

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:

ORIGINAL

CASE NO. 14193

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

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REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID K. BROOKS, Legal Examiner
RICHARD EZEANYIM, Technical Examiner
TERRY G. WARNELL, Technical Examiner

October 16, 2008

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico
Oil Conservation Division, DAVID K. BROOKS, Legal Examiner,
RICHARD EZEANYIM, Technical Examiner, and TERRY G. WARNELL,
Technical Examiner, on Thursday, October 16, 2008, at the
New Mexico Energy, Minerals and Natural Resources Department,
1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico.

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

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
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1 MR. BROOKS: I call Case No. 14193, the Application
2 of Cimarex Energy Company for a non-standard Oil Spacing and
3 Proration Unit and Compulsory Pooling, Chaves County,
4 New Mexico.

5 Call for appearances.

6 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
7 representing the applicant. I am submitting this matter by
8 affidavit.

9 MR. BROOKS: Okay. You may proceed when ready.

10 MR. BRUCE: Mr. Examiner, this case and the next two
11 cases all involve wells in the same township and range. And so
12 other than the people being pooled, everything is pretty
13 similar.

14 In this matter, Cimarex seeks two things: To form a
15 non-standard unit comprised of the S/2, S/2 of Section 11, 15
16 South, 31 East and to force-pool that non-standard unit.

17 MR. BROOKS: You're not asking to consolidate it?

18 MR. BRUCE: I'm not asking to consolidate it, but I
19 just -- I'll be a little bit briefer on the next two cases.

20 They're seeking to form a non-standard unit S/2, S/2
21 of Section 11 and to force-pool the well unit. Submitted as
22 Exhibit 1 is the affidavit of the landman. The only party
23 being pooled is Pioneer Exploration Limited, which owns not
24 quite 9/10 of 1 percent of mineral interest. The other data
25 for force-pooling is contained in this package.

1 The proposal letter, the AFE -- this is almost a
2 \$4.2 million well, and the overhead rates requested are 6500
3 per month for a drilling well and 650 a month for a producing
4 well. The affidavit also identifies the offset operators. The
5 Division has been requesting that we notify offsets of the
6 non-standard unit.

7 MR. BROOKS: Yes. That is the position we're taking.

8 MR. BRUCE: Submitted as Exhibit 2 is the affidavit
9 of Christopher Cuyler, who is a geologist, and geologic plats
10 and cross sections are attached.

11 If you'll look at Exhibit C attached to this
12 affidavit, you will see that there are other wells in this
13 township. As a matter of fact, this well has been drilled, and
14 that one is noted. There are also two other force-pool --
15 excuse me -- two other wells that have been drilled in this
16 township by Cimarex over in Section 17 and Section 30. And
17 attached is the final directional drilling report from
18 Halliburton.

19 One item -- and I don't know how to address this --
20 and I could always, I suppose, get more information from the
21 geologist -- in this area, there are Wolfcamp pools and Abo
22 pools. And they seem to be kind of -- sometimes this zone is
23 termed Abo, and sometimes it's termed the Wolfcamp. And I'm
24 not sure in this area if the Division has entered a
25 nomenclature order for pool creation.

1 MR. BROOKS: Well, I wouldn't know that without
2 looking it up.

3 MR. BRUCE: And I didn't find anything when I looked.
4 And so if you'll notice that the exhibits attached refer to the
5 Caprock Lower Abo area, and they also refer to the Waco
6 Wolfcamp limestone formation. And all of the wells out here --
7 I've handled a number of them in this general area, and there
8 always seems to be confusion whether it's Abo or Wolfcamp. The
9 pooling application itself requested pooling of the Lower Abo,
10 slash, Wolfcamp.

11 MR. BROOKS: Okay.

12 MR. BRUCE: Just so that we are safe, notice was
13 given to the party being pooled and to the offsets as shown on
14 Exhibits 3 and 4, and everyone received actual notice.

15 MR. BROOKS: Okay. So there are no unlocatable
16 parties?

17 MR. BRUCE: Correct.

18 MR. BROOKS: And you have two separate affidavits?

19 MR. BRUCE: Yes. One for the pooled party and one
20 for the offsets.

21 And I would move the admission of Exhibits 1
22 through 4.

23 MR. BROOKS: 1 through 4 are admitted.

24 [Applicant's Exhibits 1 through 4 admitted into
25 evidence.]

1 MR. BROOKS: I'm trying to think if there is anything
2 else I need to ask here. We've got the overhead rates. The
3 S/2, S/2 unit is on 40-acre spacing?

4 MR. BRUCE: Yes. It is oil wells. The other two --
5 all three oil wells -- all three horizontal wells drilled by
6 Cimarex in this township have been oil.

7 MR. BROOKS: Okay.

8 MR. BRUCE: I know when you get further to the west,
9 the Wolfcamp is Gasberry.

10 MR. BROOKS: Right. I always have to ask about
11 Wolfcamp because I don't know exactly what area is gas and what
12 area is oil.

13 MR. BRUCE: But here the actual results have been
14 oil.

15 MR. BROOKS: Well, these days that's desirable. We
16 like oil a lot better than gas.

17 Any questions, Mr. Ezeanyim?

18 MR. EZEANYIM: Yes. Where is the penetration point?

19 MR. BRUCE: That would be -- if you go to Exhibit 2,
20 the very last page -- and I think I can, if necessary, I think
21 this was the -- yeah.

22 The surface location and the terminus are both
23 orthodox. The surface location was 375 feet from the South
24 Line and 330 feet from the West Line. I'd have to measure it
25 out, but obviously, the penetration point in the Wolfcamp is

1 actually not 330 feet from the West Line. It would be further
2 east. And I'd have to do a --

3 MR. BROOKS: We'll need that information to write the
4 order.

5 MR. BRUCE: Okay.

6 MR. BROOKS: Although I gather it's standard.

7 MR. BRUCE: It is standard.

8 MR. BROOKS: Moving from the standard through --

9 MR. BRUCE: Yeah. You can see on the last page
10 Exhibit D attached to the geologist's affidavit that the zero
11 point is the surface location.

12 MR. BROOKS: We generally want to put -- even if it's
13 standard, we generally want to put that in the order.

14 MR. BRUCE: Okay. I will -- if it's okay, I will get
15 that data and e-mail it to the Division.

16 MR. EZEANYIM: I gather that the 160-acre
17 non-standard proration unit is because this is a horizontal
18 well, and you are trying to form a project area?

19 MR. BRUCE: That is correct, sir. And based on the
20 results of the three wells drilled to date, including this one,
21 all of the 4/4 sections will be productive.

22 MR. BROOKS: Mr. Warnell?

23 MR. WARNELL: No questions.

24 MR. BROOKS: Very good. If there's nothing further,
25 Case No. 14193 will be taken under advisement.

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 14193
heard by me on 10-16-2008
David H. Brooks Examiner
Oil Conservation Division

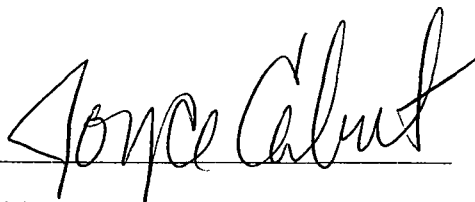
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REPORTER'S CERTIFICATE

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.

DATED this 16th of October, 2008.

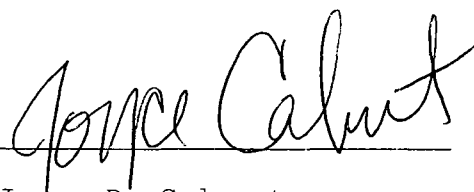
A handwritten signature in cursive script, reading "Joyce Calvert", is written over a horizontal line.

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 1-7 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, 16th day of
12 October, 2008.

13
14 
15

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