

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. 14469

8 APPLICATION OF CIMAREX ENERGY  
9 COMPANY FOR APPROVAL OF A  
10 NONSTANDARD OIL SPACING AND  
11 PRORATION UNIT AND COMPULSORY  
12 POOLING, LEA COUNTY, NEW MEXICO.

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13 REPORTER'S TRANSCRIPT OF PROCEEDINGS  
14 EXAMINER HEARING

15 May 13, 2010  
16 Santa Fe, New Mexico

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

19 This matter came for hearing before the New Mexico  
20 Oil Conservation Division, Terry Warnell Hearing Examiner,  
21 on May 13, 2010, at the New Mexico Energy, Minerals and  
22 Natural Resources Department, 1220 South St. Francis  
23 Drive, Room 102, Santa Fe, New Mexico.

24 REPORTED BY: Peggy A. Sedillo, NM CCR No. 88  
25 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:

Exhibit No. 1 - 4

5

COURT REPORTER'S CERTIFICATE

6

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

FOR LINN ENERGY  
HOLDINGS, LLC;  
FUEL PRODUCTS, INC.;  
PEAR RESOURCES;  
FASKEN OIL AND RANCH:

WILLIAM F. CARR, ESQ.  
Holland & Hart, LLC  
110 North Gonzales, Suite 1  
Santa Fe, NM 87501

1                   HEARING EXAMINER: This is the last case, Case  
2                   No. 14469, Application of Cimarex Energy Company for  
3                   Approval of a Nonstandard Oil Spacing and Proration Unit  
4                   and Compulsory Pooling, Lea County, New Mexico. Call for  
5                   appearances.

6                   MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe  
7                   representing the Applicant. I'm submitting this by  
8                   affidavit.

9                   MR. CARR: May it please the Examiner, William  
10                  F. Carr of the Santa Fe office of Holland and Hart  
11                  representing Linn Energy Holding, LLC; Fuel Products,  
12                  Inc.; Pear Resources; and Fasken Oil and Ranch, Limited.

13                  MR. BROOKS: Again, let the record reflect that  
14                  I'm not participating in this case.

15                  MR. BRUCE: Mr. Examiner, I've again handed you  
16                  four exhibits. The first one is the affidavit and  
17                  verified statement of Mike Wallace, the landman for  
18                  Cimarex.

19                  In this case, Cimarex seeks the formation of a  
20                  nonstandard unit comprised of the north half north half of  
21                  Section 35, 19 South, 34 East, for a Bone Spring  
22                  horizontal test.

23                  In this cases, the well runs from east to west.  
24                  The surface location is in the northeast quarter northeast  
25                  quarter of Section 35.

1           And Applicant seeks to force pool at depths from  
2     the surface to the top of the Bone Spring as to that 40  
3     acres, and then it seeks to force pool the north half  
4     north half in the Bone Spring formation for the vertical  
5     project area.

6           The well to be drilled is the Mallon 35 Federal  
7     Well No. 7, which, as I said, starts in the northeast  
8     quarter northeast quarter and has a terminus in the  
9     northwest quarter northwest quarter.

10          The parties being pooled are listed and their  
11     percentage interest in the project area is given. The  
12     offset operators are listed. And the overhead rates are  
13     \$6,500 a month for a drilling well, and \$650 a month for a  
14     producing well.

15          Again, this well was proposed about five months  
16     ago and there has been correspondence between the parties.  
17     We did not include all of the e-mail and other phone  
18     notes, but they have been in discussion.

19          And again, if any of the parties being pooled do  
20     sign a JOA, then at that time I will notify the Division.

21          And again, this is approximately a \$4 million  
22     horizontal test.

23          Exhibit 2 is the affidavit of the geologist Lee  
24     Catalano. The same attachments. The directional drilling  
25     plan and the geology. All four quarter quarter sections

1 are anticipated to be productive. And the horizontal  
2 wellbore, we believe, is to increase the chances for an  
3 economic completion.

4 Exhibit 3 is the affidavit of notice to the  
5 parties being pooled, including the supplemental letter to  
6 Linn Energy Development, Kirtland Energy Holdings. And  
7 all parties did receive actual notice of the hearing.

8 And Exhibit 4 is the affidavit of notice to the  
9 offsets, and all of the parties did receive actual  
10 notice -- all offsets did receive actual notice of the  
11 application.

12 And I'd move admission of Exhibits 1 through 4.

13 HEARING EXAMINER: Exhibits 1 through 4 are  
14 admitted. No questions, Case No. 14469 will be taken  
15 under advisement.

16 With that, I believe that concludes docket  
17 17-10. And we're off the record.

18 (Whereupon, the proceedings concluded.)  
19  
20  
21

22 I do hereby certify that the foregoing is  
23 a complete record of the proceedings in  
the Examining hearing of Case No. \_\_\_\_\_  
heard by me on \_\_\_\_\_.

24 \_\_\_\_\_, Examiner  
25 Oil Conservation Division

1 STATE OF NEW MEXICO )  
2 ) ss.  
3 COUNTY OF BERNALILLO )  
4

5 REPORTER'S CERTIFICATE  
6

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

13 Dated at Albuquerque, New Mexico this  
14 21st day of May, 2010.  
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16  
17

18   
19 PEGGY A. SEDILLO, CCR NO. 88  
20 License Expires 12/31/10  
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