

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

ORIGINAL

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 14870

APPLICATION OF CIMAREX ENERGY COMPANY
FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

DOCKET NO. 21-12

BEFORE: RICHARD EZEANYIM, Hearing Officer
DAVID K. BROOKS, Legal Examiner

JULY 12, 2012

Santa Fe, New Mexico

1:01 PM

This matter came on for hearing before the
New Mexico Oil Conservation Division, RICHARD EZEANYIM,
Hearing Examiner, and DAVID K. BROOKS, Legal Examiner,
on THURSDAY, JULY 12, 2012, at the New Mexico Energy,
Minerals and Natural Resources Department, 1220 South
Street Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Lisa Reinicke
PAUL BACA PROFESSIONAL COURT REPORTERS
500 Fourth Street, NW, Suite 105
Albuquerque, NM 87102

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A P P E A R A N C E S

For Cimarex Energy Company:

JAMES GARRETT BRUCE, ATTORNEY AT LAW
P.O. Box 1056
Santa Fe, NM 87504-1056
(505) 982-2043

For Nearburg Producing Company:

MONTGOMERY & ANDREWS, PA
P.O. BOX 2307
Santa Fe, NM 87504-2307
(505) 982-3873
By: Joseph Scott Hall

I N D E X

	PAGE
NO WITNESSES	
CERTIFICATE OF COMPLETION OF HEARING	8
EXHIBITS	MARKED/IDENTIFIED
1. Verified Statement of Hilary Coder	5
2. Affidavit of Notice	5

1 MR. EXAMINER: Okay. Now we're going to go
2 back into the record and continue with the case today.
3 It's going to be a long afternoon, I guess. And as we
4 scheduled, the next case will be on page 3, this is case
5 number 14870, Application of Cimarex Energy Company for
6 compulsory pooling, Eddy County, New Mexico.

7 Call for appearances.

8 MR. BRUCE: Mr. Examiner, Jim Bruce of
9 Santa Fe representing the applicant. I'm submitting the
10 case by affidavit.

11 MR. EXAMINER: Any other appearances?

12 MR. HALL: Mr. Examiner, Scott Hall,
13 Montgomery & Andrews appearing on behalf of Nearburg
14 Producing Company. I have no witnesses.

15 MR. EXAMINER: Okay, no witnesses. So go
16 ahead, Mr. Bruce.

17 MR. BRUCE: Mr. Examiner, I've handed you
18 the affidavit of Hillary Coder, the landman for Cimarex
19 Energy Company. In this case Cimarex is seeking to
20 force pool the southwest quarter, northwest quarter of
21 section 23, 19 south, 25 east from the surface to the
22 base of the Glorieta Yeso formation. Mr. Examiner,
23 originally they sought to also force pool the southeast
24 quarter, northwest quarter of section 23, but they have
25 come to terms with all the interest owners in that

1 40 acres. So all we need is the southwest quarter,
2 northwest quarter.

3 MR. EXAMINER: So B is going to be dismissed
4 then?

5 MR. BRUCE: Correct. The only interest
6 owner being pooled is Nearburg Exploration Company,
7 which owns one acre of land somewhere in the southwest
8 quarter, northwest quarter of section 23. The parties
9 have been in touch. The proposal letter that was sent
10 to Nearburg is attached as Exhibit B. The AFE for the
11 well is attached as Exhibit C. The well will cost about
12 \$3 million. The parties are still in negotiations and
13 they anticipate reaching agreement on this, so I would
14 ask as an initial matter that no order be issued over
15 the next couple weeks. And Mr. Hall and I will inform
16 you if the parties reach agreement.

17 Anyway, applicant does request a 200 percent risk
18 charge, and the overhead rates are \$4500 a month for a
19 drilling well and \$450 a month for a producing well.
20 Submitted as Exhibit 2 is the affidavit of notice
21 whereby Nearburg was given actual notice of the
22 application. There were originally six or seven
23 additional parties in this case but they actually just
24 settled out over the next day -- or when I went back to
25 my office this afternoon I found out that everybody else

1 had settled out. So anyway, I would move the admission
2 of Exhibits 1 and 2, ask that the case be taken under
3 advisement but that no order be issued for the next
4 couple of weeks until we can determine if the parties
5 have reached an agreement.

6 MR. EXAMINER: Any objection?

7 MR. HALL: We don't object to any of that.
8 I suppose I should have made my appearance to appear on
9 behalf of Nearburg Exploration Company for the record,
10 title interest owner.

11 MR. EXAMINER: Okay. There being no
12 objection, Exhibits 1 and 2 will be admitted.

13 Is that all you have?

14 [Exhibits 1 and 2 admitted.]

15 MR. BRUCE: That is all I have,
16 Mr. Examiner.

17 MR. EXAMINER: Okay. You are asking that no
18 order would be issued for two weeks, so I'm not going to
19 get to it until maybe after two weeks. So I hope the
20 negotiation will work so that no order will be issued.
21 It will be dismissed.

22 MR. BRUCE: Yes. We hope so too.

23 MR. EXAMINER: So you think you may know
24 something in two weeks?

25 MR. BRUCE: I believe so. I'm sure Mr. Hall

1 has been in touch with his client, but I've also talked
2 with the landman from Nearburg and they were hopeful
3 that they would reach an agreement.

4 MR. EXAMINER: It is my understanding
5 Nearburg has not agreed to participate in the well,
6 right?

7 MR. BRUCE: One way or another, we hope.

8 MR. EXAMINER: But you think it will work
9 out?

10 MR. BRUCE: We hope so.

11 MR. EXAMINER: That's what I like. Okay.
12 Now, in that case I don't have to ask you any questions
13 because I hope it will be dismissed.

14 MR. HALL: I have no questions.

15 MR. EXAMINER: Yeah, in that case, you know,
16 I have no questions. Okay. Now, this case will be
17 continued for two weeks.

18 MR. BRUCE: Not continued. I think you can
19 take it under advisement, but let Mr. Hall and I report
20 back to you on the status of negotiations.

21 MR. EXAMINER: Okay. I'm going to take it
22 under advisement. If you don't report back to me in two
23 weeks I can write the order.

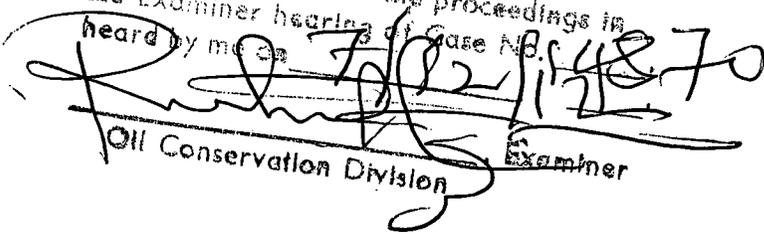
24 MR. BRUCE: Thank you.

25 MR. HALL: We'll follow up.

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MR. EXAMINER: Very good. At this point
case number 14870 will be taken under advisement.

[Case 14870 taken under advisement.]

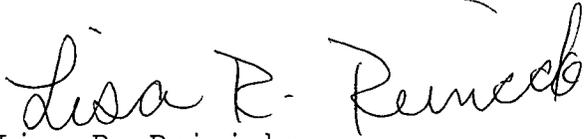
I do hereby certify that the foregoing is
a complete record of the proceedings in
the examiner hearing of Case No. 14870
heard by me on 7/12/11

Oil Conservation Division Examiner

REPORTER'S CERTIFICATE

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I, Lisa Reinicke, New Mexico Provisional Reporter, License #P-405, working under the direction and direct supervision of Paul Baca, New Mexico CCR License #112, Official Court Reporter for the US District Court, District of New Mexico, do hereby certify that I reported the foregoing proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings and was reduced to printed form under my direct supervision.

I FURTHER CERTIFY that I am neither employed by nor related to 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.


Lisa R. Reinicke,
Provisional License P-405
License expires: 8/21/2012

Ex count: