

1 STATE OF NEW MEXICO  
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
3 OIL CONSERVATION DIVISION  
4

5 IN THE MATTER OF THE HEARING CALLED  
6 BY THE OIL CONSERVATION DIVISION FOR  
7 THE PURPOSE OF CONSIDERING:

CASE NO. 14154

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

12 ORIGINAL

13 REPORTER'S TRANSCRIPT OF PROCEEDINGS

14 EXAMINER HEARING

15  
16 BEFORE: DAVID K. BROOKS, Legal Examiner  
17 WILLIAM V. JONES, Technical Examiner  
18 TERRY WARNELL, Technical Examiner

19 August 7, 2008

20 Santa Fe, New Mexico

21 This matter came on for hearing before the New Mexico  
22 Oil Conservation Division, DAVID K. BROOKS, Legal Examiner,  
23 WILLIAM V. JONES, Technical Examiner, and TERRY WARNELL,  
24 Technical Examiner, on Thursday, August 7, 2008, at the  
25 New Mexico Energy, Minerals and Natural Resources Department,  
1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico.

26 REPORTED BY: JOYCE D. CALVERT, P-03  
27 Paul Baca Court Reporters  
28 500 Fourth Street, NW, Suite 105  
29 Albuquerque, New Mexico 87102

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A P P E A R A N C E S

FOR THE APPLICANT:

James G. Bruce, Esq.  
ATTORNEY AT LAW  
P.O. Box 1056  
Santa Fe, New Mexico 87504

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1 MR. JONES: Let's call Case No. 14154, Application of  
2 Cimarex Energy Company for a Non-Standard Oil Spacing and  
3 Proration Unit and Compulsory Pooling, Lea County, New Mexico.

4 Call for appearances.

5 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,  
6 representing the applicant. I'm presenting this by affidavit.

7 Mr. Examiner, this is another in a series of  
8 force-pooling cases Cimarex has filed for drilling horizontal  
9 wells over in the Denton pool in Lea County.

10 Submitted as Exhibit 1, I think -- well, let me --  
11 submitted as Exhibit 1 is the affidavit of the landman.  
12 Cimarex is seeking to force-pool the E/2NE/4 of Section 23,  
13 Township 15 South, Range 37 East, for a non-standard 80-acre  
14 oil spacing and proration unit for a project area for a  
15 horizontal well drilled in the Wolfcamp formation.

16 If you'll page through a few pages, you'll see a land  
17 plat. Highlighted in blue is the well unit. I have also  
18 highlighted on this exhibit the offset operators. Cimarex is  
19 the offset to the northeast and to the east, Lynx Petroleum is  
20 the offset operator of that 240-acre lease to the north. The  
21 E/2 of Section 23 is a single-fee tract. And you can see there  
22 are a couple of other horizontal well bores on here. Actually,  
23 at this point, there's about five or six more that have been  
24 drilled by Cimarex.

25 Although you'll see when I get to the Notice of

1 Affidavit, I notified a lot of people, basically all of the  
2 leasehold owners in the E/2 of 23. The only person being  
3 force-pooled at this time is Chaparral Energy, LLC. I list on  
4 attachment B to Exhibit 1 Samson Resources and Chaparral, but  
5 Samson Resources has executed an assignment in favor of  
6 Cimarex. So Samson is not subject to this case.

7 The only outstanding interest owner is Chaparral  
8 Energy. The proposal letter to Chaparral is attached together  
9 with an AFE. This, again, is about a three-and-a-quarter  
10 million dollar well that Cimarex is drilling. Submitted as  
11 Exhibit 2 is an affidavit from the geologist describing the  
12 structure and the geology very briefly in this area and  
13 attaching the directional drilling plan.

14 Exhibit 3 is the Affidavit of Notice to the interest  
15 owners. It's an Affidavit of Notice of force-pooling a  
16 non-standard unit to all of the working interest owners in the  
17 E/2 of Section 23. They all received actual notice. And that  
18 was done for two purposes. The Division has required us to  
19 notify the interest owners of the non-standard unit, and at the  
20 time I sent this notice out, there were a number of outstanding  
21 assignments that had not been received, but they have now been  
22 received.

23 Exhibit 4 is my Affidavit of Notice to the only  
24 offset operator, the only non-Cimarex offset operator, and  
25 that's Lynx Operating, Inc., and they have received notice of

1 the application.

2 I would move the admission of Exhibits 1 through 4  
3 and ask that this matter be taken under advisement.

4 MR. JONES: Exhibits 1 through 4 will be admitted.

5 [Applicant's Exhibits 1 through 4 admitted into  
6 evidence.]

7 MR. JONES: Is it Chaparral Energy, LLC, and  
8 Chaparral Oil, LLC?

9 MR. BRUCE: It's actually just Chaparral Energy. Two  
10 weeks ago, Mr. Examiner, I found out that Chaparral Oil, LLC,  
11 was the prior owner, but they merged into Chaparral  
12 Energy, LLC. And I think there's an OCD file with that  
13 material of record here.

14 MR. BROOKS: This is -- I'm sorry.

15 MR. JONES: Go ahead.

16 MR. BROOKS: This is a Wolfcamp prospect?

17 MR. BRUCE: Yes, sir.

18 MR. BROOKS: And it's oil?

19 MR. BRUCE: It is oil.

20 MR. BROOKS: So you got 40-acre spacing and you're  
21 forming an 80 acre --

22 MR. BRUCE: That is correct. Yes. It is the  
23 Denton-Wolfcamp pool, which is on statewide rules.

24 MR. BROOKS: And Cimarex -- does Cimarex own 100  
25 percent of all the offset acreage, or is it common ownership?

1 MR. BRUCE: They are the lessee of 100 percent of  
2 offset acreage.

3 MR. BROOKS: Except the Lynx acreage.

4 MR. BRUCE: Except the Lynx acreage.

5 MR. BROOKS: Which is the tract to the north. Now,  
6 your map, Exhibit A, you don't show anything in 23 as to the  
7 ownership.

8 MR. BRUCE: Mr. Examiner, I can get that to you. If  
9 you went to Exhibit 3 -- and I can obtain the percentage  
10 interest for you --

11 MR. BROOKS: Well, they're the same throughout 23?

12 MR. BRUCE: All of the --

13 MR. BROOKS: That's all I really need to know.

14 MR. BRUCE: All -- yes.

15 MR. BROOKS: Throughout the E/2 of 23?

16 MR. BRUCE: They are the working interest owners  
17 throughout the E/2 of Section 23.

18 MR. BROOKS: Okay. Okay. That's fine. I guess  
19 that's all I needed to know.

20 MR. JONES: Do you have anything?

21 MR. WARNELL: Do you have a point of penetration? I  
22 didn't see it, but I may be missing it. I see surface and  
23 bottom. Oh, there's a point of penetration.

24 MR. BRUCE: I think at the back of Exhibit 2.

25 MR. WARNELL: No. It's here on 1.

1 MR. BRUCE: Oh, the footage?

2 MR. WARNELL: Yeah.

3 MR. BRUCE: And then there's also a horizontal well  
4 bore sketch within Exhibit 22, which shows where the depths of  
5 the penetration will be.

6 MR. WARNELL: Okay.

7 MR. JONES: Is this not one of those controversial  
8 Wolfcamps that -- I know it's not down in the Pennsylvanian.  
9 And this is Permian-age Wolfcamp, right?

10 MR. BRUCE: Yes, it is. If you look at the land  
11 plat -- well, maybe I can give you a better land plat, a more  
12 broad scaled one. If you'll look to the north of this well,  
13 there are a substantial number of wells, most of which are old  
14 vertical wells. And that is the Denton-Wolfcamp pool, or the  
15 southern part of the Wolfcamp.

16 MR. JONES: Is it getting close to the State line?  
17 It is north of Lubbock?

18 MR. BRUCE: It is probably seven or eight miles west  
19 of the Texas state line. I believe 38 East would be southeast  
20 of Tatum.

21 MR. JONES: Okay. And it's one of those areas  
22 that -- the Wolfcamp is one of the zones that the Devonian is  
23 below it? Is that correct?

24 MR. BRUCE: That is correct. There's a whole  
25 Devonian production out here, too. And if you look at that

1 plat I gave you, if you looked at over to the northeast -- and  
2 I'm relying on memory now -- in 14, 37 down in Section 36 --

3 MR. JONES: Okay.

4 MR. BRUCE: -- you'll see a horizontal well bore  
5 there.

6 MR. JONES: Okay.

7 MR. BRUCE: You and Mr. Brooks heard a case where a  
8 live land and geology was presented on that well. I think it  
9 was the Pyramid 36 well that discussed the geology -- and I can  
10 always give you that case number.

11 MR. JONES: I remember it, yes. Okay. You want this  
12 back, Mr. Bruce?

13 MR. BRUCE: You can keep it, Mr. Examiner.

14 MR. JONES: Okay. With that, let's take Case  
15 No. 14154 under advisement.

16 [Hearing concluded.]

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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.

DATED this 7th of August, 2008.

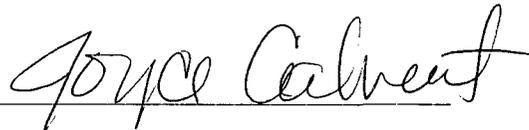


JOYCE D. CALVERT  
New Mexico P-03  
License Expires: 7/31/09

1 STATE OF NEW MEXICO )  
2 COUNTY OF BERNALILLO )

3  
4 I, JOYCE D. CALVERT, a New Mexico Provisional  
5 Reporter, working under the direction and direct supervision of  
6 Paul Baca, New Mexico CCR License Number 112, hereby certify  
7 that I reported the attached proceedings; that pages numbered  
8 1-8 inclusive, are a true and correct transcript of my  
9 stenographic notes. On the date I reported these proceedings,  
10 I was the holder of Provisional License Number P-03.

11 Dated at Albuquerque, New Mexico, 7th day of  
12 August, 2008.

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