

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

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

ORIGINAL

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

CASE NO. 14371

REPORTER'S TRANSCRIPT OF PROCEEDINGS  
EXAMINER HEARING

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BEFORE: RICHARD EZEANYIM, Presiding Examiner  
DAVID K. BROOKS, Legal Examiner  
TERRY G. WARNELL, Technical Examiner

September 17, 2009

Santa Fe, New Mexico

This matter came on for hearing before the  
New Mexico Oil Conservation Division, RICHARD EZEANYIM,  
Presiding Examiner; DAVID K. BROOKS, Legal Examiner; and  
TERRY G. WARNELL, Technical Examiner, on Thursday,  
September 17, 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  
500 Fourth Street, N.W., Suite 105  
Albuquerque, NM 87103 505-843-9241

A P P E A R A N C E S

FOR THE APPLICANT:

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

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EXHIBITS 1 THROUGH 4 WERE ADMITTED

5

REPORTER'S CERTIFICATE

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1 MR. EZEANYIM: At this point I call Case  
2 Number 14371. This is the application of Cimarex Energy  
3 Company for a non-standard oil spacing and proration unit  
4 and compulsory pooling, Chaves County, New Mexico. Call  
5 for appearances.

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

9 MR. EZEANYIM: Any other appearance?  
10 Mr. Bruce, you can continue.

11 MR. BRUCE: Mr. Examiner, I've submitted  
12 to you four exhibits. The first one is the affidavit of  
13 of the landman. Cimarex Energy seeks to force pool the  
14 south half/north half of Section 20, Township 15 South,  
15 Range 31 East, for a 160-acre non-standard oil unit for  
16 an Abo Wolfcamp test. This is obviously a horizontal  
17 well. The footages are given in the affidavit. I was  
18 just checking to see -- usually you ask me if there's an  
19 API number for the well and there is, and I will give it  
20 to you. The API number for the well, the Valley Forge 20  
21 State Com. Number 3, is 30-005-29101.

22 The only party being pooled is -- take a step  
23 back. In this township there's been a lot of wells  
24 drilled by COG, Chesapeake, Cimarex, I think, Mack Energy  
25 and Yates Petroleum. And some of them refer to the zone

1 as Abo and some as Wolfcamp. I don't know if there's  
2 been a Division nomenclature proceeding that really  
3 defines what it exactly is.

4           Cimarex has drilled a number of wells. The  
5 only party being pooled is Anadarko Petroleum  
6 Corporation. Cimarex has force pooled Anadarko several  
7 times. Even though it's a large company, they just never  
8 get a response to any of their well proposals. Anadarko  
9 won't even call them back.

10           Anyway, Anadarko has 50 percent of the well  
11 unit, and that is the only party being pooled. There is  
12 an exhibit showing the well's location, Exhibit A.  
13 Attached to the affidavit, there's a copy of the proposal  
14 letter attached as Exhibit D, and a copy of the AFE.  
15 This is about a \$3.5 million well. Last year at this  
16 time these wells were about \$5.5 million, so the costs  
17 have come down.

18           The affidavit also identifies the offset  
19 operators to this well, which the Division requires  
20 notice to the offset operators. Exhibit 2 is an  
21 affidavit of the geologist, containing a structure map, a  
22 cross-section and the directional drilling plan. These  
23 are similar to other maps submitted on, oh, probably --  
24 I'm trying to think. At this time I think there's been  
25 about -- by the various operators, about 20 force pooling

1     hearings in this township. I think you've heard some,  
2     Mr. Examiner, and Mr. Warnell has heard some.

3             This is an area where there has been some  
4     testing in the Wolfcamp. The vertical wells are  
5     generally uneconomic, so they're drilling horizontal  
6     wells to extend the length of the wellbore and test a  
7     greater reservoir length and increase the chances of an  
8     economic completion. And it's Cimarex's geologist's  
9     opinion that all four quarter quarter sections are  
10    perspective in the Wolfcamp and will contribute to  
11    production.

12            Exhibit 3 is my affidavit of notice to  
13    Anadarko, and it did receive actual notice, and we've  
14    heard nothing from them. Exhibit 4 is the affidavit of  
15    notice to the offset operators. Again, all the offsets  
16    did receive notice and no one has objected. The well's  
17    location is orthodox as to any offsets, so there are no  
18    objections. And I would move the admission of Exhibits 1  
19    through 4.

20            MR. EZEANYIM: Exhibits 1 through 4 will  
21    be admitted.

22            (Exhibits 1 through 4 were admitted.)

23            MR. BRUCE: I have nothing further.

24            MR. EZEANYIM: Mr. Warnell?

25            MR. WARNELL: I did notice here on the

1 C-102, which is three or four pages in on Exhibit 1, it  
2 looks like somebody -- I assume that was the district --  
3 changed the pool name, Wildcat Abo Wolfcamp.

4 MR. BRUCE: Yes. That's what I said.  
5 Cimarex listed it as the Wildcat Abo, and the district  
6 changed that to Abo Wolfcamp, I think. As I said,  
7 there's been a number of hearings -- I think you've heard  
8 some Mr. Warnell -- between Cimarex and COG or COG and  
9 Chesapeake, and some of the geologists call it Wolfcamp  
10 and some of them call it Abo, so I'm uncertain.

11 MR. WARNELL: You said the AFE is in here?

12 MR. BRUCE: The very last two pages of  
13 Exhibit 1.

14 MR. WARNELL: Drilling and operating  
15 costs?

16 MR. BRUCE: The overhead rates are in the  
17 landman's affidavit. They're 7,000 a month for a  
18 drilling well and 700 a month for a producing well.  
19 That's pretty common out here. I believe those are the  
20 same rates charged by COG. I think Chesapeake has  
21 generally been charging 8,000 and 800 a month.

22 MR. WARNELL: Thank you.

23 MR. EZEANYIM: When I was looking at this  
24 case, I saw that I got a plat for Well Number 2. Why was  
25 it in here? It was confusing because you're dealing with

1 Well Number 3, which is in the south half of the north  
2 half, but I was given one that is on the north half of  
3 the south half. I don't know why I got that. It was  
4 confusing. The plat was given to me for Well Number 2.

5 MR. BRUCE: It is the south half north  
6 half, and Well Number 2, I think, is in the north half  
7 south half. You got me. Too much paper.

8 MR. EZEANYIM: The one you submitted is  
9 correct?

10 MR. BRUCE: Yes.

11 MR. EZEANYIM: You have an API number. Do  
12 you have an APD?

13 MR. BRUCE: Yes.

14 MR. EZEANYIM: When we look at this, the  
15 entry point is also orthodox.

16 MR. BRUCE: Yes.

17 MR. EZEANYIM: Is that 1,980 from the  
18 north and 560 from the east?

19 MR. BRUCE: 566 from the east.

20 MR. EZEANYIM: So Anadarko is the one  
21 you're pooling today.

22 MR. BRUCE: They are the only company.

23 MR. EZEANYIM: So everybody received  
24 notice?

25 MR. BRUCE: Correct. There are no

1 unlocateable people.

2 MR. EZEANYIM: Overhead rate 7,000 and  
3 700?

4 MR. BRUCE: Yes, sir.

5 MR. EZEANYIM: No more questions. At this  
6 point Case Number 14371 will be taken under advisement.

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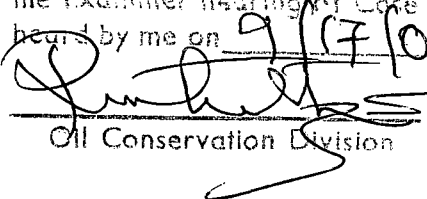
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I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 14371  
heard by me on 9/17/09.

  
\_\_\_\_\_, Examiner  
Oil Conservation Division



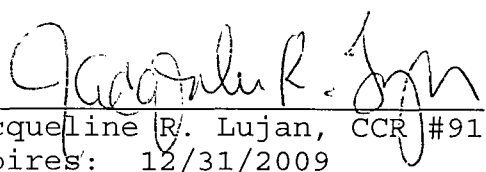
## REPORTER'S CERTIFICATE

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I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO  
HEREBY CERTIFY that on September 17, 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 30th day of September,  
2009.

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