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STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION

APPLICATION OF CIMAREX ENERGY COMPANY
FOR A NON-STANDARD OIL SPACING AND
PRORATION UNIT AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO

CASE NOS. 14046, 14063, 14083, 14084, 14085

FEBRUARY 21, 2008

1220 South St. Francis Drive
Santa Fe, New Mexico

EXAMINER: WILLIAM L. JONES

LEGAL ADVISOR: David Brooks

ATTORNEY FOR APPLICANT:

JAMES BRUCE, ESQ.
P O Box 1056
Santa Fe, New Mexico 87545

EXHIBITS 1 - 2

REPORTED BY: JOYCE D. CALVERT, P-03
Paul Baca Court Reporters
500 Fourth Street, NW, Suite 105
Albuquerque, New Mexico 87102

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2/21/08 Hearing

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1 EXAMINER JONES: These Cimarex cases, can we combine
2 them all?

3 MR. BRUCE: You know, that might not -- I do have
4 separate sets of exhibits, but it might be best to combine them
5 because I was going to start out with a plat showing what is
6 being pooled and --

7 EXAMINER JONES: Okay. For purposes of the
8 transcript, let's combine Cases 14046, 14063, 14083, 14084,
9 14085. And let's call all of those aforementioned cases at
10 this time. All of those cases are for a non-standard oil
11 spacing and proration unit and compulsory pooling in Lea
12 County, New Mexico. Call for appearances.

13 MR. BRUCE: Mr. Examiner, in all cases, Jim Bruce of
14 Santa Fe. I am submitting them all by affidavit.

15 Mr. Examiner, maybe the best thing to do would be to
16 go to the last exhibit, which is marked Exhibit 7, and go to
17 Attachment B to Exhibit 7. It's a structure map but it also
18 shows a number of well units.

19 The wells that are being pooled here in these five
20 cases are the Humboldt 6 State Com #1 and then, to the south,
21 the Antero 12 Fee #5, the Missouri Unit 13 Fee #5, the Sunshine
22 #1 and the Redcloud 13 Fee #2. The wells on the north end, the
23 Pyramid # 1 and the Harvard 6 Fee #2, were previously pooled by
24 the Division. And you were the Hearing Examiner when we
25 presented live testimony on the Pyramid Well #1, which included

1 both land and geologic testimony.

2 I'm starting off with the Humboldt well, which is
3 Case No. 14046. As you can see on this plat, it's comprised of
4 two tracts. And I'll get into this in a minute. The northwest
5 southwest quarter and the southwest quarter of the southwest
6 quarter, which is a State tract. The other tract is a fee
7 tract. The reason I mention the Pyramid is that the land
8 ownership in the Pyramid well is the same as in the Harvard
9 Fee #2. And it's the same in the northwest quarter, southwest
10 quarter of Section 6, being part of the Humboldt 6 State Com #1
11 well in which there are just a bundle of them there. There are
12 about a 150 interest owners in that large fee tract.

13 If you would go back to the top of the pile, Exhibit
14 No. 1. Cimarex does seek to force pool the west half,
15 southwest quarter as to the Wolfcamp formation as discussed in
16 Exhibit 7. They anticipate the entire 80 acres being
17 productive and they seek a non-standard unit, which the
18 Division has required Cimarex to do in order to force pool the
19 interest owners.

20 If you'll rummage through -- keep on going through
21 Exhibit 1 to Attachment A, which is a well plat. And right
22 behind that is a Midland Map Company plat highlighting the well
23 units and also identifying the offset operators. The State
24 lease covers the entire south half, the south half of
25 Section 6. And I'll present a little data later. That's owned

1 by Discovery Exploration.

2 All the offsets to the north and to the south,
3 southwest are Cimarex'. In Section 1, the offsets are -- it
4 shows to be AmeriCo, which is correct in the south half, and
5 shows to be platinum in the north half. Actually that is now
6 Saber Resources. And I'll present some data on that in a
7 minute. We were -- have been required to notify the offsets
8 and I'm just pointing out that is the offset interest owners --
9 or I should say offset operators.

10 Exhibit B lists the parties being pooled and
11 everybody who's highlighted, as I said, in the Pyramid well,
12 which I mentioned we presented evidence about a number of
13 un-locatable people. And everybody highlighted in yellow on
14 this Exhibit Attachment B is un-locatable, even though their
15 addresses -- prior testimony submitted in the Pyramid hearing
16 shows that mailings to them came back as undeliverable.

17 So there are only about had a half a dozen people who
18 had, or who we thought had, valid addresses. It's actually
19 fewer people than that.

20 EXAMINER JONES: Okay.

21 MR. BRUCE: And, as I will show later, those people
22 were noticed. The proposal letters are in this package as
23 Attachment C. If you'll run back to Attachment D, it lists
24 every owner in the well unit. And because it is two tracts,
25 the Division required that we notified everybody in the well

1 unit. And Exhibit D lists the first number of pages -- I guess
2 the pages aren't numbered -- lists all the interest owners in
3 the northwest quarter, southwest quarter. That's about ten
4 pages of exhibits there. And we did give notice to everyone
5 one of the non-standard unit portion of the application, even
6 if they were leased.

7 Exhibit E is simply information from the State Land
8 Office web site which shows that the south half, south half of
9 Section 6 is a state leased -- that interest is committed to
10 the well, but it's a lease owned by Discovery Exploration.
11 Notice was also given to the Land Office and Discovery
12 Exploration of this application.

13 Exhibit F is the final attachment. It's an AFE for
14 the well. It's about a \$3.5-million-dollar well.

15 Exhibit 2 is the notice that was mailed to certain
16 interest owners who we thought we had valid addresses for. The
17 only ones we thought we had valid addresses for, as you can
18 see, most of them came back regardless. Of the people who were
19 mailed notice, of which there are six or seven of them, only
20 two of them actually picked up their letters.

21 And then we did get a new address for Virginia
22 Gausa, and we did notify her. So actually there were three
23 people who received written notice of this application, people
24 being pooled only.

25 Exhibit 3 is an Affidavit of Notice to the leased

1 parties who were given notice of the non-standard unit
2 application. As you can see, there's quite a few of them.
3 Most of them did receive written notice, as the landman
4 testified in the prior case. These addresses were taken off
5 the leases themselves and should have been valid but they
6 weren't always valid.

7 And, as a result of a number of these people being
8 un-locatable or having bad addresses, I did two publications of
9 notice. Exhibits 5 and 6 are affidavits published in the Hobbs
10 newspaper. And I believe that everybody who did not receive
11 notice via Exhibits 2 or 3 are named in Exhibits 5 and 6. I
12 believe they are.

13 I checked that, and I -- I will check that again and
14 let you know in writing. But I checked it two days ago and I
15 thought I had every name, but there were so many of them, I
16 wasn't quite sure.

17 MR. BROOKS: That is kind of tedious work. We'll let
18 Mr. Jones do that.

19 EXAMINER JONES: That's my job.

20 MR. BRUCE: Finally, as to notice to offsets,
21 Exhibit 4 is written notice given to offset operators AmeriCo
22 Energy and Saber Resources.

23 Exhibit 8 is simply the information from the
24 Division's web site which shows that Platinum Exploration,
25 which is listed out of Midland, there was a change of operator

1 to Saber Resources. So Saber is the proper Wolfcamp offset
2 operator of the north half of Section 1.

3 With that, I move the admission of Exhibits 1 through
4 8. This one is more confusing than the rest because of the
5 large number of people involved. But certainly I believe
6 everybody has been notified in this case. And in the other
7 cases there should be no issue.

8 EXAMINER JONES: Okay. This is Case No. 14086?

9 MR. BRUCE: Correct.

10 EXAMINER JONES: We will admit Exhibits 1 through 8.

11 MR. BROOKS: This is Wolfcamp oil?

12 MR. BRUCE: Wolfcamp oil.

13 MR. BROOKS: Is that on 40-acre spacing?

14 MR. BRUCE: That's correct.

15 MR. BROOKS: So what you're doing here is combining
16 two adjacent spacings?

17 MR. BRUCE: That's correct. On all of the subsequent
18 matters, Mr. Examiner, the well units are comprised of one
19 single fee tract, each well unit, so I didn't give notice to
20 the leased parties, only to the unleased parties.

21 MR. BROOKS: One other question: On the offsets
22 where the applicant is the operator -- Cimarex -- are those
23 100 percent owned by Cimarex?

24 MR. BRUCE: The --

25 MR. BROOKS: Are they common ownership with the

1 proposed units?

2 MR. BRUCE: The -- what I -- let me look at this.
3 When you look at the -- for these next four cases, except in
4 one case, the offset operators are Cimarex. The only people
5 who would have an interest in the offset other than Cimarex are
6 the parties being force pooled.

7 MR. BROOKS: Okay. So there aren't any other working
8 interest owners or unleased owners in any of the offset tracts
9 other than Cimarex and the parties that own an interest in the
10 proposed units?

11 MR. BRUCE: Correct, correct.

12 MR. BROOKS: Okay. Thank you.

13 EXAMINER JONES: I thought maybe only those who are
14 operators.

15 MR. BROOKS: Well, but so are Cimarex.

16 EXAMINER JONES: Okay. So they don't have to drill
17 down to the --

18 MR. BROOKS: Yeah. Then they have to drill down,
19 where Cimarex is the operator.

20 MR. BRUCE: Mr. Examiner, next is Case 14063, which
21 is for the Missouri Unit 13 Fee Well #5. Exhibits 1, 2 and 3
22 are submitted. Again, Exhibit 3 is the affidavit of the
23 geologist discussing this prospect. Exhibit 1 is the affidavit
24 of the landman. Only two parties are being pooled, being
25 Sidney Roger Davis and Occidental Permian. The well unit is

1 the west half, northeast quarter of Section 13. If you go back
2 to the Midland Map Company plat, just reinforcing what I just
3 told Mr. Brooks, all of Exhibit 13 is a single fee tract with
4 common ownership. And the only unleased parties are Mr. Davis
5 and Oxy. Exhibit -- I mean, excuse me -- Section 12 there are
6 two fee tracts.

7 But, again, ownership through these is fairly common.
8 In both the east half of Section 12 and west half of
9 Section 12, the only unleased mineral rights is Mr. Davis.
10 Mr. Davis did receive notice of this application, so he's aware
11 of it. And notice of this hearing was given to Mr. Davis and
12 Mr. -- and to Occidental. They both did receive actual notice
13 of this case. So I move the admission of Exhibits 1 through 3
14 in this case.

15 EXAMINER JONES: Exhibits 1 through 3 will be
16 admitted.

17 MR. BRUCE: Next is Case 14083. And this is the
18 Antero 12 Fee Well #5. The only interest owner being pooled is
19 Mr. Sidney Roger Davis, again. It's a very small interest.
20 Exhibit 1 is the affidavit of the landman and sets forth the
21 information required by the Division land plat well proposal
22 AFE. As I just testified, the only offsets are Cimarex, and
23 they have been given notice. Exhibit 2 is the affidavit of the
24 notice to Mr. Davis. He did receive actual notice. And
25 Exhibit 3 is the affidavit of the geologist.

1 I move the admission of Exhibits 1 through 3.

2 EXAMINER JONES: Exhibits 1 through 3 will be
3 admitted. This is in Case No. 14083.

4 MR. BROOKS: Again, Cimarex operates all the offsets,
5 right?

6 MR. BRUCE: Right.

7 MR. BROOKS: And there are no other working interest
8 owners in the offsets?

9 MR. BRUCE: No, sir. The next is Case 14084, Mr.
10 Examiner, which is the Redcloud Well #2. Again, Exhibit 1 is
11 the affidavit of the landman. The well unit is the east half,
12 southwest quarter of Section 13. Cimarex is the only offset
13 operator to the north and south. To the west, Lynx Petroleum
14 is the offset operator. Actually, they don't offset this well.

15 Proposal letters are to include the AFE. Exhibit 2
16 is the Affidavit of Notice to Mr. Davis and Occidental. They
17 did receive actual notice. And Exhibit 3 is the affidavit of
18 the geologist in discussing this well. Mr. Brooks, to the
19 south in Section 24, that land is -- there are no unleased
20 working interest owners --

21 MR. BROOKS: Okay.

22 MR. BRUCE: -- other than Cimarex is the sole working
23 interest owner. I hand wrote on one. It says, "shot interest,
24 they leased it on behalf of Cimarex," so it's actually Cimarex.

25 MR. BROOKS: Very good.

1 MR. BRUCE: With that I move the admission of
2 Exhibits 1 through 3.

3 EXAMINER JONES: Exhibits 1 through 3 will be
4 admitted. And this is Case No. 14084.

5 MR. BRUCE: Next is Case No. 14085. Once again,
6 Exhibit 1 is the affidavit of the landman. If you turn to
7 Attachment A, the land plat, the well unit is the west half,
8 southwest quarter of Section 13. Cimarex offsets to the north
9 and south. To the west, Lynx Petroleum is the operator in the
10 Wolfcamp. There are existing Wolfcamp wells on that fee lease,
11 which covers the south half, northeast quarter and the
12 southeast quarter, among other acreage.

13 Mr. Brooks, I just noticed I may have not given
14 notice to the offset in Section 23. And so, in this case, it
15 should probably be continued for four weeks.

16 Exhibit 2 is the Affidavit of Notice to -- again, the
17 only unleased owners are Mr. Davis and Occidental Permian.
18 They were given notice and received actual notice via
19 Exhibit 2.

20 Exhibit 3 is my notice to Lynx Operating Company.
21 And they did receive notice, and I have spoken with them.

22 And then Exhibit 4 is the affidavit of the geologist,
23 which you've seen before containing the geologic information.

24 Mr. Examiner, I could ask that the case be continued
25 just for two weeks? I had thought Section 33 was farmed out to

1 Cimarex, but I'm not sure of that. If not, I will give notice
2 to that offset.

3 EXAMINER JONES: Okay. If you have to give notice,
4 will that mean it needs to go through another two weeks?

5 MR. BRUCE: It'll probably have to go for another two
6 weeks, but --

7 EXAMINER JONES: Meanwhile, we'll only continue it
8 to--

9 MR. BRUCE: I can verify if whether or not there is
10 indeed an offset or whether it is Cimarex.

11 EXAMINER JONES: So in Case No. 14085, we'll continue
12 it to March the 7th.

13 MR. BROOKS: March the 6th, I believe it is.

14 MR. BRUCE: 6th.

15 MR. BROOKS: You know, that's what the schedule says
16 March 7 and March 21, but that's got to be wrong because those
17 are Fridays.

18 MR. BRUCE: On the docket it says March 6th and
19 March 20th. With that I move the admission of Exhibits 1
20 through 3 in this matter.

21 EXAMINER JONES: Exhibits 1 through 3 will be
22 admitted in Case No. 14085 and the case will be continued to
23 March 6th.

24 [Hearing concluded.] I do hereby certify that the foregoing is
25 a complete record of the proceedings in
the Examiner hearing of Case No. _____
heard by me on 2/21/08

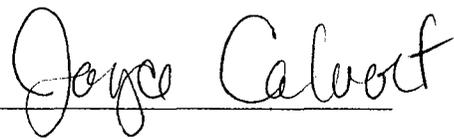
 _____, Examiner
Oil Conservation Division

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REPORTER'S CERTIFICATE

I, JOYCE D. CALVERT, Provisional Court Reporter for the State of New Mexico, 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 and was reduced to printed form under my direct supervision.

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 proceeding.



JOYCE D. CALVERT
New Mexico P-03
License Expires: 7/31/08

1 STATE OF NEW MEXICO)
2 COUNTY OF BERNALILLO)

3

I, JOYCE D. CALVERT, a New Mexico Provisional Reporter, working under the direction and direct supervision of Paul Baca, New Mexico CCR License Number 112, hereby certify that I reported the attached proceedings; that pages numbered 1-13 inclusive, are a true and correct transcript of my stenographic notes. On the date I reported these proceedings, I was the holder of Provisional License Number P-03.

Dated at Albuquerque, New Mexico, this 27th day of February, 2008.

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Joyce Calvert

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Joyce D. Calvert
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