

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**

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

CASE NO. 14484

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

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

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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

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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

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1 EXAMINER BROOKS: At this time we will  
2 call Case Number 14484, the application of Cimarex Energy  
3 Company for a nonstandard oil spacing and proration unit  
4 and compulsory pooling, Chaves County, New Mexico. Call  
5 for appearances.

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

9 Mr. Examiner, I've handed you four exhibits.  
10 The first one is the verified statement of the landman,  
11 Hayden Tresner. In this case Cimarex seeks a nonstandard  
12 spacing and proration unit in the Abo/Wolfcamp formation  
13 comprised of Lot 3, the northeast quarter/southwest  
14 quarter and the north half/southeast quarter, which is  
15 the north half/south half equivalent of Section 30,  
16 Township 15 South, Range 31 East, to form a 160.61-acre  
17 nonstandard unit.

18 The subject well is the Saratoga 30 State Com.  
19 Well Number 2, which is a well-being drilled from the  
20 northeast quarter/southeast quarter westward into Lot 3  
21 of Section 30.

22 The parties being pooled are listed on the  
23 second page of the affidavit, the same two parties as the  
24 prior case, the Shea Interest and Sigyn Lund. Again,  
25 Cimarex requests a 200 percent risk charge against

1 nonconsenting interest owners, overhead rates of 7,000 a  
2 month for a drilling well and \$700 a month for a  
3 producing well, and the designation of Cimarex Energy  
4 Company of Colorado as operator.

5           The affidavit of the landman also identifies  
6 the offset operators. Attachment B is a land plat  
7 highlighting the well unit. Exhibit B contains the  
8 proposal letters, and then Exhibit C to the landman's  
9 affidavit is the AFE for the well, with a dry-hole cost  
10 of approximately \$1.66 million and a completed well cost  
11 of approximately \$3.95 million.

12           Exhibit 2 is the affidavit of Ralph  
13 Worthington, a geologist for Cimarex. Again, attached  
14 are a structure map, cross-section and a directional  
15 drilling plan. Again, on these exhibits you can see that  
16 there are a substantial number of proposed and producing  
17 wells in this area. It's a heavily developed area.

18           And again, Cimarex will use each  
19 quarter/quarter section of the well as prospective, and  
20 that testing the greater reservoir length will increase  
21 the chances for an economic completion.

22           Exhibit 3 is an affidavit of notice to the  
23 parties being pooled, and the parties being pooled did  
24 receive actual notice. And Exhibit 4 is my affidavit of  
25 notice to the offset operators, and they all did receive

1 actual notice of the hearing.

2 With that, I would move the admission of  
3 Exhibit 4. And then there's one other item I need to  
4 point out.

5 EXAMINER BROOKS: Okay.

6 (Exhibit 4 was admitted.)

7 MR. BRUCE: Although the application is  
8 correct, my notice letters are correct and the affidavits  
9 are all correct, my ad gave the wrong section number. So  
10 I think if you look at the ad in the docket sheet, it  
11 says, "Section 31," rather than "30." And so I need to  
12 continue it, and I don't know if it needs to be continued  
13 for two weeks or four weeks to correct that.

14 EXAMINER BROOKS: I suppose it should be  
15 continued for four weeks in order to give the required 20  
16 days' notice.

17 MR. BRUCE: I will amend the ad. At this  
18 point, I request that this matter be continued for four  
19 weeks, at which time it could be taken under advisement.

20 EXAMINER BROOKS: Okay. Again, you're  
21 requesting pooling only in the Abo/Wolfcamp?

22 MR. BRUCE: That is correct.

23 EXAMINER BROOKS: Okay. Case Number 14484  
24 will be continued to the July 8th hearing.

25

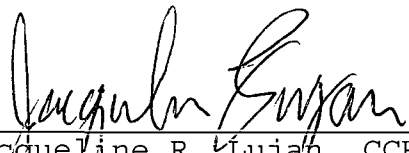
I do hereby certify that the foregoing is  
the Examiner hearing of the proceedings in  
Case No. 14484  
\* recorded by me on June 10, 2010  
David K. Brooks  
Conservation Division

## REPORTER'S CERTIFICATE

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