

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

ORIGINAL

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

APPLICATION OF CIMAREX ENERGY CO., CASE NO. 14390
FOR A NON-STANDARD OIL SPACING AND
PRORATION UNIT AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO

REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

2009 NOV 12 P 43
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BEFORE: WILLIAM V. JONES, Presiding Examiner
DAVID K. BROOKS, Legal Examiner

October 29, 2009

Santa Fe, New Mexico

This matter came on for hearing before the
New Mexico Oil Conservation Division, WILLIAM V. JONES,
Presiding Examiner, and DAVID K. BROOKS, Legal Examiner,
on Thursday, October 29, 2009, at the New Mexico Energy,
Minerals and Natural Resources Department, 1220 South St.
Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Jacqueline R. Lujan, CCR #91
Paul Baca Professional Court Reporters
500 Fourth Street, N.W., Suite 105
Albuquerque, NM 87103 505-843-9241

A P P E A R A N C E S

FOR THE APPLICANT:

JAMES G. BRUCE, ATTORNEY AT LAW
P.O. Box 1056
Santa Fe, New Mexico 87504-1056

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EXHIBITS 1 THROUGH 4 WERE ADMITTED

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REPORTER'S CERTIFICATE

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1 MR. JONES: Let's call Case 14390,
2 application of Cimarex Energy, Co., for approval of
3 non-standard oil spacing and proration unit and
4 compulsory pooling, Lea County, New Mexico. Call for
5 appearances.

6 MR. BRUCE: Mr. Examiner, Jim Bruce of
7 Santa Fe representing the applicant. I am submitting
8 this by affidavit. As an initial matter, Mr. Carr
9 entered appearances for Fuel Products, Inc., and Pear
10 Resources, who are offset operators or working interest
11 owners.

12 Mr. Feldewert submitted an Entry of Appearance
13 for Hyde Oil and Gas Corporation. Hyde Oil was notified
14 of the pooling portion of this application, but they have
15 reached terms with Cimarex, so they are being dismissed
16 from this pooling case.

17 MR. JONES: I don't think I have a record
18 of Hyde Oil's appearance here.

19 MR. BRUCE: It's in there somewhere.

20 MR. JONES: Okay. I've got Pear Resources
21 and Fuel Products, Incorporated.

22 MR. BRUCE: In this case, Mr. Examiner,
23 Cimarex is seeking to re-enter the Mallon 34 Federal Well
24 No. 16, which is at a surface location of 1,980 feet from
25 the south line and 660 feet from the west line, and test

1 the Bone Spring formation in a horizontal well. As a
2 horizontal wellbore, the well unit will be the north
3 half/south half of Section 34. The north half/south half
4 is comprised of a single federal lease, Lease NM 052,
5 with common ownership as to these depths.

6 The only parties being pooled, three Merit
7 Energy entities, with a combined working interest
8 ownership of 18-and-three-quarters percent. The
9 landman's affidavit also lists the offset working
10 interest owners or offset operators who needed to be
11 given notice of this application.

12 The overhead rates for this well are 7,000 a
13 month for a drilling well and 700 a month for a producing
14 well, which I think are -- most of the operators of
15 horizontal wells are charging 7 to 8,000 a month for
16 horizontal Bone Spring, Delaware, Wolfcamp test wells,
17 Chesapeake and COG and EOG, companies like that.

18 This well was first proposed to the Merit
19 Energy entities in June, and subsequently another letter
20 in July. Merit has simply never responded to proposals
21 to farm out their interest or join in the well. And
22 Merit, along with the other -- Merit was furnished a JOA
23 and simply never responded to that.

24 The AFE for the well is attached as Exhibit 6.
25 It's about a \$2.6 million test. Generally these wells

1 are more expensive, but this is a re-entry, so it's
2 slightly cheaper.

3 Submitted as Exhibit 2 is the affidavit of Lee
4 Catalano, the geologist for Cimarex. Attached to that is
5 a structure map and a cross-section showing the interval
6 they are planning to test. They believe the horizontal
7 wellbore will test a greater reservoir length and
8 increase the chances for an economic completion. And,
9 furthermore, all four quarter/quarter sections in the
10 well are perspective in the Bone Spring.

11 The structure map also shows existing --
12 production from existing vertical wells, Bone Spring
13 wells in this area. So you can see that some of them
14 are -- they're not great wells, but some of them have
15 produced 40 to 60,000 barrels on a vertical basis, so it
16 should be economic to test the well. And horizontal well
17 plan is attached, also, to the geologist's affidavit.

18 Exhibit 3 is the affidavit of notice given to
19 Merit, and Merit did receive actual notice of this
20 application. Exhibit 4 is the affidavit of notice to the
21 offset working interest owners or operators, and all of
22 them received actual notice.

23 So I would move the admission of Exhibits 1
24 through 4.

25 MR. JONES: Exhibits 1 through 4 will be

1 admitted. So this is from surface to -- hang on.

2 (Exhibits 1 through 4 were admitted.)

3 MR. BRUCE: Well, it's surface to base of
4 the Bone Spring in the 40 acres where the wellbore is
5 located, but it would only be as to the Bone Spring as to
6 the --

7 MR. JONES: For the non-standard spacing.

8 MR. BRUCE: Yes.

9 MR. BROOKS: Okay.

10 MR. JONES: Thank you. With that, we'll
11 take Case 14390 under advisement.

12 * * *

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16 I do hereby certify that the foregoing is
17 a complete record of the proceedings in
18 the Examiner hearing of Case No. _____
19 heard by me on _____

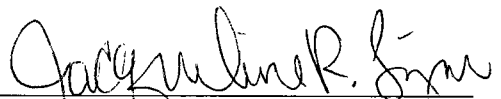
20 _____, Examiner
21 Oil Conservation Division
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REPORTER'S CERTIFICATE

I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO
HEREBY CERTIFY that on October 29, 2009, proceedings in
the above captioned case were taken before me and that I
did report in stenographic shorthand the proceedings set
forth herein, and the foregoing pages are a true and
correct transcription to the best of my ability.

I FURTHER CERTIFY that I am neither employed by
nor related to nor contracted with any of the parties or
attorneys in this case and that I have no interest
whatsoever in the final disposition of this case in any
court.

WITNESS MY HAND this 10th day of November,
2009.


Jacqueline R. Lujan, CCR #91
Expires: 12/31/2009