

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

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: 14,153

APPLICATION OF CIMAREX ENERGY
CO., FOR A NON-STANDARD OIL
SPACING AND PRORATION UNIT AND
COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: TERRY WARNELL: Hearing Examiner
CAROL LEACH: Legal Counsel for the Division
JAMES BRUCE: Legal Counsel for Applicants

July 26, 2008

Santa Fe, New Mexico

This matter came for hearing before the New Mexico
Oil Conservation Division, Terry Warnell, Hearing
Examiner, on July 24, 2008, at the New Mexico Energy,
Minerals and Natural Resources Department, 1220 South
St. Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: PEGGY A. SEDILLO, NM CCR NO. 88
Paul Baca Court Reporters
500 Fourth Street, NW, Suite 105
Albuquerque, New Mexico 87102

1 HEARING EXAMINER: Let's move on to Case
2 No. 14,153, Application for Cimarex Energy Company for
3 Non-Standard Oil Spacing and Proration Unit in Compulsory
4 Pooling in Lea County, New Mexico.

5 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe
6 representing the Applicant, and I am also submitting this
7 case by affidavit.

8 HEARING EXAMINER: Okay.

9 MR. BRUCE: Mr. Examiner, before I go through
10 these, I would note that if you are interested in looking
11 up some more technical background on this case, there was
12 a well unit -- which I will point out in a minute, that
13 was drilled a year or two ago, and just immediately to the
14 west or -- a quarter mile to the west of this well unit.

15 And that was the subject of a hearing where
16 geologic testimony was presented. And that was
17 Case 13,777 Reopened.

18 And that was the case where -- Actually, I think
19 that was the first case where the Division had force
20 pooled a non-standard horizontal well unit. And so,
21 geologic testimony was presented in that matter.

22 HEARING EXAMINER: Okay.

23 MR. BRUCE: Another matter is, I do have an
24 affidavit from the geologist, and the exhibits attached
25 are not in color. I do not have a color printer. But I

1 will e-mail you those exhibits later so you can do that in
2 living color.

3 HEARING EXAMINER: All right. I appreciate
4 that.

5 MR. BRUCE: Mr. Examiner, in this case the
6 Applicant seeks to force pool the Wolfcamp formation
7 underlying the southwest, northeast, and northwest
8 southeast of Section 21, 15 South, 36 East, for a
9 horizontal Wolfcamp test to the Caudill South 21, Well
10 No. 3.

11 I have attached various exhibits to this
12 affidavit. The first one, Mr. Examiner, Exhibit A, is a
13 plan plat. Colored in orange is the well unit. The case
14 I just mentioned involved a well a quarter mile to the
15 west which is in gray on this plat.

16 The next attachment, Exhibit B, sets forth the
17 interests of the parties -- sets forth the parties being
18 pooled and the interests they own. As you can see,
19 they're all, for the most part, rather small. Highlighted
20 in yellow are people who were unlocatable.

21 And I will show you later an Affidavit of
22 Publication against these parties. There's one party who
23 I do not have a return receipt from. Randall Pettigrew, I
24 mailed his notice to a couple of addresses.

25 He is not unlocatable, but he never picks up his

1 mail. And I think in that prior case that I mentioned,
2 this was mentioned on the record. I've actually even
3 spoken with the gentleman, as has Cimarex Energy Company,
4 but we can't ever seem to get hold of him.

5 Exhibit C is the proposal letters that were sent
6 by a contract landman on behalf of Cimarex.

7 Exhibit D is the Authorization for Expenditure
8 for this well. It has a dry hole cost of almost \$2.5
9 million, and a completed well cost of \$3.5 million. Seems
10 that three to three and a half million is a pretty common
11 well cost these days.

12 As I said, in the prior case, the Division has
13 required us to notify parties, interest owners offsetting
14 the well unit for non-standard unit purposes.

15 On Page 2 of the affidavit, Subparagraph G,
16 these interest owners are set forth, however, you will see
17 that they are the same parties being -- for the most part
18 being -- they are the same parties being pooled, so I did
19 not give any additional notice with respect to the
20 non-standard unit since they either by actual notice or by
21 publication received notice of the pooling application.

22 And the Applicant does request \$6,000 a month
23 for a drilling well, and \$600 per month for a producing
24 well for overhead payments.

25 Submitted as Exhibit 2 is the Affidavit of the

1 geologist Melissa Klinger, and there are various
2 attachments.

3 I think on yours I highlighted the location of
4 the Caudill South 21 No. 3 well, Mr. Examiner, on the
5 bottom of the plat looking at it this way.

6 Exhibit B is a structure map. And again, a
7 different geologist testified in the prior hearing. A
8 cross-section is attached.

9 Cimarex has been drilling a number of these
10 wells right on the fringes of the Caudill field, and also
11 to the east of the Devonian field. They probably drilled
12 at this point about two dozen wells in both pools
13 combined, horizontal Wolfcamp wells.

14 Exhibit D is from a production plat from the
15 outsetting well. It's not currently up-to-date but I just
16 attached that to show that the production decline is
17 fairly flat in these horizontal wells, which is one of the
18 reasons why they are drilling them rather than vertical
19 wells.

20 And in fact, the testimony in the prior case
21 shows that they did drill one vertical well in the Caudill
22 pool and it was not very good.

23 And then the final attachment to the geologist's
24 affidavit is the directional drilling plan for this well
25 so you can get an idea where the penetration points are

1 and where the terminus is.

2 Exhibit 3 is Affidavit of Notice. As you can
3 see, only two parties, Occidental and The Blanco Company,
4 received actual notice.

5 Which reminds me, Mr. Examiner, I did get an
6 up-dated address for the Nugent Family Operating Company,
7 and I have sent that. I have not gotten back the green
8 card, so I would ask that at the conclusion of this
9 hearing that this matter be continued for two weeks so
10 that I can update the Notice of Affidavit for purposes of
11 notification of the Nugent Family Operating Company.

12 And then finally, Exhibit 4 is an Affidavit of
13 Publication showing that the unlocatable persons were
14 given notice by publication in the Hobbs newspaper.

15 With that, I would requested the admission of
16 Exhibits 1 through 4.

17 HEARING EXAMINER: I will accept Exhibits 1
18 through 4. Ms. Leach, any questions?

19 MS. LEACH: No. Thank you.

20 HEARING EXAMINER: Mr. Bruce, is this oil or
21 gas?

22 MR. BRUCE: It is oil.

23 HEARING EXAMINER: Oil well? Okay. All right,
24 I don't think I have any further questions, so we will
25 continue Case No. 14,153 until the next hearing, which is

1 August 7, 2008. Anything else?

2 MR. BRUCE: And that's all I have today.

3 HEARING EXAMINER: Okay, that concludes

4 Docket 2408.

5 (Whereupon, the proceedings concluded.)

6

7

* * *

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 STATE OF NEW MEXICO)
) ss.
2 COUNTY OF SANTA FE)

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

REPORTER'S CERTIFICATE

I, PEGGY A. SEDILLO, Certified Court Reporter of the firm Paul Baca Professional Court Reporters, do hereby certify that the foregoing transcript is a complete and accurate record of said proceedings as the same were recorded by me or under my supervision.

Dated at Santa Fe, New Mexico this 5th day of August, 2008.


PEGGY A. SEDILLO, CCR NO. 88
License Expires 12/31/08