

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:

APPLICATION OF CIMAREX ENERGY CO. CASE NO. 14349
FOR A NON-STANDARD OIL SPACING
AND PRORATION UNIT AND COMPULSORY
POOLING, CHAVES COUNTY, NEW MEXICO.

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REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

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

August 20, 2009

Santa Fe, New Mexico

This matter came on for hearing before the
New Mexico Oil Conservation Division, DAVID K. BROOKS,
Presiding Examiner, WILLIAM V. JONES, Technical Examiner,
and TERRY G. WARNELL, Technical Examiner, on Thursday,
August 20, 2009, at the New Mexico Energy, Minerals and
Natural Resources Department, 1220 South St. Francis
Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Jacqueline R. Lujan, CCR #91
 Paul Baca Professional Court Reporters
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A P P E A R A N C E S

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FOR THE APPLICANT:

JAMES G. BRUCE, ATTORNEY AT LAW
P.O. Box 1056
Santa Fe, New Mexico 87504-1056

FOR CHESAPEAKE EXPLORATION, LLC:

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1 MR. BROOKS: Call at this time Case Number
2 14349, application of Cimarex Energy Company for a
3 non-standard spacing unit and compulsory pooling, Chaves
4 County, New Mexico. Call for appearances.

5 MR. BRUCE: Mr. Examiner, Jim Bruce of
6 Santa Fe representing the applicant. I would ask that
7 this case be put off until either right after the lunch
8 break or right before the lunch break. I was waiting for
9 some geologic exhibits from the geologist, and those had
10 not arrived at 8:05, when I fled over here.

11 MR. KELLAHIN: Tom Kellahin, of the Santa
12 Fe law firm of Kellahin & Kellahin, appearing this
13 morning on behalf of Chesapeake Exploration, LLC.

14 MR. BROOKS: Does Chesapeake seek
15 anything different from the applicant or are they just
16 appearing?

17 MR. KELLAHIN: We're just appearing. We
18 believe we've reached a full settlement.

19 MR. BRUCE: As I will explain later,
20 Chesapeake was notified of this hearing, but it will be
21 dismissed on the record because the parties have reached
22 an agreement.

23 MR. BROOKS: Okay. You wish to be excused
24 and given a time certain to come back; is that right?

25 MR. KELLAHIN: Yes.

1 MR. BROOKS: Very good. That's the last
2 case you have on the docket, Mr. Bruce?

3 MR. BRUCE: No. I also have the
4 Nacogdoches case.

5 MR. BROOKS: Yeah. And I anticipate that
6 will take probably most of the time this morning.

7 MR. BRUCE: I'm not certain how long it
8 will take, Mr. Examiner.

9 MR. BROOKS: Let's pass this 14349 for the
10 moment. When we see how the docket is shaping up, since
11 we will need you here anyway, Mr. Bruce, we can set a
12 time if it becomes appropriate to do further down in the
13 docket. That was 14361, was it not, Mr. Bruce?

14 MR. BRUCE: 14349.

15 MR. BROOKS: I'm sorry. We took 14361
16 under advisement. 14349 was passed. Thank you for
17 keeping me straight on this.

18 Mr. Kellahin and Mr. Hall, approach the bench
19 for moment, please.

20 (A discussion was held off the record.)

21 MR. BROOKS: Thank you. Would Ms.
22 Altomare and Mr. Bruce approach, please?

23 (A discussion was held off the record.)

24 MR. BROOKS: Very good. We will pass Case
25 14349 and Case 14326 until 1:15 this afternoon. We will

1 proceed this morning with the cases involving Mr. Hall
2 and Mr. Kellahin. Based on the time estimates we've been
3 given, we anticipate those will be completed during the
4 morning. Mr. Bruce, did you have something else?

5 MR. BRUCE: One of my people here -- I
6 didn't know this -- they're due in Window Rock this
7 afternoon. That may create some problem.

8 MR. BROOKS: Well, it does, I guess.
9 Although you're last on the docket anyway.

10 MS. ALTOMARE: I would submit that if they
11 want us to consider the additional information that is
12 already late as it is, that they reschedule whatever
13 they're expected for in Window Rock, because --

14 MR. FINLEY: Okay. We'll do it.

15 MR. BROOKS: That would be helpful to us.
16 Very good. Then we will go ahead with this plan. 1:15
17 for the cases I named, and the cases involving -- we will
18 take a 10 minute recess, assuming by that time that the
19 witnesses who are not yet present will either be present
20 or accounted for, and we will take those matters this
21 morning involving Mr. Hall and Mr. Kellahin.

22 MR. KELLAHIN: Which one of the two do you
23 want to start with, Mr. Brooks?

24 MR. BROOKS: The first one on the docket
25 is 14323, and then -- no. Wait. I'm missing something.

1 14333 is first on the docket, and then 14326.

2 MR. KELLAHIN: I'm lost.

3 MR. BROOKS: Unless there's a reason to go
4 otherwise, we will take whichever one is first on the
5 docket.

6 MR. WARNELL: Isn't that Number 19 the
7 Chesapeake?

8 MR. BROOKS: That's right. 14323 first,
9 and then 14333 will follow that. Unless there are
10 witness problems.

11 We will stand in recess for 10 minutes.

12 (A recess was taken.)

13 MR. BROOKS: At this time we'll call Case
14 Number 14349, the application of Cimarex Energy Company
15 for a non-standard oil spacing and proration unit and
16 compulsory pooling, Chaves County, New Mexico. Call for
17 appearances.

18 MR. BRUCE: Mr. Examiner, Jim Bruce of
19 Santa Fe representing the applicant. I am presenting
20 this case by affidavit.

21 MR. BROOKS: Okay. You may proceed.

22 MR. BRUCE: Mr. Examiner, I've handed you
23 a set of exhibits, and the first one is affidavit of the
24 landman, Hayden Tresner. They are seeking to force pool
25 the north half/north half of Section 16, Township 15

1 South, Range 31 East, for a horizontal Wolfcamp well.
2 The application says, "Abo Wolfcamp." Some operators use
3 the term "Abo," and some use the term "Wolfcamp."

4 This is 160-acre non-standard unit. Only one
5 party is being force pooled, which is Anadarko Petroleum
6 Corporation, which has a 25 percent leasehold interest.
7 During the morning session, Mr. Kellahin entered an
8 appearance on behalf of Chesapeake Exploration. You will
9 see that they were notified for the hearing, but we are
10 not seeking to pool Chesapeake because they have signed a
11 JOA with Cimarex.

12 MR. BROOKS: Who are you pooling?

13 MR. BRUCE: Simply Anadarko Petroleum.

14 Attached as Exhibit A is a land plat. Exhibit
15 B is the proposal letter, and Exhibit C is the affidavit.
16 The well is approximately a \$3.5 million well. The
17 affidavit also sets forth the offset operators to the
18 well unit. I think you've sat through a number of
19 hearings on force poolings, et cetera, in this township.
20 It's a pretty popular place for Chesapeake, COG, Cimarex,
21 Mack Energy and Yates.

22 The second exhibit is the affidavit of Lee
23 Catalano, geologist. He submitted a structure map which
24 also has some production data on it. This is an area
25 where there are a few old vertical Abo Wolfcamp wells.

1 They have not been economic, so the operators out here
2 are drilling -- either had drilled or are in the process
3 of drilling quite a few horizontal wells. Virtually all
4 of them are east/west or west/east in orientation. And
5 you can see on the plat a number of the proposed
6 horizontal wellbores. Exhibit B is a --

7 MR. BROOKS: There aren't any producing
8 vertical wells in this unit.

9 MR. BRUCE: Not in this well unit. I'm
10 saying in this township there have been a few, yeah. If
11 I look at the geologist's first exhibit, you see the
12 north half/north half of Section 16. There is not a well
13 on there -- there is not an existing well on that 160
14 acres. And there's also a cross-section discussed by the
15 geologist and the directional drilling plan. The
16 horizontal wellbore will test a greater reservoir length
17 and increase the chances for an economic completion.

18 Exhibit 3 is the affidavit of notice to the
19 pooled party. As you can see, Chesapeake was also
20 notified, but the only party we are seeking to notify is
21 Anadarko, which did receive actual notice.

22 Then Exhibit 4 is the affidavit of notice to
23 the offset operators, and those operators were identified
24 by the landman, and that's reflected in the Division's
25 rules. There are horizontal wells proposed or drilled in

1 all of the offsetting well units. And I would move
2 admission of Exhibits 1 through 4 and ask that this
3 matter be taken under advisement.

4 MR. BROOKS: Mr. Kellahin?

5 MR. KELLAHIN: Nothing further. Thank
6 you.

7 MR. BROOKS: Exhibits 1 through 4 are
8 admitted, and Case Number 14349 will be taken under
9 advisement.

10 (Exhibits 1 through 4 were admitted.)

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 14349
heard by me on 9-20-09.
David K. Bush, Examiner
Oil Conservation Division

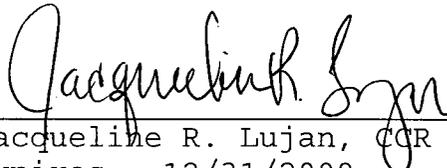
REPORTER'S CERTIFICATE

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I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO
HEREBY CERTIFY that on August 20, 2009, proceedings in
the above captioned case were taken before me and that I
did report in stenographic shorthand the proceedings set
forth herein, and the foregoing pages are a true and
correct transcription to the best of my ability.

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

WITNESS MY HAND this 4th day of September,
2009.


Jacqueline R. Lujan, CCR #91
Expires: 12/31/2009