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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. 14368

APPLICATION OF CIMAREX ENERGY CO. FOR
APPROVAL OF A NONSTANDARD OIL SPACING
AND PRORATION UNIT AND COMPUSORY POOLING,
LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

December 3, 2009
Santa Fe, New Mexico

2009 DEC 17 P 2:03
RECEIVED OCD

BEFORE: DAVID BROOKS: Hearing Examiner
TERRY WARNELL: Technical Advisor

This matter came for hearing before the New Mexico
Oil Conservation Division, David Brooks Hearing Examiner,
on December 3, 2009, 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, NM 87102

I N D E X

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APPLICANT'S EXHIBITS:

Exhibits 1 - 4:

5

A P P E A R A N C E S

For the Applicant:

JAMES BRUCE, ESQ.
Attorney at Law
P. O. Box 1056
Santa Fe, NM 87504

For Fuel Products, Inc.,
and Pear Resources, Inc.:

WILLIAM F. CARR, ESQ.
Holland & Hart, LLC
110 N. Guadalupe, Suite 1
Santa Fe, NM 87501

1 HEARING EXAMINER: At this time, we will call
2 Case No. 14368, the application of Cimarex Energy Company
3 for approval of a nonstandard oil spacing and production
4 unit and compulsory pooling, Lea County, New Mexico. Call
5 for appearances.

6 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe
7 representing the applicant.

8 MR. CARR: May it please the Examiner, William
9 F. Carr of the Santa Fe office of Holand and Hart entering
10 our appearance for Fuel Products, Inc. and Pear Resources,
11 Inc.

12 HEARING EXAMINER: My understanding is you no
13 longer oppose the application.

14 MR. CARR: We're waiting for an agreement to be
15 signed.

16 HEARING EXAMINER: Okay. You may proceed.

17 MR. BRUCE: Mr. Examiner, I've handed you
18 several exhibits. One is the affidavit of Hayden Tresner,
19 Cimarex's landman.

20 Cimarex seeks to form a nonstandard unit
21 comprised of the north half north half of Section 34,
22 Township 19 South, Range 34 East to drill a horizontal
23 Bone Spring test.

24 The parties being pooled are certain Merit
25 Energy entities who collectively own a 18 3/4 percent

1 interest. Applicant does seek a 200 percent risk charge
2 against these owners if they will not consent to the well.

3 And the overhead rates are 7,000 a month for a
4 drilling well, and 700 a month for a producing well.

5 The affidavit also identifies the offset
6 operators as required by Division procedure. The proposal
7 letter to the parties is attached, as well as an AFE.
8 This is an approximately \$3.65 million well.

9 Exhibit 2 is the affidavit of Lee Catalano, who
10 is the geologist for Cimarex in this area. Cimarex wishes
11 to drill a horizontal well to test a greater reservoir
12 length that increases the chances of an economic
13 completion.

14 As you'll see on Exhibit A attached, which is a
15 structure map, that also gives -- there have been a number
16 of vertical Bone Spring tests drilled in this area, and
17 production data for those wells is also included on that
18 plat, along with the cross-section.

19 And on this well -- Let me check, Mr. Examiner,
20 I may have to -- At the time these affidavits were
21 prepared, there was not a directional drilling prognosis,
22 but I believe there is one now. I will submit that to you
23 shortly.

24 HEARING EXAMINER: Okay.

25 MR. BRUCE: Exhibit 3 is the affidavit of notice

1 to the parties being pooled. Again, the only -- although
2 a couple of entities or different corporations or limited
3 partnerships were notified, only the Merit Energy entities
4 are being force pooled.

5 And then Exhibit 4 is my affidavit of notice to
6 the offset operators. The only offset operator other than
7 the parties being pooled and Cimarex is Merit Energy
8 Company.

9 Pear Resources and Fuel Products also own
10 offsets, but they are -- I think they were notified by a
11 previous incarnation of this --

12 HEARING EXAMINER: Well, since they have entered
13 an appearance, the question of notification to them
14 becomes moot.

15 MR. BRUCE: But they are not being force pooled,
16 they were previously notified as an offset operator.

17 HEARING EXAMINER: Okay.

18 MR. BRUCE: And with that, I would move the
19 admission of Exhibits 1 through 4.

20 HEARING EXAMINER: Okay, 1 through 4 are
21 admitted. It looks like you got notice to everyone.

22 MR. BRUCE: That is correct.

23 HEARING EXAMINER: Okay, very good. Let's see,
24 you said this was a Bone Spring test?

25 MR. BRUCE: That is correct.

1 HEARING EXAMINER: And is the point of
2 penetration the same as the --

3 MR. BRUCE: As the surface location.

4 HEARING EXAMINER: -- surface location. Very
5 good. If there is nothing further, Case No. 14368 will be
6 taken under advisement.

7 (Whereupon, the proceedings concluded.)

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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. 14368
heard by me on 12-3-09
David K. Bunker Examiner
Oil Conservation Division

1 STATE OF NEW MEXICO)
) ss.
2 COUNTY OF BERNALILLO)

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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 Albuquerque, New Mexico this 10th day of December, 2009.


PEGGY A. SEDILLO, CCR NO. 88
License Expires 12/31/09