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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:

CASE NO. 14443

APPLICATION OF CIMAREX ENERGY  
COMPANY FOR A NONSTANDARD OIL  
SPACING AND PRORATION UNIT  
AND COMPULSORY POOLING,  
CHAVES COUNTY, NEW MEXICO.

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REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

March 18, 2010  
Santa Fe, New Mexico

BEFORE: TERRY WARNELL: Hearing Examiner  
DAVID BROOKS: Legal Adviser

This matter came for hearing before the New Mexico  
Oil Conservation Division, David Brooks, Hearing Examiner,  
on March 18, 2010, at the New Mexico Energy, Minerals and  
Natural Resources Department, 1220 South St. Francis  
Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Peggy A. Sedillo, NM CCR No. 88  
Paul Baca Court Reporters  
500 Fourth Street, NW, Suite 105  
Albuquerque, NM 87102

E X H I B I T S

Page

APPLICANT'S EXHIBITS:

Exhibits 1 - 4

4

Court Reporter's Certificate

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A P P E A R A N C E S

FOR THE APPLICANT:

JAMES BRUCE, ESQ.

Attorney at Law

P. O. Box 1056

Santa Fe, NM 87504

1                   HEARING EXAMINER: The next case is Case  
2   No. 14443, Application of Cimarex Energy Company for  
3   Nonstandard Oil Spacing and Proration Unit and Compulsory  
4   Pooling, Chaves County, New Mexico. Call for appearances.

5                   MR. BRUCE: Mr. Examiner, Jim Bruce representing  
6   the Applicant. This well, Mr. Examiner, is also in  
7   Section 19 of 15 South, 31 East.

8                   Applicant seeks the approval of a nonstandard  
9   unit comprised of Lot 2, the southeast northwest and the  
10   south half northeast, which is the south half north half  
11   equivalent of Section 19, to form a 159.31 acre  
12   nonstandard unit.

13                  It's seeking to drill it's Hancock 19 State Com.  
14   Well No. 3, which is the horizontal well to be drilled  
15   from Lot 2 eastward into the southeast northeast of  
16   Section 19.

17                  The affidavit identifies the parties being  
18   forced pooled. And the attachments to the affidavit also  
19   contain proposal letters and an AFE. Again, this is about  
20   a \$3.7 million well.

21                  Applicant requests a 200 percent risk charge  
22   against the nonconsenting interest owners. And the  
23   overhead rates are 7,000 and 700 a month. The affidavit  
24   identifies the offset operators.

25                  Exhibit 2 is the affidavit of the geologist, Lee

1 Catalano. Again, the horizontal wellbore will test four  
2 quarter quarter sections, which are all prospective and  
3 will increase the chances of an economic completion.

4 Exhibit 3 is the affidavit of notice to the  
5 parties being pooled. They all received actual notice.

6 And Exhibit 4 is the affidavit of notice to the  
7 offset operators, and they all received actual notice.

8 So I would move the admission of Exhibits 1  
9 through 4.

10 HEARING EXAMINER: Exhibits 1 through 4 are  
11 admitted. On all of these, Mr. Bruce, the point of  
12 penetration in the Abo/Wolfcamp, is that pretty much where  
13 the surface is at?

14 MR. BRUCE: Yes. And they are all standard --  
15 they're all orthodox locations.

16 MR. BROOKS: You're not going to start building  
17 your curves until after you get it --

18 MR. BRUCE: Correct. And the attachment to the  
19 geologist's affidavit in this one shows that the surface  
20 hole location and the penetration point are the same.

21 HEARING EXAMINER: I just noticed that.  
22 Mr. Brooks, any questions?

23 MR. BROOKS: Again, you're seeking to pool only  
24 the Abo/Wolfcamp?

25 MR. BRUCE: That is correct.

1 MR. BROOKS: Okay. That's all I have.

2 HEARING EXAMINER: Okay, with that then, Case  
3 No. 14443 will be taken under advisement.

4 (Whereupon, the proceedings concluded.)  
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15 I do hereby certify that the foregoing is  
16 a complete record of the proceedings in  
17 the Examiner hearing of Case No. \_\_\_\_\_  
heard by me on \_\_\_\_\_

18 \_\_\_\_\_, Examiner  
19 Oil Conservation Division  
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1 STATE OF NEW MEXICO )  
 ) ss.  
 2 COUNTY OF BERNALILLO )

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REPORTER'S CERTIFICATE

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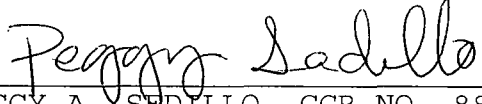
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I, PEGGY A. SEDILLO, Certified Court  
 Reporter of the firm Paul Baca Professional  
 Court Reporters do hereby certify that the  
 foregoing transcript is a complete and accurate  
 record of said proceedings as the same were  
 recorded by me or under my supervision.

Dated at Albuquerque, New Mexico this  
 23rd day of March, 2010.

  
 PEGGY A. SEDILLO, CCR NO. 88  
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