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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. 14415

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

REPORTER'S TRANSCRIPT OF PROCEEDINGS  
EXAMINER HEARING

January 7, 2010  
Santa Fe, New Mexico

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

This matter came for hearing before the New Mexico  
Oil Conservation Division, Terry Warnell, Hearing  
Examiner, on January 7, 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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	Page
APPLICANT'S EXHIBITS:	
Exhibit No. 1	5
Exhibit No. 2	5
Exhibit No. 3	5
Exhibit No. 4	5
COURT REPORTER'S CERTIFICATE	7

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 87505
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1 HEARING EXAMINER: We'll call Case 14415, the  
2 Application of Cimarex Energy Company for approval of a  
3 nonstandard oil spacing and proration unit and compulsory  
4 pooling, Chaves County, New Mexico. Call for appearances.

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

8 HEARING EXAMINER: No other appearances,  
9 Mr. Bruce, you may continue.

10 MR. BRUCE: Mr. Examiner, I've handed you a set  
11 of exhibits. Exhibit 1 is the affidavit of the landman  
12 for Cimarex Energy.

13 Cimarex seeks to force pool the Abo/Wolf Camp  
14 formation in the west half east half of Section 18, 15  
15 South, 31 East, for its Franklin 18 Fed. Com. Well No. 3,  
16 which is a horizontal well. Several parties are being  
17 force pooled, Delbert Bassett, Nell Blackerby.

18 Now, they are purportedly -- or we were told  
19 they assigned their interests to Chase Oil Corporation or  
20 Mack Energy Corporation. They're the same ownership. And  
21 then the H.N. Smith heirs.

22 We were verbally informed -- or according to the  
23 affidavit, Cimarex was informed that Chase or Mack  
24 acquired term assignments from Delbert Bassett and Nell  
25 Blackerby sometime in December after a well proposal was

1 mailed to them.

2 And as background, there were prior proceedings  
3 on the same wells, except the Applicant flipped them from  
4 east/west wells to north/south wells.

5 So even though you'll see that there is a  
6 proposal letter in November to Delbert Bassett and Nell  
7 Blackerby, the parties have been dealing with each other  
8 since June 2009 on these wells.

9 And then there is information on H.N. Smith and  
10 his heirs. Both Cimarex and Chase Oil examined the  
11 records in the usual Internet directories, and both  
12 companies have been unable to locate those parties. Both  
13 parties were actively leasing in the area. So they are  
14 just unlocatable at this point.

15 Again, Cimarex requests a 200 percent penalty.  
16 And the overhead rates are \$7,000 and \$700. The affidavit  
17 also identifies the offset leasees or operators. As I  
18 said, well proposals were mailed to the parties being  
19 pooled. That's Attachment B.

20 And then Attachment C is the AFE. It's about a  
21 \$3.7 million well. Notice was given to the parties who  
22 are locatable and they all received written notice.

23 As I said during the break, I have published --  
24 caused notice to be published in the Roswell newspaper  
25 regarding this application as against H.N. Smith and his

1 heirs, but I will not have that affidavit of publication  
2 back.

3 And because of -- I actually had to advertise it  
4 twice, so the second advertisement was for the January  
5 21st hearing.

6 And then notice was also given to the offsets by  
7 certified mail, and Exhibit 4 shows that they all received  
8 actual notice, although I have not received the green card  
9 back from Mobil Producing.

10 I printed out the Postal Service online  
11 confirmation, and I will give you -- once I get the green  
12 card back, I will ship that to you. And with that, I'd  
13 move the admission of Exhibits 1 through 4.

14 HEARING EXAMINER: Exhibits 1 through 4 are  
15 admitted. Any questions, Mr. Brooks?

16 MR. BROOKS: No questions.

17 HEARING EXAMINER: Mr. Bruce, this is going to  
18 be from the surface to the base of the --

19 MR. BRUCE: Well, Mr. Examiner, I -- that's  
20 probably the way it was in the application. Actually,  
21 where the surface of the wellbore is located, Cimarex  
22 controls 100 percent of that.

23 Therefore, all that would actually be pooled is  
24 the Abo or Wolf Camp formation, depending on how the  
25 Division eventually gets around to designating it in this

1 area.

2 HEARING EXAMINER: And the unit itself would be  
3 dedicated to this well?

4 MR. BRUCE: Yes, the Franklin 18 Fed. Com. Well  
5 No. 3.

6 HEARING EXAMINER: Okay. Very well. If there's  
7 nothing else, then Case No. 14415 will be taken under  
8 advisement. And you will get the green cards back to me,  
9 there's no need to continue?

10 MR. BRUCE: Well, yes, there is.

11 HEARING EXAMINER: There is?

12 MR. BRUCE: Yes. I readvertised the case for  
13 the 21st hearing.

14 HEARING EXAMINER: Okay.

15 (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

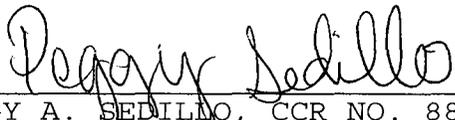
1 STATE OF NEW MEXICO )  
2 COUNTY OF BERNALILLO ) ss.

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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 11th day of January, 2010.

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