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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. 14468

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

REPORTER'S TRANSCRIPT OF PROCEEDINGS  
EXAMINER HEARING

May 13, 2010  
Santa Fe, New Mexico

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2010 MAY 25 P 2:52

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

This matter came for hearing before the New Mexico  
Oil Conservation Division, Terry Warnell Hearing Examiner,  
on May 13, 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:

Exhibit No. 1 - 4 5

COURT REPORTER'S CERTIFICATE 6

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 LINN ENERGY HOLDINGS, LLC;  
FUEL PRODUCTS, INC.;  
PEAR RESOURCES;  
FASKEN OIL AND RANCH: WILLIAM F. CARR, ESQ.  
Holland & Hart, LLC  
110 North Gonzales, Suite 1  
Santa Fe, NM 87501

1 HEARING EXAMINER: Next case, Case No. 14468,  
2 Application of Cimarex Energy Company for Approval of  
3 Nonstandard Oil Spacing and Proration Unit and Compulsory  
4 Pooling, Lea County, New Mexico. Call for appearances.

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

8 MR. CARR: May it please the Examiner, William  
9 F. Carr representing Linn Energy Holding, LLC; Fuel  
10 Products, Inc.; Pear Resources; and Fasken Oil and Ranch.

11 MR. BROOKS: Again, let the record reflect that  
12 I'm not participating in this case.

13 MR. BRUCE: Mr. Examiner, I've submitted four  
14 exhibits to you. The first one is again the affidavit of  
15 Mike Wallace, the landman for Cimarex in this case.

16 Cimarex seeks a nonstandard unit comprised of  
17 the south half north half of Section 35, 19 South, 34  
18 East, and is drilling a horizontal Bone Spring well.

19 It seeks to force pool from the surface to the  
20 top of the Bone Spring in the southwest northwest quarter  
21 of Section 35, which is where the vertical portion of the  
22 well bore is. And then force pool the Bone Spring  
23 formation under the project area or nonstandard unit.

24 The well is the Mallon 35 Federal Well No. 6,  
25 which begins in the southwest quarter of the northwest

1 quarter of Section 35, and heads east to a terminus in the  
2 southeast quarter of the northeast quarter of Section 35.

3 The affidavit lists the working interest owners  
4 and their percentage interests in the horizontal portion  
5 of the wellbore. The affidavit lists the offset  
6 operators.

7 And Attachment A is simply a land plat.  
8 Attachment B is the correspondence between the parties.  
9 And again, the first proposal letter went out in December  
10 of 2009. And this is also a \$4 million test.

11 And again, if I didn't in the last case, I  
12 reiterate that the parties are continuing to negotiate.  
13 And if the parties do reach a JOA, I will notify the  
14 Division of which parties do voluntarily join in the well.

15 Exhibit 2 is the affidavit of Lee Catalano, the  
16 geologist for Cimarex, with the same exhibits, the  
17 structure map, the cross-section.

18 And if you would like, Mr. Examiner, I do have  
19 this on my computer and I can e-mail it to you for a  
20 better version of the geology involved.

21 HEARING EXAMINER: If you would, I would  
22 appreciate that. Thanks.

23 MR. BRUCE: And all four quarter quarter  
24 sections are anticipated to be productive. And a  
25 horizontal wellbore will increase the chances for an

1 economic completion.

2 Exhibit 3 is notice to all of the parties being  
3 pooled. Again, a separate letter went out to Linn Energy  
4 after it acquired its interests. And all of the parties  
5 being pooled did receive actual notice.

6 Exhibit 4 is the affidavit of notice to the  
7 offsets. And again, Western Equipment Company was  
8 notified several times to pick up a certified mail and did  
9 not do so.

10 With that, I'd move the admission of Exhibits 1  
11 through 4.

12 HEARING EXAMINER: Exhibits 1 through 4 are  
13 admitted. Did you say this was BLM?

14 MR. BRUCE: This is federal land.

15 HEARING EXAMINER: It is federal land. Okay.

16 MR. BRUCE: Single federal lease.

17 HEARING EXAMINER: Thank you. With that, Case  
18 No. 14468 will be taken under advisement.

19 (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 \_\_\_\_\_.

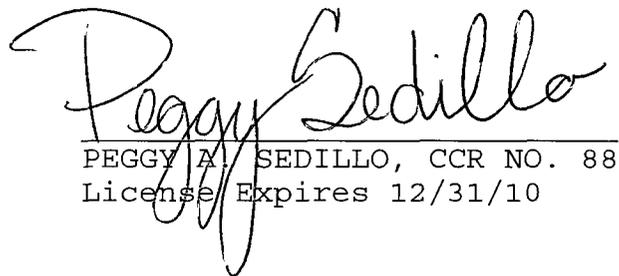
\_\_\_\_\_, Examiner  
Oil Conservation Division

1 STATE OF NEW MEXICO )  
2 COUNTY OF BERNALILLO ) ss.  
3 )  
4 )

5 REPORTER'S CERTIFICATE

6  
7 I, PEGGY A. SEDILLO, Certified Court  
8 Reporter of the firm Paul Baca Professional  
9 Court Reporters do hereby certify that the  
10 foregoing transcript is a complete and accurate  
11 record of said proceedings as the same were  
12 recorded by me or under my supervision.

13 Dated at Albuquerque, New Mexico this  
14 21st day of May, 2010.

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19 PEGGY A. SEDILLO, CCR NO. 88  
20 License Expires 12/31/10  
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