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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. 14407

APPLICATION OF CIMAREX ENERGY
COMPANY FOR A NONSTANARD OIL
SPACING AND PRORATION UNIT
AND COMPULSORY POOLING,
CHAVES COUNTY, NEW MEXICO.

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REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

March 18, 2010
Santa Fe, New Mexico

BEFORE: TERRY WARNELL: Hearing Examiner
DAVID BROOKS: Legal Adviser

This matter came for hearing before the New Mexico
Oil Conservation Division, David Brooks, Hearing Examiner,
on March 18, 2010, 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

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E X H I B I T S

Page

APPLICANT'S EXHIBITS:

Exhibits 1 - 4 3

Court Reporter's Certificate 8

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

1 HEARING EXAMINER: We'll call Case No. 14407,
2 Application of Cimarex Energy for a Nonstandard Oil
3 Spacing and Proration Unit and Compulsory Pooling, Chaves
4 County, New Mexico. Call for appearances.

5 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe
6 representing the Applicant. And I'm submitting this by
7 affidavit.

8 HEARING EXAMINER: Any other appearances?
9 Mr. Bruce, you may proceed.

10 MR. BRUCE: Mr. Examiner, I'm presenting five
11 cases for Cimarex today. They are all in Township 15
12 South, Range 31 East in Chaves County.

13 In the first case, Case 14407, Cimarex seeks to
14 form a 160 acre nonstandard unit in the Abo/Wolfcamp
15 formation comprised of the northhalf southhalf of
16 Section 20, and 15 31.

17 And the unit will be dedicated to the Valley
18 Forge 20 State Com. Well No. 2, which is a horizontal well
19 drilled from the northeast southeast of the section
20 westward to the northwest southwest of the section.

21 Submitted as Exhibit 1 is the affidavit of
22 Hayden Tresner, the landman. And you can see that they
23 are seeking to force pool five entities or interests which
24 total up about 40 percent of the well unit.

25 Attachment A to the affidavit is the land plat

1 for the location of the well unit. Exhibit B is the oil
2 proposal made to the various parties. Except for the
3 Singer interests, the well proposals actually went out
4 last June.

5 There have been follow-up phone calls and
6 e-mails to the parties as noted in the affidavit. There
7 were approximately 10 or 12 people notified originally who
8 opposed the well, and at this point, there are only five
9 interests which have not joined in the well.

10 Cimarex does request a 200 percent risk charge
11 against nonconsenting interests. And it's overhead rates
12 are \$7,000 a month for a drilling well, and \$700 a month
13 for a producing well.

14 Attachment C to the landman's affidavit is the
15 AFE for the well. And as is common in this area, all
16 these wells cost about three and a half million dollars.

17 Exhibit 2 is the affidavit of Lee Catalano, the
18 geologist for Cimarex, and he attaches a structure map, a
19 cross-section, and then the wellbore path.

20 As you can see from the structure map, there
21 are -- well, I don't even know, I don't think this even
22 includes all the wells. There are dozens of wells drilled
23 or are permitted in this township to the Wolf Camp. It
24 has been a very active township.

25 And again, the horizontal wellbore will test a

1 greater reservoir length and increase the chances for a
2 commercial completion. And Mr. Catalano testifies that
3 all four quarter quarter sections in the well unit are
4 prospective.

5 Exhibit 3 is the affidavit of notice to the
6 parties being pooled. As you can see, initially, there
7 were quite a few parties notified of the application. And
8 all of the parties being pooled have received actual
9 notice of the pooling hearing.

10 Exhibit 4 is another affidavit of notice to the
11 offsets. The landman's affidavit sets forth the offset
12 operators, and notice has been given to all offsets and
13 has been received by all offsets.

14 So I would move the admission of Exhibits 1
15 through 4.

16 HEARING EXAMINER: Exhibits 1 through 4 are
17 admitted. You say this is a horizontal well, this is
18 going north to south?

19 MR. BRUCE: East to west.

20 HEARING EXAMINER: East to west? Okay. Is this
21 a wild cat?

22 MR. BRUCE: Well, Mr. Examiner, if you look at
23 Exhibit 2 of the geologist's affidavit and look at
24 Attachment A, you will see to the north and northeast a
25 number of horizontal wells.

1 I'm not sure of the exact status of all of
2 these. I think three wells have been drilled in
3 Section 17, a couple of wells in Section 16, and over in 9
4 and 10, some wells have been drilled.

5 But I don't have a pool name because one has not
6 been entered yet by Division. So I would say it's not a
7 wildcat well.

8 HEARING EXAMINER: The other day when I was
9 looking through the files, I did get an API number on this
10 well entered into the system. So I'm assuming that an APD
11 was applied for some time back.

12 MR. BRUCE: Yeah, I believe it was quite a while
13 ago, perhaps last summer.

14 HEARING EXAMINER: Why the delay in getting it
15 drilled, do you know?

16 MR. BRUCE: I think it was -- and it has not
17 been drilled yet. I think it's just a matter of dealing
18 with the interest owners, scheduling properties for
19 drilling.

20 HEARING EXAMINER: Okay. Mr. Brooks, any
21 questions?

22 MR. BROOKS: Yeah. This is the north half south
23 half of a 160 acre horizontal unit?

24 MR. BRUCE: Yes, sir.

25 MR. BROOKS: Are you asking for a unit in the

1 shallower formations around the vertical wellbore?

2 MR. BRUCE: No, we're not, this is strictly the
3 nonstandard unit, 160 acres, Wolfcamp.

4 MR. BROOKS: That's all.

5 HEARING EXAMINER: Okay. With that then, if
6 there's nothing else, Case 14407 will be taken under
7 advisement.

8 (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. _____
heard by me on _____

_____, 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 23rd day of March, 2010.


PEGGY A. SEDILLO CCR NO. 88
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