

**MINUTES OF THE MEETING
OF THE OIL CONSERVATION COMMISSION
HELD ON OCTOBER 10, 2013**

The Oil Conservation Commission met at 9 o'clock a.m. on October 10, 2013, in Porter Hall, Wendell Chino Building, 1220 S. St. Francis Drive, Santa Fe, New Mexico.

PRESENT: **ROBERT BALCH, Member**
 TERRY WARNELL, Member
 JAMI BAILEY, Chair

Bill Brancard served as the Commission counsel.

A special closed meeting was held by the Oil Conservation Commission, pursuant to NMSA 1978, Section 10-15-1(H)(7), on August 29, 2013, to discuss matters pertaining to threatened or pending litigation in which the Oil Conservation Commission is or may become a participant including the following cases currently in Santa Fe District Court and any other pending or threatened litigation related to the subjects covered by these cases: Earthworks Oil and Gas Accountability Project et al v. NM Oil Conservation Commission (D-101-CV-2013-02042); Oil and Gas Accountability Project v. New Mexico Oil Conservation Commission (D-101-CV-2009-02473); Boling Enterprises, Ltd. et al v. New Mexico Oil Conservation Commission (D-101-CV-2008-1863); and Independent Petroleum Association of New Mexico v. New Mexico Oil Conservation Commission (D-101-CV-2008-1874). The matters discussed in the closed meeting were limited to the threatened or pending litigation described above.

The October 10, 2013 meeting was called to order by Chair Bailey. After a motion by Commissioner Balch and a second to the motion by Commissioner Warnell, the Commission voted unanimously to approve and adopt the minutes of the July 18, 2013 meeting.

De Novo Case 14966, the application of Cimarex Energy Co. for a non-standard oil spacing and proration unit and compulsory pooling, being heard De Novo upon the application of Cimarex Energy Co., was called. Appearances were made by Jim Bruce for Cimarex Energy Co. (Cimarex) and Ocean Munds-Dry for COG Operating LLC (COG). Mr. Bruce made an opening statement explaining the provisions of the Oil Conservation Division (OCD) order that denied the original application in this case. Ms. Munds-Dry made an opening statement in support of the De Novo application and in favor of extended laterals because of technological advances in the drilling of horizontal wells.

Mr. Bruce's first witness was Hilary Coder, Landman with Cimarex in Midland, Texas. She described the lands involved in the subject case and listed the working interest ownership in the proposed spacing unit. She advised the Commission that the Bureau of Land Management (BLM) supports the 240-acre unit. She described the efforts made by Cimarex to obtain voluntary participation by all interest owners and offset operators. She discussed the estimated cost of completing the well. She requested that Cimarex Company of Colorado be designated the operator of the well and unit. She presented drilling and producing costs. She said no offset operators or interest owners appeared at the original hearing. Commissioner Warnell cross-examined the witness, and she was excused. Cimarex Exhibits 1 through 8 were admitted.

The next witness was Meera Ramoutar, Geologist with Cimarex in Midland. Her geologic testimony included net porosity, structure, reservoir rock and permeability. She informed the Commission that after the examiner hearing on this matter, the subject well was drilled and new data received, including the location of reservoir rock pay, and her study of the data caused her to conclude that each quarter-quarter section in the project area will contribute to the production. Commissioner Warnell and Commissioner Balch cross-examined the witness, and she was excused. Cimarex Exhibit 9 was admitted.

The next witness was Jason Billings, Reservoir Engineer with Cimarex in Midland. He discussed the net pay and compared the first year cumulative fluid production of 1.5-mile laterals with the production of 1-mile laterals. Chair Bailey cross-examined the witness, and he was excused. Cimarex Exhibits 10 and 11 were admitted.

Ms. Munds-Dry's witness was Jayne Krawietz, Lead Reservoir Engineer with COG in Midland. She discussed the horizontal wells permitted for COG and other operators in 2013. She outlined COG's drilling plan for the remainder of 2013 and 2014. She compared the drilling costs and the recovered reserves of standard 1-mile laterals with extended 2-mile laterals. She said that more of the minerals can be developed under extended laterals, the surface footprint will be minimized, and there will be less paperwork for all involved. She listed reasons for drilling different lateral lengths and discussed different ways to develop stranded quarter-quarter sections left out of a project area. Mr. Bruce, Commissioner Warnell, Commissioner Balch, and Chair Bailey cross-examined the witness, and she was excused. COG Exhibits 1 through 5 were admitted.

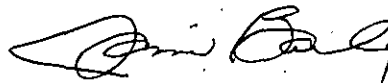
Mr. Bruce made a closing statement.

After a motion by Commissioner Balch and a second to the motion by Commissioner Warnell, the Commission voted unanimously to close the meeting pursuant to NMSA 1978, Section 10-15-1-H to deliberate on the case. After a motion by Commissioner Warnell and a second by Commissioner Balch, the Commission voted unanimously to return the meeting back into open session. Chair Bailey announced that De Novo Case 14966 was the only matter discussed during the closed session. Counsel Brancard explained the Commission findings and decision to grant the project area and compulsory pooling sought by Cimarex in this case. Mr. Bruce was directed to submit a draft order to that effect to Counsel Brancard by October 21, 2013.

Counsel Brancard presented an update to the Commission on pending litigation and motions filed in the Santa Fe District Court relating to the Pit Rule order.

After a motion by Commissioner Warnell and a second to the motion by Commissioner Balch, the Commission voted unanimously to adjourn the meeting at 10:25 a.m.

**STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION**



JAMI BAILEY, Chair