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

COPY

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

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

CASE NO. 14264

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID K. BROOKS, Legal Examiner
WILLIAM V. JONES, Technical Examiner
TERRY G. WARNELL, Technical Examiner

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February 5, 2009

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico
Oil Conservation Division, DAVID K. BROOKS, Legal Examiner,
WILLIAM V. JONES, Technical Examiner, and TERRY G. WARNELL,
Technical Examiner, on Thursday, February 5, 2009, at the
New Mexico Energy, Minerals and Natural Resources Department,
1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: JOYCE D. CALVERT, P-03
Paul Baca Court Reporters
500 Fourth Street, NW, Suite 105
Albuquerque, New Mexico 87102

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A P P E A R A N C E S

FOR THE APPLICANT:

James G. Bruce, Esq.
ATTORNEY AT LAW
P.O. Box 1056
Santa Fe, New Mexico 87504

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EXHIBITS 1 through 5 ADMITTED INTO EVIDENCE

5

1 MR. JONES: Okay. Let's call the first case. This
2 is Case No. 14264, Application of Cimarex Energy Co. for a
3 Non-standard Oil Spacing and Proration Unit, Compulsory
4 Pooling, and an Unorthodox Oil Well Location, Lea County, New
5 Mexico.

6 Call for appearances.

7 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe
8 representing the applicant. I have no witnesses.

9 Mr. Examiner, in this case, Cimarex seeks to form a
10 non-standard oil spacing proration unit comprised of the W/2,
11 NW/4 of Section 6, 15 South, 38 East to drill a horizontal
12 Wolfcamp test.

13 This well unit was force-pooled in Case No. 13995,
14 Order No. R-12873. This is fee land, and there were just an
15 ungodly number of fee interest owners, and this application is
16 more for cleanup than anything else. There are a number of
17 decedents who didn't have probates, et cetera, et cetera.

18 If you first go to the exhibit package, and maybe go
19 to Exhibit 2 first. This well has been drilled. It was
20 originally -- it has an orthodox surface location, and it was
21 proposed to have an orthodox bottom hole location; however,
22 during the drilling, the well became a little bit unorthodox --
23 well, quite a bit unorthodox toward the south -- 2595 feet from
24 the north line.

25 So as a result, the well has been producing, but I

1 couldn't find where the district office ever required an
2 unorthodox location, so I decided I better apply for that.

3 Exhibit 3 is the completion report for the well. If
4 you go back to Exhibit 1, which is an affidavit of the landman,
5 and maybe go to the land plat, the well unit is highlighted in
6 yellow. Outlined in blue on that land plat is the tract of
7 land -- what is that? About 240 acres or something?

8 This outlined in blue is a common tract. It's a fee
9 tract with common ownership. And so the unorthodox location
10 primarily encroaches on the NW/4, SW/4 of Section 6, but the
11 owners throughout that entire blue tract are common, so we
12 didn't notify anyone to the south.

13 Over to the southwest, AmeriCo Resources is the
14 operator of the S/2 of Section -- offsetting Section 1. In
15 15 South, 37 East, notice was given to them, and they did not
16 object. Actually, the well is only about 20 feet closer to
17 them than would be authorized by the division rules, but notice
18 was given.

19 I just noticed -- if I could, after the hearing,
20 submit a notice of affidavit. Notice was given to AmeriCo by
21 letter, dated January 15th, and I just realized I do not have
22 the Affidavit of Notice, although they did receive actual
23 notice. And I do have a signed green card from them.

24 Going back to Exhibit 1, Exhibit B lists the number
25 of interest owners. If you go back to the original case file,

1 you can see that dozens and dozens of people were forced-pooled
2 originally. Most of them -- a lot of them had unknown
3 addresses. And, again, all of these people have unknown
4 addresses.

5 Some of them they think they know -- like, down in
6 the first column, Sophie Schenck and Elizabeth Fulton, they
7 either force-pooled or leased a number of heirs they think are
8 the known heirs of these people. But, again, there was no
9 foreign or domestic probate, so they are apparently using this
10 process to make sure they have force-pooled everyone.

11 And Exhibit C is the AFE for the well. Because they
12 are all unlocatable, notice of the force-pooling was not given
13 to them by letter, but by publication. And attached as
14 Exhibit 4 is the legal notice naming all of the parties listed
15 in the landman's affidavit.

16 And I move the admission of Exhibits 1 through 4 and
17 ask permission to submit after the hearing the Affidavit of
18 Notice, which will be Exhibit 5.

19 MR. JONES: Exhibits 1 through 4 will be admitted,
20 and Exhibit 5 will be admitted when it arrives.

21 [Applicant's Exhibits 1 through 5 admitted into
22 evidence.]

23 MR. BRUCE: Okay.

24 MR. JONES: The notice to AmeriCo is -- that's
25 required. I know they're encroaching on the bottom hole

1 location on the NW of the SW, but as far as encroaching on
2 AmeriCo, is it because of the diagonal?

3 MR. BRUCE: Yeah, because of the diagonal. I still
4 remember enough of my mathematics. The well is 27 feet closer
5 to AmeriCo's lease than allowed by division regulations.

6 MR. BROOKS: Well, I'm trying to get everybody
7 trained about diagonals. Some people overlook that.

8 MR. BRUCE: At first, I thought it wasn't, but --

9 MR. BROOKS: I'm glad you took care of that.

10 MR. JONES: The surface hole location is shown
11 sometimes in the well file as 730 from the --

12 MR. BRUCE: I saw that, Mr. Examiner, and I believe
13 that's a typo. Somebody -- because all of the data I had from
14 the original force-pooling and everything else shows that the
15 surface location is 430 feet from the north line.

16 And I did not submit an affidavit from a geologist
17 regarding this, but there was an affidavit originally submitted
18 in the original case file, and you can look at that. And that
19 includes the directional drilling plan also.

20 MR. JONES: That would put it further south, the
21 bottom hole location, if the surface hole location really is
22 that far south.

23 MR. BRUCE: And I don't think that's the case. I did
24 notice that when going through the lease file.

25 MR. JONES: So even if it is not -- even if it is, it

1 still is 430 from the north line, it still is that far south of
2 the south line from the bottom whole case?

3 MR. BRUCE: Yeah.

4 MR. JONES: Okay.

5 MR. BRUCE: And I believe a subsequent survey was
6 filed with the Division also.

7 MR. JONES: And that Denton-Wolfcamp, is that the
8 only pool you're seeking?

9 MR. BRUCE: That is the only pool, yes.

10 MR. JONES: And that doesn't have special rules or
11 anything?

12 MR. BRUCE: That is correct. It's statewide rules.
13 It seems to me out in this area there's Wolfcamp and there's
14 Devonian. I think there's precious little else out here.

15 MR. JONES: So there's probably disposal people
16 trying to use this area.

17 MR. BRUCE: I think so.

18 MR. BROOKS: You still have unlocatable interests
19 even though you've located some more people, I take it?

20 MR. BRUCE: Yes. Even in the first case there were
21 unlocatable people. So there has to be an escrow provision in
22 the order.

23 MR. BROOKS: Right. The previous order, did that
24 unitize the exact same area, the W/2 of the NW/4?

25 MR. BRUCE: Yes.

1 MR. BROOKS: Okay. And in what formations?

2 MR. BRUCE: Just the Denton-Wolfcamp.

3 MR. BROOKS: Okay. So it's the same deal, different
4 well?

5 MR. BRUCE: Same well, yes. It is the same well.

6 MR. BROOKS: Okay. Why did we do the second one?
7 Just to -- just because you didn't notice everybody?

8 MR. BRUCE: Correct.

9 MR. BROOKS: Okay. So we'll just be amending the
10 previous order then.

11 MR. BRUCE: That's correct.

12 MR. BROOKS: Okay. Thank you.

13 MR. BRUCE: I forget. I saw some listing, but I
14 think there's well over 100 fee owners in this tract.

15 MR. JONES: And that is Cimarex Energy Co.?

16 MR. BRUCE: Company, yes.

17 MR. JONES: And it's not the Cimarex Energy Co. out
18 of Colorado?

19 MR. BRUCE: Well, they're all related. There's
20 Cimarex Energy Company, and then there's Cimarex Energy Company
21 of Colorado, which is the old Gruy Petroleum Management --

22 MR. JONES: Oh, yeah.

23 MR. BRUCE: -- which acts as operator. And then
24 there's a sister company called Magnum-Hunter. And Cimarex
25 Energy Company of Colorado -- sometimes Cimarex Energy Company

1 is the operator, and sometimes Cimarex Energy Company of
2 Colorado is the operator, and I don't know --

3 MR. JONES: In this case, they said applicant is to
4 be the operator, so I guess they can always file for a change
5 of operator.

6 MR. BRUCE: In this case, Cimarex Energy Company is
7 the operator. I think primarily when Magnum-Hunter is the
8 actual working interest owner, then the Colorado entity is the
9 operator.

10 MR. BROOKS: So Cimarex Energy Company is both the
11 applicant and the operator?

12 MR. BRUCE: That is correct.

13 MR. BROOKS: Okay.

14 MR. JONES: Magnum-Hunter, is that the people out of
15 Dallas?

16 MR. BRUCE: Yes.

17 MR. JONES: We've dealt with them before.

18 MR. WARNELL: And the AFE, that the original?

19 MR. BRUCE: That is the original AFE. If you would
20 like total well costs, I can get those for you.

21 MR. JONES: You should have the actual costs almost
22 by then.

23 MR. BRUCE: I would think.

24 MR. JONES: But we do the estimated cost first and
25 then the actual costs within a certain amount of time.

1 MR. BROOKS: Well, unless they have all their well
2 costs in.

3 MR. JONES: Sometimes it takes more than 90 days to
4 actually learn your actual well costs.

5 MR. BROOKS: Yeah. If they can go directly to --
6 actually, they have all their well costs in. But if they don't
7 have all their well costs in, they'll have to go through the
8 estimated.

9 MR. JONES: I guess we can assume they're not in.

10 MR. BROOKS: I think probably likely.

11 MR. BRUCE: But if you would like those, I can get
12 those for you.

13 MR. WARNELL: Do you know, Jim, when this well was
14 TD'd?

15 MR. BRUCE: I think it was like June of last year.

16 MR. BROOKS: They should have their costs in by now.

17 MR. JONES: Okay. Maybe you can ask them.

18 MR. BRUCE: I'll get those for you.

19 MR. JONES: Okay. Let's take Case 14264 under
20 advisement.

21 * * *

22 I do hereby certify that the foregoing is
23 a complete record of the proceedings in
24 the Examiner hearing of Case No. _____,
heard by me on _____.

25 _____, Examiner
Oil Conservation Division

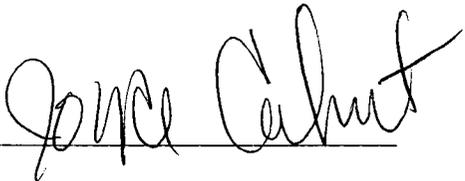
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REPORTER'S CERTIFICATE

I, JOYCE D. CALVERT, Provisional Court Reporter for the State 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 in the final disposition of this proceeding.

DATED this 5th day of February, 2009.



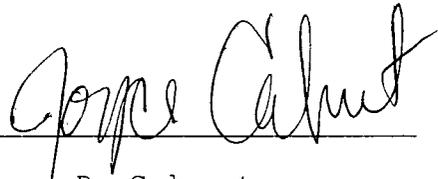
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New Mexico P-03
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STATE OF NEW MEXICO)
)
COUNTY OF BERNALILLO)

I, JOYCE D. CALVERT, a New Mexico Provisional Reporter, working under the direction and direct supervision of Paul Baca, New Mexico CCR License Number 112, hereby certify that I reported the attached proceedings; that pages numbered 1-10 inclusive, are a true and correct transcript of my stenographic notes. On the date I reported these proceedings, I was the holder of Provisional License Number P-03.

Dated at Albuquerque, New Mexico, 5th day of February, 2009.



Joyce D. Calvert
Provisional License #P-03
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