

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	Case No. 22452
COMPANY for Compulsory Pooling	Case No. 22453
EDDY County, New Mexico	

REPORTER'S TRANSCRIPT OF PROCEEDINGS

THURSDAY, JANUARY 6, 2022

EXAMINER HEARING

This matter came on for hearing before the New Mexico Oil Conservation Division, William Brancard, Hearing Examiner, John Garcia Technical Examiner, on Thursday, January 6, 2022, via Webex Virtual Conferencing Platform hosted by the New Mexico Energy, Minerals and Natural Resources Department --

Reported by: Mary Therese Macfarlane  
New Mexico CCR #122  
PAUL BACA COURT REPORTERS  
500 Fourth Street NW, Suite 105  
Albuquerque, New Mexico 87102  
(505) 843-9241

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A P P E A R A N C E S

FOR CIMAREX ENERGY COMPANY:

Darin C. Savage, Esq.  
Abadie & Schill, PC  
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C O N T E N T S

CASE NOS. 22452, 22453	PAGE
CASE CALLED:	3
TAKEN UNDER ADVISEMENT:	9

I N D E X O F E X H I B I T S

CIMAREX ENERGY COMPANY EXHIBITS	ADMITTED
CASE 22452	9
A Affidavit of Riley Morris, Landman A-1 through A-4	9
B Affidavit of Lucas Haas, Geologist B-1 through B-5	9
C Affidavit of Notice C-1 through C-3	9
CASE 22453	
A Affidavit of Riley Morris A-1 through A-4	9
B Affidavit of Lucas Haas, Geologist B-1 through B-5	9
C Affidavit of Notice C-1 through C-3	9

1 (Time noted 11:11 a.m.)

2 EXAMINER BRANCARD: With that I will move to  
3 Item 75 on the docket worksheet for today. This will be  
4 Case 22452 and perhaps 22453, Cimarex Energy.

5 MR. SAVAGE: Yes. Thank you, Mr. Hearing  
6 Examiner, Mr. Technical Examiner. I guess I can say good  
7 afternoon now, maybe. Maybe not quite the afternoon.  
8 Darin Savage again from Abadie & Schill appearing on  
9 behalf of Cimarex Energy Company.

10 If there is no objection -- go ahead.

11 EXAMINER BRANCARD: I guess it depends on which  
12 time zone you're in.

13 MR. SAVAGE: I guess so. I don't know what the  
14 custom is when it switches from morning to afternoon.

15 Since there is no appearances and no  
16 objections we will present in consolidated form Cases  
17 22452 and 22253.

18 EXAMINER BRANCARD: Thank you.

19 Any other interested persons here for Cases  
20 22452 or 22453?

21 Hearing none, you may proceed, Mr. Savage.

22 MR. SAVAGE: Thank you.

23 These cases cover lands in the south half  
24 of Section 15 and 14, Township 19 South, Range 29 East in  
25 Eddy County, New Mexico.

1                   Riley Morris is the landman for these  
2 cases, and Lucas Haas the geologist. They both have  
3 testified before the Division as expert witnesses and  
4 their credentials have been accepted and made a matter of  
5 record.

6                   In Case No. 22452 Cimarex seeks an Order  
7 creating a standard 320-acre spacing unit comprised of the  
8 north half/south half of Sections 15 and 14 and pooling  
9 all overriding royalty interest owners in the Bone Spring  
10 Formation underlying said unit.

11                   Cimarex has worked closely with the working  
12 interest owners leading up to this hearing and has been  
13 able to reach a voluntary agreement with all owners prior  
14 to this hearing; therefore Cimarex is seeking to pool the  
15 remaining overriding royalty owners.

16                   The unit will be dedicated to the 15-14  
17 State Com 1H well. Orientation of the unit is laydown  
18 west to east and all setback requirements under statewide  
19 rules are met.

20                   Mr. Morris' Exhibit A for Case 22452  
21 includes his landman affidavit, and a panoply of other  
22 land exhibits: The C-102, the Ownership Breakdown, the  
23 Well Proposal Letter with AFE, and the Chronology of  
24 Contacts.

25                   Mr. Haas' Exhibit B for this case includes

1 his Affidavit along with the panoply of standard geology  
2 exhibits that show potential for development.

3           There's a unique element in this  
4 application. The application for this case requested  
5 approval for a partial overlap of existing standup units  
6 owned by Cimarex. They have the same pool code. The  
7 proposed units traverse east/west across the standup units  
8 and intersect the quarter/quarter sections along the way.

9           Mr. Haas in his exhibits explains that the  
10 new laydown unit will target different depths in a sub  
11 formation in the pool and therefore Cimarex determined the  
12 proposed laydown units are needed to ensure optimum  
13 development of these sections.

14           Exhibit C provides the Affidavit of Notice  
15 for mailings and Publication Notice. Notice was both  
16 timely sent and published and all owners were locatable.

17           Both Mr. Morris and Mr. Haas affirm that  
18 the approval of this application is in the best interests  
19 of conservation and the prevention of waste.

20           In the next case, Case 22453, Cimarex seeks  
21 an Order creating a standard 320-acre spacing unit  
22 comprised of the south half/south half of Sections 15 and  
23 14 pooling all overriding royalty interest owners in the  
24 Bone Spring Formation. Again, Cimarex has worked with the  
25 working interest owners in this unit and has been able to

1 achieve voluntary agreements with all such owners prior to  
2 the hearing.

3 The unit will be dedicated to the Parkway  
4 15-14 South State Com 2H well.

5 Orientation of the unit is laydown west to  
6 east, and all requirements under statewide rules are met.

7 Mr. Morris' Exhibit A for Case 22453  
8 includes his Landman Affidavit, C-102, the Ownership  
9 Breakdown, the Well Proposal with AFE, and the Chronology  
10 of Contacts.

11 Similarly Mr. Haas' Exhibit B for his case  
12 includes his affidavit along with all the standard geology  
13 exhibits that show potential for development.

14 And again in this application we are  
15 requesting approval for a partial overlap of existing  
16 standup units owned by Cimarex and have the same pool  
17 code.

18 Exhibit C provides the Affidavit of Notice  
19 for Mailing and Publication. Notice was sent timely and  
20 published, and all owners were locatable.

21 Mr. Morris and Mr. Haas affirm that the  
22 approval of this application is in the best interests of  
23 conservation and prevention of waste.

24 At this point I move that Exhibits A, B and  
25 C and sub exhibits be accepted into the record for the two

1 cases, Case 22452 and 22453, and that the case be taken  
2 under advisement subject to any questions you may have.

3 EXAMINER BRANCARD: Thank you.

4 Mr. Garcia, questions?

5 EXAMINER GARCIA: I have a few.

6 The first one is real simple. You're  
7 (inaudible) override royalty interest only, so overhead  
8 rate and rish charges aren't needed?

9 EXAMINER SAVAGE: That's correct. And the  
10 landman addresses that in his affidavit.

11 EXAMINER GARCIA: I was paraphrasing him. I  
12 just want to note on the checklist it does include 8,000  
13 drilling and 800 production rates.

14 MR. SAVAGE: I believe we may have put an N/A on  
15 those, but, you know, our feeling was that the checklist  
16 is there to be comprehensive on all the elements of a  
17 pooling and so we felt like we should include everything  
18 and then provide for the exceptions as an explanation.

19 EXAMINER GARCIA: Yeah, in the process of having  
20 rates on an override interest pooling, I guess I would  
21 have to defer that question to Bill personally, but I was  
22 just noting that for the record, too.

23 The second question is: There's existing  
24 standup spacing units. Did you list the Order numbers or  
25 case numbers? Are they CP Units, I guess, or --

1           MR. SAVAGE: You know, we listed the well name  
2 and we listed the API for each well both in the  
3 application, and then we described the units going across  
4 those two sections. That's in both the application and  
5 the testimony.

6           EXAMINER GARCIA: Are they existing spacing  
7 units owned by Cimarex or are they owned by a different  
8 operator?

9           MR. SAVAGE: Owned by Cimarex. Sounds like  
10 Cimarex -- from my understanding Cimarex is trying to  
11 optimize production in these sections and they are going  
12 for different depths, and, as I say, different sub  
13 formations.

14          EXAMINER GARCIA: If you would provide the  
15 existing spacing numbers, and if there are Orders, the  
16 Order numbers. It's been a while since we've done a  
17 partial overlap. I believe typically maybe reference if  
18 it's approved.

19          MR. SAVAGE: Okay. We can do that. I will  
20 definitely see if we can cross reference to see if we can  
21 pull up the Orders and get those to you.

22          EXAMINER GARCIA: And then same pool, different  
23 depth?

24          Mr. SAVAGE: Same pool, same pool code,  
25 different depth.



1           EXAMINER GARCIA:  Okay.  I didn't say these like  
2  Bone Springs -- Bone Springs 1, Bone Spring 3, something  
3  like that?

4           MR. SAVAGE:  Yeah, the pool.

5           EXAMINER GARCIA:  I think I overpassed the  
6  information.

7           Mr. SAVAGE:  It's in the landman exhibit.  Okay.  
8  It's the Turkey tract Bone Springs Pool Code 660.

9           EXAMINER GARCIA:  All right.  I Think that's all  
10 my questions.

11          EXAMINER BRANCARD:  So, Mr. Garcia, you just --  
12 if there were Compulsory Pooling ORDERS you would like to  
13 see them?

14          EXAMINER GARCIA:  Yeah, if there is existing  
15 Orders, it may be useful.

16          EXAMINER BRANCARD:  Are there any other  
17 interested persons, then, for Cases 22452, 22453?

18                         Hearing none, the exhibits will be admitted  
19 into the record.  Cases 22452 and 22453 will be taken  
20 under advisement.

21          MR. SAVAGE:  Thank you.

22                         (Time noted 11:20 a.m.)

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1 STATE OF NEW MEXICO )

2 : ss

3 COUNTY OF TAOS )

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REPORTER'S CERTIFICATE

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I, MARY THERESE MACFARLANE, New Mexico Reporter

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CCR No. 122, DO HEREBY CERTIFY that on Thursday,

8

January 6, 2022, the proceedings in the above-captioned

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matter were taken; that I did report in stenographic

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shorthand the proceedings set forth herein, and the

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foregoing pages are a true and correct transcription to

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the best of my ability and control.

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I FURTHER CERTIFY that I am neither employed by

14

nor related to nor contracted with (unless excepted by the

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rules) any of the parties or attorneys in this case, and

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that I have no interest whatsoever in the final

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disposition of this case in any court.

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/s/ Mary MacFarlane

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MARY THERESE MACFARLANE, CCR  
NM Certified Court Reporter No. 122  
License Expires: 12/31/2022

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