

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:

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

CASE NO. 14483

COPY

REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

RECEIVED OICD
2010 JUN 23 P 4:01

BEFORE: DAVID K. BROOKS, Presiding Examiner
TERRY G. WARNELL, Technical Examiner

June 10, 2010

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID K. BROOKS, Presiding Examiner, and TERRY G. WARNELL, Technical Examiner, on Thursday, June 10, 2010, 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

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A P P E A R A N C E S

FOR THE APPLICANT:

JAMES BRUCE, ATTORNEY AT LAW
P.O. BOX 1056
Santa Fe, New Mexico 87504
(505)982-2043

INDEX

PAGE

EXHIBITS 1 THROUGH 4 WERE ADMITTED

5

REPORTER'S CERTIFICATE

7

1 EXAMINER BROOKS: At this time we will
2 call Case Number 14483, application of Cimarex Energy
3 Company for a nonstandard spacing and proration unit and
4 compulsory pooling, Chaves County, New Mexico. Call for
5 appearances.

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

9 EXAMINER BROOKS: Okay.

10 MR. BRUCE: Mr. Examiner, I've handed you
11 four exhibits. The first exhibit is the verified
12 statement of Hayden Tresner, a landman for Cimarex.

13 In this case, Cimarex seeks to force -- first
14 of all, to form a nonstandard 240-acre oil spacing unit
15 in the Abo/Wolfcamp formation, comprised of the south
16 half/northeast quarter of Section 8 and the south half of
17 the north half of Section 9 in Township 15 South, Range
18 31 East. Please note that we're only force pooling the
19 Abo/Wolfcamp formation in the nonstandard unit, not in
20 any uphold 40-acre zones.

21 The unit is to be dedicated to the
22 Independence 8 Fed. Com. Well Number 2, which is a
23 horizontal well starting in the southwest/northeast of
24 Section 8 and heading east to the southeast/northeast of
25 Section 9.

1 The parties being pooled are identified on
2 page 2. There's only two parties being pooled, slightly
3 over 3 percent of the total interest. The applicant does
4 request a 200 percent risk charge be assessed against a
5 nonconsenting interest owner.

6 The affidavit also identifies the offset
7 operators or working interest owners, and applicant does
8 request overhead rates of 7,000 a month for a drilling
9 well and 700 a month for a producing well.

10 Attachment A is simply a land plat which
11 highlights the proposed well unit. Exhibit B are the
12 proposal letters to the parties being pooled. The
13 proposal letter went out to a couple of additional
14 parties who have since signed up. And Exhibit C is the
15 AFE for the well. This well has a longer lateral. Its
16 dry-hole cost is \$2.3 million, and its completed well
17 cost is about \$5.7 million.

18 Exhibit 2 is the affidavit of Ralph
19 Worthington, who is a geologist for Cimarex. It contains
20 a structure map and cross-section and directional
21 drilling plan. And Cimarex will use that -- first of
22 all, each quarter/quarter section will be productive in
23 the Abo/Wolfcamp and that each quarter/quarter section
24 will contribute to production, and as a result, will make
25 this well economic to drill. As you can see on the

1 structure map, there are quite a number of existing wells
2 in the area of this proposed well.

3 Exhibit 3 is my affidavit of notice to the
4 parties being pooled. Although notice was originally
5 given to five parties, at this point, only two of them
6 are being pooled, which is the Shea Trust or Estate, and
7 Sigyn Lund, and both of the parties being pooled did
8 receive actual notice of the pooling application.

9 And Exhibit 4 is the affidavit of notice to
10 the offsets. And again, all of the parties being
11 notified received actual notice of the hearing. There
12 are not any unlocateable parties in this application.

13 And with that, I move the admission of
14 Exhibits 1 through 4.

15 EXAMINER BROOKS: 1 through 4 are
16 admitted.

17 (Exhibits 1 through 4 were admitted.)

18 MR. BRUCE: That's all I have, Mr.
19 Examiner.

20 EXAMINER BROOKS: Who is to be the
21 operator?

22 MR. BRUCE: Sorry about that. It is to be
23 Cimarex Energy Company of Colorado, which is an operating
24 entity.

25 EXAMINER BROOKS: Right. And are these

1 parties you're requesting to be pooled, are they owners
2 of unleased mineral interest owners?

3 MR. BRUCE: No, no. They are working
4 interest owners, lease holders.

5 EXAMINER BROOKS: They are owners of
6 interest in leases?

7 MR. BRUCE: Yes.

8 EXAMINER BROOKS: Okay. And you said
9 you're requesting pooling only in the target formation?
10 The target formation is the Abo/Wolfcamp?

11 MR. BRUCE: Correct.

12 EXAMINER BROOKS: You're requesting
13 pooling of that formation only for the horizontal
14 portion. Now, did you request a pooling of a broader
15 interval for the drill site tract?

16 MR. BRUCE: No, we did not.

17 EXAMINER BROOKS: Very good. Thank you.
18 That's all I have. Case Number 14483 will be taken under
19 advisement.

20 * * *

21

22

23

24

25

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 14483
heard by me on June 10 2010
David K. Burton Examiner
Oil Conservation Division

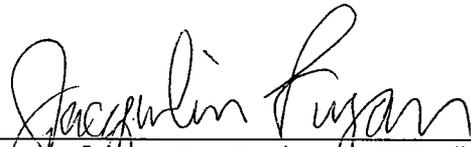
REPORTER'S CERTIFICATE

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO
HEREBY CERTIFY that on June 10, 2010, 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 23rd day of June, 2010.



Jacqueline R. Lujan, CCR #91
Expires: 12/31/2010