibit C is the  
23 correspondence with these interest owners. There was -- in  
24 addition to this correspondence, there were numerous phone  
25 calls made to many of these parties and e-mails exchange

1 with a number of these parties, but they have not yet  
2 agreed to lease.

3 Attached as Exhibit D is the AFE for the well,  
4 which is a -- it's a Mississippian test, and it has a  
5 completed well cost of \$3,131,000, so it's a pretty  
6 expensive well.

7 The overhead rates requested by the Applicant are  
8 \$6000 a month for a drilling well and \$600 for a producing  
9 well, and these are common rates in this area.

10 EXAMINER EZEANYIM: How much is that again?

11 MR. BRUCE: \$6000 and \$600.

12 Submitted as Exhibit 2 is my affidavit of notice,  
13 and written notice was provided to everyone, although there  
14 are some unlocatable people.

15 And an affidavit was published -- I mean, excuse  
16 me, a notice was published in the Hobbs newspaper, and that  
17 notice is marked as Exhibit 3.

18 After doing this, there were a few people who  
19 were locatable but did not accept their certified mail, and  
20 so I have re-published notice so that all of these people  
21 were also notified. I do not have that affidavit of notice  
22 back yet, and so I'd ask that the case be continued for two  
23 weeks so I can submit that additional notice affidavit -- I  
24 mean, excuse me, publication affidavit. But all of the  
25 people have been given notice, either by mail or by

1 publication.

2 And I'd ask that Exhibits 1 through 3 be made  
3 part of the record in this case.

4 EXAMINER EZEANYIM: At this time Exhibits 1  
5 through 3 will be admitted into evidence.

6 If I may ask some few questions here, I know this  
7 case will be continued, and I think at the point when it's  
8 continued we will need to get your newspaper publication,  
9 because there is need of going through the case at that  
10 point.

11 MR. BRUCE: Yeah.

12 EXAMINER EZEANYIM: At that point that case may  
13 then be taken under advisement. So at that point get some  
14 clarification or something, things that I needed to know.

15 Of all the working interests, how many working  
16 interests in this north-half unit? Do you know?

17 MR. BRUCE: There's really only two working  
18 interests -- I mean two lessees. One is the Applicant,  
19 Cimarex Energy Company, and then the other one is Chalfant  
20 Properties -- that's C-h-a-l-f-a-n-t Properties -- out of  
21 Midland, who is a -- that's a brokerage. I'm guessing that  
22 that was probably leased for Chesapeake Energy, although I  
23 do not know that.

24 All of these other people listed in Exhibit 1 are  
25 unleased mineral owners.

1 EXAMINER EZEANYIM: Okay. So out of those two --  
2 how many of them have committed? All of them or just --  
3 none of them?

4 MR. BRUCE: On Exhibit B attached to Exhibit 1,  
5 none of these people are committed at this time, they are  
6 all released.

7 Several -- The Applicant continues to take  
8 leases, and I believe about maybe eight or 10 of these  
9 people are still negotiating a lease, and if any of them do  
10 lease I will notify the Division.

11 But at this point all of the people on Exhibit B  
12 are released, except -- if you look at the first page of  
13 Exhibit 4, down in the middle, Chalfant Properties, Inc.,  
14 they are a lessee, but they have not --

15 EXAMINER EZEANYIM: -- been contacted?

16 MR. BRUCE: -- they have not signed a JOA yet.

17 EXAMINER EZEANYIM: Okay.

18 MR. BRUCE: They are the person or the company  
19 that they leased for.

20 EXAMINER EZEANYIM: Since the well is on a  
21 standard location, do you -- have you gotten an APD or --  
22 whether or not any --

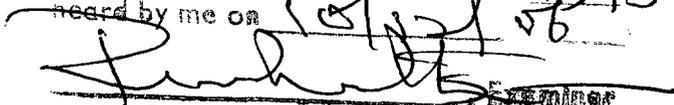
23 MR. BRUCE: Mr. Examiner, I will get that for  
24 you. I believe there is an APD, and I had it in my file.  
25 I do not have it right now.

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EXAMINER EZEANYIM: Okay. Case Number 13,786  
will be continued to the next Examiner Hearing on October  
26th to enable the Applicant to write a newspaper  
advertisement to all interest owners.

(Thereupon, these proceedings were concluded at  
8:29 a.m.)

\* \* \*

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 13786  
heard by me on 10/21/06  
  
Examiner  
Oil Conservation Division

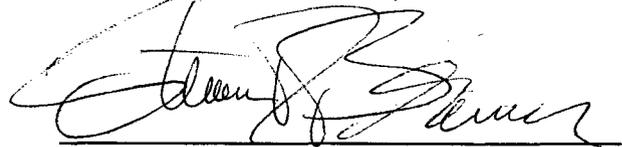
## CERTIFICATE OF REPORTER

STATE OF NEW MEXICO )  
 ) ss.  
 COUNTY OF SANTA FE )

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL October 12th, 2006.



STEVEN T. BRENNER  
 CCR No. 7

My commission expires: October 16th, 2006