

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:

APPLICATION OF CIMAREX ENERGY	CASE NOS. 20162,
COMPANY FOR COMPULSORY POOLING,	20301, 20302,
LEA COUNTY, NEW MEXICO.	20303, 20304

APPLICATION OF CIMAREX ENERGY	CASE NOS. 20305,
COMPANY FOR COMPULSORY POOLING,	20306, 20307,
LEA COUNTY, NEW MEXICO.	20308

REPORTER'S TRANSCRIPT OF PROCEEDINGS

SPECIAL EXAMINER HEARING

June 20, 2019

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Michael McMillan, Chief Examiner, and David K. Brooks, Legal Examiner, on Thursday, June 20, 2019, at the New Mexico Energy, Minerals and Natural Resources Department, Wendell Chino Building, 1220 South St. Francis Drive, Porter Hall, Room 102, Santa Fe, New Mexico.

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1 (9:01 a.m.)

2 EXAMINER McMILLAN: Good morning. I'd like
3 to call that hearing to order.

4 Today's date is June 20th, 2019. It's
5 docket 21-19. My name is Michael McMillan. I'm the
6 hearing examiner. And what I'd like to do now is go
7 over continuances and dismissals. Why don't we have
8 Cimarex go first.

9 MR. DeBRINE: Good morning, Mr. Examiner.
10 Earl DeBrine and Lance Hough for Cimarex.

11 As Mr. Feldewert notified the Division by
12 email yesterday, the cases that Cimarex filed for the
13 Double X wells, Case Numbers 20387, 20388, 20389, 20390,
14 20391, 20392, 20393 and 20394, will be dismissed. Some
15 of those were actually left off the docket notice, but
16 we'll be dismissing all the Double X cases that I just
17 listed.

18 We're just here to present today on the
19 Dos Equis cases that are listed on the docket at the
20 beginning, which are items one through nine.

21 EXAMINER McMILLAN: Okay. So Cases 20387,
22 20388, 20389, 20390, 20391, 20392, 20393 and 20394 shall
23 be dismissed.

24 What did I miss?

25 MR. DeBRINE: You got them.

1 EXAMINER McMILLAN: Okay. If Devon would
2 proceed.

3 MR. FELDEWERT: Mr. Examiner, Michael
4 Feldewert, with the Santa Fe office of Holland & Hart,
5 appearing on behalf of Devon Energy Company.

6 As Mr. DeBrine alluded to, we are
7 dismissing today Cases 20259, 20260 and 20340, 20341,
8 20342 and 20343. Those are the six cases that are
9 listed on the Division's docket today.

10 EXAMINER McMILLAN: Okay. So Case 20259
11 shall be dismissed. 20260 shall be dismissed. 20340
12 shall be dismissed. 20341 shall be dismissed, and 20342
13 shall be dismissed.

14 Anything I missed?

15 MR. FELDEWERT: 20343.

16 EXAMINER McMILLAN: And 20343 shall be
17 dismissed.

18 MR. FELDEWERT: And, Mr. Examiner, I would
19 add to that that Devon has no opposition to the
20 remaining Cimarex cases that are being heard today or
21 shown on the docket as cases one through nine.

22 EXAMINER McMILLAN: Okay. Well, then, what
23 I'd like to do now -- are all these cases going to be --
24 if I understood, you're combining the Bone Spring and
25 the Wolfcamp? Bone Spring is -- combining those and

1 then you're combining the Wolfcamp?

2 MR. DeBRINE: Yes, Mr. Examiner. The cases
3 are combined for hearing. The way we've broken it up is
4 we're going to present two separate affidavits. One --
5 they're the same witnesses. We'll be calling two
6 witnesses, a landman and a geologist, but there are two
7 separate affidavits, one for the Bone Spring cases and
8 the other one for the Wolfcamp.

9 EXAMINER McMILLAN: Okay. Then I would
10 like to call Case Number 20162, application of Cimarex
11 Energy Company for a nonstandard spacing and proration
12 unit and compulsory pooling, Lea County, New Mexico.
13 This case will be combined with Case Number 20301,
14 application of Cimarex Energy Company for compulsory
15 pooling, Lea County, New Mexico. This is combined with
16 20302, 20303, 20304, and the names are the same for
17 those.

18 And I'd like to do appearances.

19 MR. DeBRINE: Good morning, Mr. Examiner.
20 Earl DeBrine and Lance Hough with the Modrall, Sperling
21 firm for Cimarex Energy Company.

22 EXAMINER McMILLAN: Any other appearances?

23 MR. BRUCE: Mr. Examiner, Jim Bruce of
24 Santa Fe representing ConocoPhillips Company in all of
25 the cases except 20162.

1 And we have no objection to the cases being
2 submitted by affidavit.

3 MR. FELDEWERT: Mr. Examiner, Michael
4 Feldewert, with the Santa Fe office of Holland & Hart,
5 appearing on behalf of Devon Energy Production Company.

6 And we likewise do not oppose the cases
7 being proposed by affidavit.

8 EXAMINER McMILLAN: Thank you.

9 Please proceed.

10 MR. HOUGH: We'll start with the
11 affidavit -- well, the affidavit by the landman for this
12 matter. So if you turn to that packet with the caption
13 for 20162 and the name you've mentioned, you'll see
14 under the first tab an affidavit of Cody Elliott. And
15 Mr. Elliott has been previously qualified by the
16 Division as an expert in petroleum land matters, and his
17 credentials were accepted as a matter of record. He is
18 familiar with this application and the land matters
19 involved in this case.

20 Each of these cases involve a request for
21 an order from the Division for compulsory pooling of the
22 interest owners who have -- to voluntarily pool their
23 interests for the proposed Bone Spring horizontal
24 spacing units. As I mentioned, we have a proposed
25 spacing unit for the Dos Equis 13 Federal Com 10H well

1 that is located in the west half-west half of just
2 Section 13, and then we have proposed spacing units for
3 the wells in each of the remaining cases. So that's
4 20301, 20302, 20303 and 20304, and those are located in
5 Sections 12 and 13. So the 10H is a one-miler, and the
6 12 and 13 are two miles.

7 Now, prior to filing each application,
8 Cimarex made a good-faith effort to obtain voluntary
9 joinder of the working interest owners in the proposed
10 wells, and Mr. Elliott had identified all the working
11 interests and overriding royalty interest owners from
12 the title opinion. And to locate these owners, he
13 conducted a diligent effort of public records in the
14 county where the wells are located and conducted phone
15 directory and computer Internet searches to locate the
16 contact information for the parties entitled to notice
17 and mailed all working interest owners well proposals.
18 This included an AFE and a form operating agreement they
19 requested for.

20 There is no opposition, as expected, as
21 raised here prior to filing the applications.
22 Mr. Elliott had reached out to contact them. And
23 Cimarex has provided all the working interest owners and
24 any unleased mineral owners and overriding royalty
25 owners notice of these applications and has published

1 notice of the hearing on the applications in a newspaper
2 of general circulation in Lea County, and, again,
3 there's been no entry of opposition.

4 Now, at the end of the affidavit, there is
5 what's been labeled as Exhibit A-0. This is a locator
6 map for -- for these -- this proposed area,
7 approximately 26 miles southwest of Hobbs, New Mexico.
8 This location would have been Lea County.

9 Now, Mr. Elliott had included in his
10 affidavit here reference to these exhibits. He's
11 prepared to provide the facts supporting each of the
12 compulsory pooling applications. We'll start with Case
13 Number 20162. That's going to be under the next tab.
14 It's going to be Exhibit -- it's labeled A1-10H. This
15 is the application, again just requesting an order from
16 the Division pooling all uncommitted interests in the
17 west half-west half of Section 13. And the well here is
18 Dos Equis 13 Federal Com 10H.

19 If you turn to the next tab, you will find
20 what's labeled at Exhibit A2-10H. This is the proposed
21 C-102. And you'll see there the well -- the well
22 proposal will develop the Triste Draw; Bone Spring Pool,
23 which is code 96603. And as provided here, the
24 producing interval for the well will be orthodox and
25 will comply with the Division's setback requirements.

1 Under the next tab, it is an exhibit
2 labeled A3-10H. This is the lease tract map. It's
3 outlining the unit to be pooled in Section 13 and also
4 provides the working interest owners being pooled. A
5 percentage of their interest is also included as part of
6 the exhibit. There are no depth severances in the
7 proposed Bone Spring spacing unit.

8 Under the next tab, you'll find Exhibit
9 A4-10H. This is the sample well-proposal letter that
10 had been sent to each interest owner seeking their
11 voluntary participation in the well. You'll see this
12 one sent to Devon Energy.

13 Under the next tab, you'll find what is
14 marked as Exhibit A5-10H. This is the AFE. And as
15 you'll see there under the AFE, the estimated costs are
16 7,535,992, and Mr. Elliott has provided this is fair and
17 reasonable and comparable to the cost of other wells of
18 similar depth and length and completion method in this
19 area.

20 Also, Mr. Elliott has highlighted that
21 Cimarex as a must-spud date for this well, the 10H well,
22 by October 29th, 2019. They request the Division enter
23 an expedited order on the application in this case,
24 Number 20162.

25 I'll move on to the next case. That's

1 20301. And marked as Exhibit A1-1H is the application
2 again seeking an order to pool all uncommitted
3 interests. This is in the Bone Spring horizontal
4 spacing unit underlying the west half-west half of
5 Sections 12 and 13.

6 If you turn to the next tab, you'll find
7 what's labeled as A2-1H, and this is the proposed C-102,
8 also requesting -- the well will develop the Triste
9 Draw; Bone Spring Pool, code 96603. And, again, this
10 is -- you know, the producing intervals for the well
11 will be orthodox and will comply with the Division
12 setback requirements.

13 Turning to the next tab, you'll find
14 Exhibit A3-1H. This is the lease tract map outlining
15 the unit to be pooled, and it includes the working
16 interest owners being pooled and a percentage of their
17 interest. They've also been included as part of this
18 exhibit. Again, there is no depth severance within the
19 proposed Bone Spring spacing unit for this case.

20 Under the next tab is A4-1H. This is,
21 again, the proposed -- the well-proposal letter that was
22 sent to each interest owner, and it's going to Devon
23 Energy.

24 The next tab is A5-1H. This is the
25 authorization for expenditure for the proposed well.

1 And as you'll see there, the estimated cost is
2 11,619,743. And Mr. Elliott has concluded that this is
3 fair and reasonable and is comparable to the cost of
4 other wells of similar depth, length and completion
5 method being drilled in this area of New Mexico.

6 With that, we'll move on to the next case,
7 20302. And in similar fashion, that next tab is -- or
8 exhibit is labeled A1-3H. This is the application.
9 We're seeking an order from the Division pooling all
10 uncommitted mineral interests within the Bone Spring
11 horizontal spacing unit which is underlying the east
12 half-west half of Sections 12 and 13. And the name for
13 this well is Dos Equis 12-13 Federal Com 3H.

14 And under the next tab, you'll find what's
15 labeled as A2-3H. This is the proposed C-102 for the
16 well, and the well will develop the Triste Draw; Bone
17 Spring Pool, code number 96603. And the well producing
18 intervals will be orthodox and will comply with the
19 Division setback requirements.

20 Under the next tab, you'll find what's
21 labeled as Exhibit A3-3H. This is the lease tract map
22 again outlining the unit to be pooled, the working
23 interest owners to be pooled, and the percentage of
24 their interest is also included as part of this exhibit.
25 There are no depth severances in this proposed Bone

1 Spring spacing unit either.

2 Under the next tab, 4, you'll see Exhibit
3 A4. This is, again, the sample well-proposal letter
4 sent to each interest owner seeking their voluntary
5 participation in the well. This one was sent to Devon.

6 Under the next tab, 5, you'll see what's
7 labeled as Exhibit A5-3H. This is the Authorization for
8 Expenditure for the proposed well. This one amounts to
9 11,696,743 for the estimated cost of the well, and as
10 Mr. Elliott provides, it's fair and reasonable and it's
11 comparable to the cost of other wells of similar depth,
12 length and completion method being drilled in this area
13 of New Mexico.

14 With that, we'll move on to the next case.
15 This is Case Number 20303. Under that Tab 1, you'll see
16 what's labeled as Exhibit A1-5H. That's the application
17 seeking an order from the Division pooling all
18 uncommitted mineral interests within a Bone Spring
19 horizontal spacing unit underlying the west half-east
20 half of Sections 12 and 13, and the spacing unit will be
21 dedicated to the well name Dos Equis 12-13 Federal Com
22 5H.

23 Under the next tab, Tab 2, you'll see
24 what's labeled as Exhibit A2-5H, and this is the
25 proposed C-102 for this well. This would develop the

1 Triste Draw; Bone Spring Pool, code number 96603. And
2 the producing intervals for the well will be orthodox
3 and will comply with the Division setback requirements.

4 Under the next tab, you'll see what is
5 labeled as Exhibit A3-5H. This is the lease tract map
6 outlining the unit to be pooled, the working interest
7 owners being pooled, and the percentage of their
8 interests is also included as part of this exhibit. And
9 there are no depth severances within the proposed Bone
10 Spring spacing unit with this application as well.

11 Under the next tab, 4, you'll see what's
12 labeled at Exhibit A4, and this is a sample
13 well-proposal letter sent to each of the interest owners
14 seeking their voluntary participation in this well.
15 This one again is the same one provided to Devon Energy.

16 Under the next tab, 5, you'll see what's
17 labeled as Exhibit A5-5H. This is the Authorization for
18 Expenditure, and the estimated cost of the well set
19 forth there is, again, 11,696,743. And Mr. Elliot
20 provides that this is fair and reasonable and is
21 comparable to the cost of other wells of similar depth,
22 length and completion method being drilled in this area
23 of New Mexico.

24 With that, we'll move on to the next tab,
25 Number 1, for Case Number 20304. Under that tab, you'll

1 find what's labeled A1-6H. This is the application
2 seeking an order from the Division pooling all
3 uncommitted mineral interests within the Bone Spring
4 horizontal spacing unit underlying the east half-east
5 half of Sections 12 and 13. And this too will be
6 dedicated to -- the well name here is Dos Equis 12-13
7 Fed Com 6H.

8 Under the next tab, you'll see what's
9 labeled as Exhibit A2-6H. This is the proposed C-102
10 for this application, and this well will develop the
11 Triste Draw; Bone Spring Pool, code number 96603. And
12 the producing interval for this well will be orthodox
13 and will comply with the Division setback requirements.

14 Under the next tab, 3, you'll see what's
15 labeled as Exhibit A3-6H. This is the lease tract map
16 again outlining the unit to be pooled and providing the
17 working interest owners being pooled and the percentage
18 of their interest. There are, again, no depth
19 severances within this proposed Bone Spring spacing
20 unit.

21 Under the next tab, Number 4, you'll find
22 what's labeled as Exhibit A4. This is a sample well
23 proposal that was sent to each interest owner seeking
24 their voluntary participation.

25 Under the next tab, Number 5, you'll find

1 what's labeled A5-6H, and this is the Authorization for
2 Expenditure for this proposed well. The estimated cost
3 is 11,696,743. Mr. Elliott has provided that this is
4 fair and reasonable, and it's comparable to the cost of
5 other wells of similar depth, length and completion
6 method being drilled in this area of New Mexico.

7 And Mr. Elliott also provides that Cimarex
8 requests overhead and administrative rates of 7,000 per
9 month during drilling and 700 per month while producing.
10 He provides that these rates are fair and comparable to
11 the rates charged by other operators for wells of this
12 type in this area of southeastern New Mexico. He also
13 provides that they are consistent with the rates
14 supported by the Division in recent compulsory pooling
15 orders. And Cimarex requests that these rates be
16 adjusted periodically as provided in the COPAS
17 accounting procedure. Cimarex also requests that it be
18 allowed to recover its cost for drilling, completing and
19 equipping each of these wells and a 200 percent risk
20 charge be assessed against nonconsenting pooled working
21 interest owners. Mr. Elliott also provides that Cimarex
22 requests that it be designated operator of these wells
23 and be allowed a period of one year between when the
24 wells are drilled and when the first well is completed
25 under the order.

1 He further provides that Cimarex notified
2 all of the -- all the parties they are seeking to pool
3 of this hearing. And he also provided some extra
4 requests, that the overriding royalty interest owners be
5 pooled, and that based upon his knowledge of land
6 matters in this case and his education and training and
7 expert opinion, that the granting of Cimarex's
8 application in these cases is in the interest of
9 conservation and the prevention of waste.

10 With that, I will move on to the affidavit
11 for the geologist.

12 EXAMINER McMILLAN: Okay. Well, I've got
13 questions.

14 MR. HOUGH: Okay. I'm happy to address
15 questions on the land issues now before I move on to the
16 geology.

17 EXAMINER McMILLAN: Yes. The first
18 question I've got is I was looking at Case 20162. It
19 has an API number of 45417. It has been dedicated to
20 the Triple X; Bone Spring, West Pool, and you said
21 you're -- and the 300 series in Triste Draw; Bone
22 Spring. So find out what's going on there.

23 MR. HOUGH: For the pool code, is what
24 you're referring to?

25 EXAMINER McMILLAN: Yeah.

1 MR. HOUGH: Okay.

2 EXAMINER McMILLAN: And then secondly, for
3 each of those cases, are there any unlocatable
4 interests?

5 MR. HOUGH: No, not to my knowledge here.

6 EXAMINER BROOKS: Actually, I suspect the
7 examiner wants to know not what's within your knowledge
8 but what's stated in the affidavit. Is the issue
9 addressed at all in the affidavit?

10 MR. HOUGH: Right. So the affidavit
11 provided they contacted -- or reached out to all the
12 interest -- interest holders. So to what he's provided
13 in his affidavit, it would be no. And then just to --
14 not to jump forward, but on behalf of Cimarex, we
15 provided notice of the application and hearing. And of
16 those notices, all were delivered except two, which were
17 listed by the postal service as lost, and one was to
18 ConocoPhillips, and the other one was to the Bureau of
19 Land Management. So to ensure that we covered that, we
20 published in the local circulation in the county.

21 EXAMINER McMILLAN: Okay. So then they're
22 all locatable because ConocoPhillips made an appearance.

23 MR. DeBRINE: Correct.

24 EXAMINER BROOKS: I don't think they're
25 hiding.

1 EXAMINER McMILLAN: And the status is
2 proposed, right?

3 MR. HOUGH: Yes.

4 EXAMINER McMILLAN: And all of them are
5 going to be orthodox, the completed interval, right?

6 MR. HOUGH: That's correct.

7 EXAMINER McMILLAN: I realize I made a
8 mistake. I should have given you guys the opportunity
9 to ask questions.

10 MR. FELDEWERT: I just have one question.

11 EXAMINER McMILLAN: Okay.

12 MR. FELDEWERT: It's probably my own
13 ignorance. If I look at the breakdown for the tracts on
14 the maps, I see an entity, MHPI. Who is that?

15 MR. HOUGH: That's Magnum Hunter.

16 MR. DeBRINE: It's an affiliate of Cimarex.

17 MR. FELDEWERT: Oh, it is?

18 MR. DeBRINE: Yeah.

19 MR. FELDEWERT: So that MHPI is really
20 Cimarex?

21 MR. DeBRINE: Yeah.

22 MR. FELDEWERT: That's all the questions I
23 have.

24 EXAMINER McMILLAN: Jim?

25 MR. BRUCE: No questions on the land stuff.

1 MR. HOUGH: All right. Thank you,
2 Mr. Examiner.

3 With that, if there are no further
4 questions on the land matters, I'll move on to the
5 geology matters.

6 Actually, before that, I'll move the
7 admission of the affidavit of Mr. Elliott and his
8 attached exhibits.

9 MR. FELDEWERT: No objection.

10 EXAMINER McMILLAN: Jim?

11 MR. BRUCE: No objection.

12 EXAMINER McMILLAN: Okay. The affidavit
13 with the exhibits may now be accepted as part of the
14 record.

15 (Cimarex Energy Company Exhibit A with Tabs
16 1 through 5 is offered and admitted into
17 evidence.)

18 MR. HOUGH: Thank you, Mr. Examiner.

19 I'll move on to the affidavit of the
20 geologist in these cases. It's the affidavit of Lauren
21 Copley under Tab B of your packet. Ms. Copley has been
22 qualified by the Division as an expert petroleum
23 geologist, and her credentials were accepted as a matter
24 of record by the Division.

25 EXAMINER McMILLAN: There are no objections

1 to that?

2 MR. FELDEWERT: No.

3 EXAMINER McMILLAN: Proceed.

4 MR. HOUGH: Now, Ms. Copley conducted a
5 geological study of the area that encompasses the
6 horizontal spacing units that are subject to Cimarex's
7 applications in each case, and she provides that she's
8 familiar with the geological matters involving these
9 cases. As part of her study, she prepared a list of
10 geological exhibits with respect to the horizontal
11 spacing units for each of these cases. She's attached
12 them here and provides an explanation of them. So we'll
13 go through these individually.

14 So under the next tab for Case Number 20164
15 [sic], this is the Dos Equis Fed Com 10H well. You'll
16 see a cover sheet there just providing what the well is
17 referring to. Right under that one page is what's
18 labeled as Exhibit B1-10H. This is a structure map on
19 top of the 2nd Bone Spring Sand Formation. It
20 identifies the proposed well location by a purple line,
21 and then there is a spacing unit. It's a little hard to
22 see, but there is a purple dotted line around that, and
23 the name of the well there. And she further provides
24 that this map shows the structure dips to the east, and
25 you can also see the cross section from A to A there.

1 Under the next tab is Exhibit B2-10H. This
2 is the net porosity map of the 2nd Bone Spring Sand
3 Formation, and it shows the porosity is relatively
4 consistent at the proposed location.

5 Under the next exhibit -- or tab is Exhibit
6 B3-10H. This is a stratigraphic cross section. She
7 provides that it's hung on the top of the 3rd Bone
8 Spring Carbonate, which is the same for the 2nd Bone
9 Spring Sand Formation. She provides that these three
10 well logs on the cross section give a representative
11 sample of the 2nd Bone Spring Formation at the proposed
12 well. She further provides that the target zone for the
13 well is the 2nd Bone Spring Formation, and the zone is
14 consistent across the unit. And the target zone is
15 shaded in orange, and it's a planned well path for this
16 well indicated by a black line that's labeled 10H.

17 We'll move now to the next few cases she's
18 put these together. So this would be Case Number 20301
19 through Case Number 20304, so that would be well names
20 Dos Equis 12-13 Fed Com 1H, 3H, 5H, 6H. So under that
21 next tab, you'll again see that cover sheet indicating
22 that these slides are for these particular wells, and
23 you'll see what's labeled as Exhibits B1-1H to 6H. This
24 is the structure map -- I guess I'll provide that this
25 includes the Avalon Shale proposed horizontal spacing

1 units that are located within Sections 12 and 13.

2 So as I was explaining, the structure map
3 shows the top of the 1st Bone Spring Sand, which is the
4 base of the Avalon Shale Formation. This map identifies
5 the sections to be developed in a purple dotted line.
6 Again, it's somewhat hard to see, but it's really kind
7 of outlining the yellow on the map. And then, of
8 course, there is some blue within the west half of
9 Section 13, but it does go around the outside of that
10 square on the full of Section 13. She also provides
11 that the structure dips to the east-southeast.

12 Under the next tab, you'll see Exhibit
13 B2-1H-6H. This is the net porosity map. Avalon Shale
14 Formation shows the porosity is relatively consistent
15 across the sections, and it does vary slightly at
16 approximately 300 to 360 feet thick.

17 Under the next tab, you'll find what's
18 labeled as B3-1H-6H. This is a proposed development map
19 in the Avalon Shale Formation and identifies the
20 proposed wells by vertical purple lines, and that's
21 really for total development plan there.

22 Under the next tab, Number 4, you'll find
23 what's labeled as Exhibit B4-1H-6H. This is a
24 stratigraphic cross section of the Avalon Shale
25 Formation hung on the top of the Bone Spring Lime.

1 These three well logs on the cross section give a
2 representative sample of the Avalon Shale Formation in
3 the area. The target zone for the wells is the Avalon
4 Shale Formation, and the two subzones that will be
5 targeted, which are shaded in orange, are relatively
6 consistent across the unit. And, again, the well lines
7 are marked there with the black line.

8 Under the next tab, Number 5, labeled as
9 Exhibit B5-1H to 6H, and Ms. Copley provides that this
10 is an Avalon development diagram showing gun-barrel view
11 of the proposed development plan. And this diagram
12 shows the plan to develop the Avalon Shale in a
13 stack-stagger pattern. This is for their total
14 development plan in these units.

15 I think it may be divided by a tab or maybe
16 just a colored sheet in your packet, but there is also
17 what she has provided as Exhibit B-0, and these are the
18 wellbore diagrams for the wells proposed under the
19 applications discussed. And she provides that, based
20 upon her study as exhibited in the attachments and her
21 knowledge of the geology in this area and her education
22 and training, it's her expert opinion that the
23 horizontal spacing units in these cases are justified
24 from a geological standpoint. There are no structural
25 impediments or faulting that will interfere with the

1 proposed horizontal development, that each
2 quarter-quarter section of the unit will contribute more
3 or less equally to production. She also provided that
4 the well orientation in this area is north to south.
5 And last, she also provides that the producing interval
6 for each of the wells to these cases will be orthodox
7 and comply with the Division's setback requirements.

8 With that, I can take questions on the
9 geology component of these applications.

10 MR. FELDEWERT: I just have one question --
11 or a couple of questions. On Tab 3, B3-1H-6H, the one
12 with the purple lines, so B3 Avalon Shale development.

13 EXAMINER McMILLAN: Which one is that?

14 MR. FELDEWERT: B3-1H-6H.

15 MR. HOUGH: So it would be the second
16 Number 3 that you find behind Tab B --

17 MR. FELDEWERT: I'm working backwards.

18 MR. HOUGH: Yeah. So if you were to go
19 from Tab B to Tabs 1, 2, 3 and then 1, 2, 3 again.

20 MR. FELDEWERT: You see the purple lines?

21 MR. HOUGH: Yes.

22 MR. FELDEWERT: The triangles represent the
23 surface locations. Is that what you understand?

24 MR. HOUGH: Let me make sure I'm referring
25 back Ms. Copley's affidavit just to be correct.

1 The blue diamonds are --

2 MR. FELDEWERT: I'm sorry. Blue diamonds.
3 Thank you.

4 MR. HOUGH: -- as she refers to them,
5 are -- are -- are the producing well -- already
6 producing well, is what I understand.

7 MR. FELDEWERT: I think it's the surface
8 location.

9 MR. HOUGH: Yeah. I believe so. I'm just
10 confirming so bear with me for one moment. I know it's
11 provided in here.

12 Yeah. She just provides that the shale
13 producers are indicated by the blue diamonds. I have to
14 understand that's your surface-hole location. I
15 could -- I could obviously confirm that as well.

16 MR. FELDEWERT: My ultimate question is:
17 The surface locations for the proposed wells are going
18 to be up there in the north half-north half of 12; is
19 that right?

20 MR. HOUGH: Yeah. I think that's correct.
21 I think we'll be good to refer to the C-102s on that.

22 MR. FELDEWERT: Okay.

23 MR. HOUGH: Let me double-check that.

24 That's correct. That's correct, based on
25 the C-102s.

1 MR. FELDEWERT: Okay.

2 And then again working backwards, if I go
3 to the B1 and B2 for the 10H dealing with the 2nd Bone
4 Spring Sand --

5 MR. HOUGH: So B1-10H?

6 MR. FELDEWERT: Uh-huh. And then B2-10H.
7 Put your fingers on there.

8 The question I have is: On the B2, I see
9 everything as a solid line for the producers.

10 MR. HOUGH: Okay.

11 MR. FELDEWERT: And then on B1, I see some
12 that are solid and some that are dashed, if I'm looking
13 at it correctly. Is there a distinction there? Do we
14 know if they depict drilled wells, or what's the
15 difference?

16 MR. HOUGH: I understand. So what you're
17 identifying is in B1-10H. Some of those lines --

18 MR. FELDEWERT: Appear to be dashed.

19 MR. HOUGH: -- appear to be dashed. Yeah.
20 Let me refer to Ms. Copley's affidavit. You know, I
21 don't know that that is covered here. Let's see here.

22 Yeah. She just provides that the 2nd Bone
23 Spring Sand producers are indicated by the orange
24 diamonds. I can't confirm at this time to the extent of
25 why some of those are dashed and others are not. I can

1 supplement on this stuff.

2 MR. FELDEWERT: Well, I don't -- just send
3 me an email.

4 My assumption is that the solid lines on B1
5 have been drilled, and perhaps the dashed lines are
6 platted, but I don't know that.

7 MR. DeBRINE: I think that's a reasonable
8 assumption, but we'll confirm.

9 MR. FELDEWERT: Yeah. Okay.

10 That's all. Thank you.

11 MR. BRUCE: I have no questions.

12 EXAMINER McMILLAN: Okay. The first
13 question I've got is my standard comment. You put too
14 much stuff on the maps. I always say this, so everyone
15 hears it. So next time, I would like to see a separate
16 map that show the cross section and then a separate map
17 that shows the structure maps. Don't use monotone
18 colors if you're going -- if you're going to get up here
19 and say, "We have a color display," actually provide the
20 data that shows that. So plan on resending those.

21 MR. HOUGH: Okay. We'll supplement those.
22 Just to be clear, Mr. Examiner, you want a map for the
23 cross section --

24 EXAMINER McMILLAN: Yeah. I want a map
25 that strictly shows the cross section, and then for your

1 structure maps and isopach maps, use colors, since you
2 said they were color and they're obviously not.

3 And I guess I was confused by Michael
4 Feldewert's questions. The only dashed lines I see out
5 here are the horizontal spacing units' boundaries.

6 MR. HOUGH: So what you'll see if you look
7 closely, on the lines falling from the square diamonds,
8 vertical lines, you'll see there is a dark blue with
9 some red-blue. Say, for instance, if you're looking in
10 the bottom right corner, there is a -- there is a list
11 of several lines there. So I think that's what he's
12 referring to. I can't speak for Mr. Feldewert, but
13 that's my understanding.

14 EXAMINER McMILLAN: Okay. If you had put
15 this on separate maps, there wouldn't be a problem,
16 so --

17 To clarify, the overhead rates are 7,000
18 and 700 for all the wells, right?

19 MR. HOUGH: Yes.

20 EXAMINER McMILLAN: Okay. And you're
21 pooling overriding plus -- overrides plus with working
22 interests?

23 MR. HOUGH: Correct.

24 EXAMINER McMILLAN: Anything else?

25 MR. FELDEWERT: No, sir.

1 MR. HOUGH: At this time I would like to
2 move for the admission of Ms. Copley's affidavit and the
3 corresponding exhibits.

4 MR. FELDEWERT: No objection.

5 EXAMINER McMILLAN: The geologist's
6 exhibits may be accepted as part of the record with the
7 required supplemental information.

8 MR. HOUGH: Thank you, Mr. Examiner.

9 (Cimarex Energy Company Exhibit B with Tabs
10 1 through 3 and Tabs 1 through 5 are
11 offered and admitted into evidence.)

12 EXAMINER McMILLAN: Why don't we just take
13 these cases under advisement, and then we'll take a
14 ten-minute break? Request that.

15 MR. HOUGH: Okay. Absolutely. Request
16 that -- I just want to include one last thing, I guess,
17 before I request that you take these under advisement.

18 EXAMINER McMILLAN: Okay.

19 MR. HOUGH: The last tab is just an
20 affidavit providing that us as representative for
21 Cimarex provided notice to all parties entitled to
22 notice. And attached to that affidavit is essentially
23 the report of everyone we mailed notice to, a report of
24 who received it. And, as we mentioned, there were two
25 that were lost, and as a result, we sought [sic] to

1 publication, which the Affidavit of Publication is
2 attached there as well. And that's for -- that process
3 is for both the 20162, the 10H well, because that was a
4 separate mailing than the remaining cases, 20301 through
5 20304. So there are two sets there providing proof that
6 we provided notice of this -- of this application and
7 hearing.

8 EXAMINER McMILLAN: Okay. Can you get a
9 little -- can you send us a cleaner copy of the 20301
10 because that --

11 MR. HOUGH: You want it lightened up?

12 EXAMINER McMILLAN: Just a better quality.

13 MR. HOUGH: I understand. I'm sure we
14 can -- I know we have original copy, so I'm sure we can
15 do something to lighten that up.

16 EXAMINER McMILLAN: That's fine.

17 MR. HOUGH: So with that, I'd like to move
18 admission of the last exhibit from myself and then the
19 attachments to that exhibit regarding mailing.

20 MR. FELDEWERT: No objection.

21 MR. BRUCE: No objection.

22 EXAMINER McMILLAN: Okay. So it is Exhibit
23 C, correct?

24 MR. HOUGH: Correct.

25 EXAMINER McMILLAN: So Exhibit C may now be

1 accepted as part of the record.

2 (Cimarex Energy Company Exhibit C is
3 offered and admitted into evidence.)

4 MR. HOUGH: With that, I would request the
5 Division take this matter under advisement.

6 EXAMINER McMILLAN: Any objections?

7 MR. FELDEWERT: No.

8 MR. BRUCE: No.

9 EXAMINER McMILLAN: Okay. So Case Number
10 20162 shall be taken under advisement. Case Number
11 20301 shall be taken under advisement. Case 20302 shall
12 be taken under advisement. Case 20303 shall be taken
13 under advisement, and Case 20304 shall be taken under
14 advisement with the required supplemental information.

15 Okay. Let's come back at 10:00.

16 MR. HOUGH: Thank you, Mr. Examiner.

17 (Recess, 9:44 a.m. to 10:00 a.m.)

18 EXAMINER McMILLAN: I'd like to call this
19 hearing back to order.

20 I would like to call Cases 20305 through
21 20308, application of Cimarex Energy Company for
22 compulsory pooling, Lea County, New Mexico, which is the
23 same title for 20306, 20307 and 20308.

24 Call for appearances.

25 MR. HOUGH: Lance Hough and Earl DeBrine on

1 behalf of Cimarex Energy Company.

2 EXAMINER McMILLAN: Any other appearances?

3 MR. FELDEWERT: May it please the examiner,
4 Michael Feldewert, with the Santa Fe office of Holland &
5 Hart, appearing on behalf of Devon Energy Company.

6 MR. BRUCE: Mr. Examiner, Jim Bruce of
7 Santa Fe representing ConocoPhillips Company.

8 EXAMINER McMILLAN: Please proceed.

9 MR. HOUGH: Let me first just note, for the
10 convenience of the hearing examiner, we have a cover
11 sheet, and then just behind that, a list of all the
12 exhibits we'll be referring back to at a later time or
13 during this. I just wanted to point that out.

14 I first want to start with the landman's
15 affidavit and his exhibits. And this affidavit is
16 behind Tab A in your packet. The landman involved here
17 on these four cases is Cody Elliott. He has previously
18 been qualified to testify by the Division as an expert
19 in petroleum land matters. His credentials were
20 accepted as a matter of record by the Division. He's
21 familiar with these four applications and the land
22 matters involved with them.

23 For each of these cases, they involve a
24 request for an order from the Division for compulsory
25 pooling of interests of owners who have refused to

1 voluntarily pool their interests for the Wolfcamp
2 horizontal spacing units. And prior to filing each
3 application, Cimarex has made a good-faith effort to
4 obtain voluntary joinder of the working interest owners,
5 as well as Mr. Elliott provides in his affidavit that he
6 identified all the working interests and overriding
7 royalty interest owners from the title opinion. And to
8 locate those owners, he conducted a diligent search of
9 public records in the county where the wells are located
10 and conducted phone directory and computer Internet
11 searches to locate the project information for parties
12 entitled to notification and mailed all working interest
13 owners well proposals, including AFEs and a form of
14 operating agreement to those that requested them, and no
15 opposition is expected on this.

16 Cimarex provided all the working interest
17 owners and unleased mineral interest owners and
18 overriding royalty interest owners with notice of these
19 applications, published the notice of the hearing of
20 these applications in a newspaper of general circulation
21 in the county, and none have entered opposition to the
22 applications.

23 And, again, attached behind the affidavit
24 is what has been labeled as A-0. This is a locator map
25 outlining the location for the Wolfcamp horizontal

1 spacing units subject to these applications, and, again,
2 this is approximately 26 miles southwest of Hobbs,
3 New Mexico. You can see the spacing units located there
4 on the map outlined in red.

5 And Mr. Elliott has also provided several
6 exhibits to provide the factual support for each
7 compulsory pooling application, so I'd like to go
8 through these now.

9 For the first Case, 20305, you'll find
10 under the next tab a tab labeled Tab 1, is an exhibit
11 labeled A1-8H. This is an application seeking an order
12 from the Division to pool all uncommitted mineral
13 interests in the Wolfcamp horizontal spacing unit under
14 the west half-west half of Sections 12 and 13. This
15 would be dedicated to the well named Dos Equis 12-13
16 Federal Com 8H.

17 Under the next tab, Number 2, you'll find
18 what's labeled as Exhibit A2-8H, and that is the
19 proposed C-102 for this well for the development of the
20 Wolfcamp Pool. Been able to provide this one. It's
21 WC025G08S243213C, with a pool code of 98309. This is
22 well will -- the producing intervals will be orthodox
23 and will comply with the Division's setback
24 requirements.

25 Under the next tab, Number 3, you'll find

1 what's labeled as Exhibit A3-8H. This is a lease tract
2 map outlining the unit to be pooled and the working
3 interest owners being pooled, and the percentage of
4 their interests is also included as part of this
5 exhibit. And there are no depth severances within this
6 proposed spacing unit.

7 Under the next tab, Exhibit A4, this is a
8 sample well-proposal letter that was sent to each of the
9 interest owners seeking their voluntary participation to
10 this well. This one in particular was provided to Devon
11 Energy.

12 Under the next tab, which is Number 5,
13 you'll see it's labeled as A5-8H. This is the
14 Authorization for Expenditures provided and estimated
15 cost of \$12,862,728. And Mr. Elliott provides that's
16 fair and reasonable and is comparable to the cost of
17 other wells of similar depth, length and completion
18 method being drilled in this area.

19 Then I'll move on to the next case. That's
20 20306. And under that first tab there is what's labeled
21 A1-47H. And this is for an order from the Division
22 pooling all uncommitted mineral interests within the
23 Wolfcamp horizontal spacing unit underlying the east
24 half-west half of Sections 12 and 13, and this would be
25 dedicated to the well named Dos Equis 12-13 Fed Com 47H.

1 The next tab labeled 2, you'll find the
2 proposed C-102 there. That has the same -- it's for a
3 Wolfcamp Pool, same pool that I mentioned in the last
4 applications. This is code number 98309.

5 Under the next tab, you'll find what's
6 labeled as Exhibit A3-47H. This is the lease tract map
7 again outlining the area to be pooled, as well as the
8 working interest owners to be pooled and their
9 percentage of interest.

10 The next tab, Number 4, is Exhibit A4-47H.
11 This is the well-proposal letter that was sent to all
12 interest owners -- or a sample of it. This one is to
13 Devon.

14 Under Exhibit 5, you'll find Exhibit A5-8H.
15 This is the AFE for this well again providing the same
16 amount of 12,860,728. And this well's producing
17 intervals will be orthodox and comply with Division
18 setback requirements, and there are no depth severances
19 for the proposed Wolfcamp spacing unit.

20 Move on to the next case. Under Tab 1,
21 you'll see an exhibit labeled A1-73H. And this is the
22 application for an order from the Division pooling all
23 uncommitted mineral interests within the horizontal
24 spacing unit under the east half-west half of Sections
25 12 and 13. I'm sorry. That's not the right section.

1 I think it was the west half-east half -- sorry. West
2 half-east half, and this is for a well named Dos Equis
3 12-13 Fed Com 73H.

4 Under the next tab, Tab Number 2, you'll
5 find what is labeled A2-73H. This is the proposed C-102
6 for the well. And this is for the same Wolfcamp Pool,
7 pool code number 98309. The lease tract map is under
8 the next tab, Number 3. It's labeled A3-73H. Again,
9 this provides an outline of the unit to be pooled, the
10 working interest owners being pooled and the percentage
11 of their interest.

12 Under Tab 4 is the sample well-proposal
13 letter sent to all working interest owners here to seek
14 their voluntary participation in the well. And the
15 Number 5 -- the Number 5 tab, if you turn, is Exhibit
16 A5-73H. This is the Authorization for Expenditure, the
17 AFE. It has the same amount here of -- for drilling
18 this well is 12,862,728. And Mr. Elliott also provides
19 that this is fair and reasonable and is comparable to
20 the cost of other wells of similar depth, length and
21 completion method being drilled in this area. This
22 well, too -- the completed intervals will be orthodox
23 and comply with the Division setback requirements, and
24 there are no depth severances within this proposed
25 Wolfcamp spacing unit.

1 Moving on now to the next case, Tab Number
2 1 you have there. This is Case 20307, and it's
3 labeled -- the first exhibit is labeled Exhibit A1-86H.
4 The application is seeking an order from the Division
5 pooling all uncommitted mineral interests within a
6 Wolfcamp spacing unit underlying the west half-east half
7 of Sections 12 and 13, and this spacing unit will be
8 dedicated to the well named Dos Equis 12-13 Fed Com 86H.

9 And the next tab you'll find is the exhibit
10 labeled A2-86H. This is the proposed C-102 for -- this
11 will be the same pool, a wildcat pool -- I'm sorry -- a
12 wildcat Wolfcamp, providing the C-102, and it's the same
13 pool code number, 98309.

14 Moving to the next tab -- moving to the
15 next tab --

16 And that's under the east half-east half of
17 Sections 12 and 13. I just wanted to clarify that.

18 The next tab is Exhibit A3-86H. This is a
19 lease tract map. It provides again an outline of the
20 unit to be pooled with the working interest owners being
21 pooled and the percentage of their interest.

22 Moving on to Tab Number 4, this is the
23 well-proposal letter sent to all working interest owners
24 in this matter. This one, again, sent to Devon Energy.

25 Under the next tab, Number 5, you'll see

1 the Authorization for Expenditure on this well, Number
2 86H, and it's 12,862,728. And for this well -- the
3 producing interval for the wells will be orthodox and
4 comply with the Division setback requirements, and there
5 are no depth severances within the proposed Wolfcamp
6 spacing unit.

7 Mr. Elliott also provides in his affidavit
8 that Cimarex requests administrative and overhead rates
9 of 7,000 a month during drilling and 700 a month while
10 producing. He provides that these rates are fair and
11 comparable to the rates charged by other operators in
12 this area of southeast New Mexico and consistent with
13 the rates awarded by the Division in recent pooling
14 orders similar to what -- these rates be adjusted
15 periodically as provided in the COPAS accounting
16 procedure. Cimarex requests that it should be allowed
17 to recover these costs for drilling, completing and
18 equipping each of these wells and a 200 percent risk
19 charge be assessed against nonconsenting pooled working
20 interest owners. He provides that Cimarex requests that
21 it be designated operator of the wells and be allowed a
22 period of one year between when the wells are drilled
23 and when the first well is completed under the order.

24 He also provides that Cimarex is seeking
25 a -- the parties Cimarex is seeking to pool were

1 notified of this hearing. And Cimarex requests the
2 overriding royalty interest owners also be pooled, and
3 that based upon his knowledge of the land matters
4 involved in this particular case, and his education,
5 training and experience, it is his expert opinion that
6 granting Cimarex's applications in these cases is in the
7 interest of conservation and the prevention of waste.
8 He also provides that his affidavit was prepared -- his
9 affidavit and exhibits were prepared by him and compiled
10 from company business records.

11 So with that, I will take any questions in
12 regards to the land exhibits.

13 MR. FELDEWERT: I have no questions.

14 MR. BRUCE: No questions.

15 EXAMINER McMILLAN: Okay. Are there any
16 unlocatable interests?

17 MR. HOUGH: So it would be the same as had
18 we discussed for the prior exhibit, because it was the
19 same mailing. There were two -- we had identified
20 previously the mailings that were lost, one to
21 ConocoPhillips as noted is here. And the Bureau of Land
22 Management, that mailing was lost, and our office had
23 provided publication subsequent to that.

24 EXAMINER McMILLAN: Do you have anything,
25 David?

1 EXAMINER BROOKS: I have nothing.

2 EXAMINER McMILLAN: The status is that
3 these are all proposed wells, correct?

4 MR. HOUGH: Yes.

5 EXAMINER McMILLAN: No API number, correct?

6 MR. HOUGH: No.

7 EXAMINER McMILLAN: Okay. With that,
8 Mr. Examiner, at this time I would like to move
9 admission of the affidavit of the landman, Cody Elliott,
10 and his corresponding exhibits.

11 MR. FELDEWERT: No objection.

12 MR. BRUCE: No objection.

13 EXAMINER McMILLAN: Okay. So the landman
14 affidavit and exhibits may now be accepted as part of
15 the record.

16 (Cimarex Energy Company Exhibit A with
17 Tabs 1 through 5 for each case are offered.
18 and admitted into evidence.)

19 MR. HOUGH: Thank you.

20 With that, I'll move on to the geology
21 portion for these cases. So I'll turn you to the next
22 tab, which should be under B in your packet. You'll see
23 an affidavit from the geologist in this case, Lauren
24 Copley. She has been qualified by the Division as an
25 expert petroleum geologist, and her credentials were

1 accepted as a matter of record by the Division. She has
2 conducted a geological study of the area that
3 encompasses the Cimarex applications in this case and
4 she provides that she's familiar with the geological
5 matters involved in these cases.

6 EXAMINER McMILLAN: Any objections?

7 MR. FELDEWERT: No objections.

8 EXAMINER McMILLAN: Please proceed.

9 MR. HOUGH: So as part of Ms. Copley's
10 study, she has prepared several geological exhibits with
11 respect to the horizontal unit. She's explained up here
12 in her affidavit, so we'll walk through them one by one
13 as we have been.

14 We'll start with -- and, again, these
15 exhibits are for all the Wolfcamp wells so that would
16 be -- the names are Dos Equis 12-13 Federal Com 8H, 47H
17 73H and 86H.

18 So beginning on the next tab, Number 1,
19 there is an exhibit with a cover sheet there indicating
20 which wells these are representing, and this is -- the
21 first exhibit is labeled B1-8H-86H. It's a structure
22 map on the top of the Wolfcamp Formation, and this
23 shows -- you can see, as we had discussed in the last
24 hearing, the diamonds are there for prior producers in
25 the Wolfcamp area, somewhat of the same color for the

1 formation. And this map also identifies the sections to
2 be developed with a purple dotted line. It's really
3 around 12 and 13. Highlighted there, you'll see yellow.
4 It also provides a cross section, A to A. She provides
5 that this shows the structure map dips slightly to the
6 east and southeast.

7 Under the next tab, you'll see Exhibit
8 B2-8H-86H, and the net porosity map for the Upper
9 Wolfcamp Formation. It shows the porosity is relatively
10 consistent across the sections proposed to be developed.

11 Under the next tab, 3, you'll find Exhibit
12 B3-8H-86H, and this is the proposed development map in
13 the Upper Wolfcamp Formation. And this identifies the
14 proposed wells located by vertical purple lines. And,
15 again, this is for the whole development plan in this
16 area.

17 The next tab you'll see is Exhibit
18 B4-8H-86H. This is the stratigraphic cross section of
19 the Upper Wolfcamp Formation hung on the top of the
20 Wolfcamp from -- you'll see that there are three well
21 logs on the cross section that give a representative
22 sample of the Upper Wolfcamp Formation in the area and
23 the target zones, and it's the Wolfcamp Y Sand and the
24 Wolfcamp A-1. These two target zones are shown by two
25 orange-shaded zones, and these zones are relatively

1 consistent across the unit. There are also some lines
2 indicated where those wells fall within the target
3 zones.

4 Under the next tab, Number 5, you'll see
5 Exhibit B5-86 -- I'm sorry -- B5-8H-86H. This is the
6 Wolfcamp development diagram shown as Copley provides, a
7 gun-barrel view of the proposed development plan. And
8 this shows the plan developed the Upper Wolfcamp in a
9 stack-stagger pattern. This is the full development
10 plan for this area.

11 In the next divider, you'll see Exhibit
12 B-0. These are the wellbore diagrams for all the wells
13 in these cases. And Ms. Copley provides here in her
14 affidavit that based upon her study as illustrated in
15 these exhibits and her knowledge of the geology in the
16 area and education and training, it's her expert opinion
17 that the horizontal spacing unit in these cases are
18 justified from a geological standpoint. There are no
19 structural impediments or faulting that will interfere
20 with the proposed horizontal development, and each
21 quarter-quarter section of the unit will contribute more
22 or less equally to production.

23 She also provides that the preferred well
24 orientation in this area is north to south and that the
25 produced intervals for each of these wells in these

1 cases will be orthodox and comply with Division setback
2 requirements.

3 And I anticipate that Division would like
4 some supplements on some of these maps --

5 EXAMINER McMILLAN: Yes.

6 MR. HOUGH: -- consistent with prior
7 interest?

8 But with that, I'll take any questions on
9 this at this time.

10 MR. FELDEWERT: No questions. Oh, wait.

11 EXAMINER McMILLAN: Cross?

12 MR. FELDEWERT: I have no questions.

13 EXAMINER McMILLAN: Jim?

14 MR. BRUCE: No questions.

15 EXAMINER McMILLAN: I have a question. I
16 guess it's Exhibit B3-8H through 86H. So you're
17 compulsory pooling all the different horizontal spacing
18 units, which is four wells, but you're proposing
19 ultimately eight wells, right?

20 MR. HOUGH: Yeah. As part of the
21 applications that have been submitted today, totality,
22 it would be eight wells as proposed today and then the
23 four that we're discussing at this time.

24 EXAMINER McMILLAN: Are going to be the
25 wells dedicated to the horizontal spacing units, and

1 then the subsequent wells will be the infill wells,
2 correct?

3 MR. HOUGH: That's correct.

4 EXAMINER McMILLAN: I guess the other
5 question is: Why didn't you just have two compulsory
6 poolings instead of four?

7 MR. HOUGH: You know, I think a portion of
8 it is because the original wells are located right down
9 the middle of each quarter section.

10 EXAMINER McMILLAN: Yeah.

11 MR. HOUGH: You know, to my understanding,
12 you're not able to bring in the neighboring tract.

13 EXAMINER McMILLAN: If it's less than 330
14 feet -- 330 feet or less from the boundary of the
15 quarter-quarter section, you can pull in the
16 participating tracts. I was just curious why they
17 didn't do that.

18 MR. HOUGH: That's -- that's just as they
19 were proposed, so I just understand that the original
20 well was going down right down the middle. That's my
21 only explanation there.

22 EXAMINER McMILLAN: Okay.

23 EXAMINER BROOKS: I have no questions.

24 EXAMINER McMILLAN: Okay.

25 MR. HOUGH: I just want to be clear. In

1 terms of supplementing -- or in terms of the supplement
2 consistent with your earlier representation and that was
3 to separate the cross-section reference map from the
4 structure map and then update the colors for the
5 structure map?

6 EXAMINER McMILLAN: Yeah. Put a little
7 thought into it.

8 MR. HOUGH: Okay. With that, at this time
9 I'd like to move for the admission of the affidavit of
10 the geologist, Lauren Copley, and her corresponding
11 exhibits.

12 MR. FELDEWERT: No objection.

13 MR. BRUCE: No objection.

14 EXAMINER McMILLAN: Okay. The geologist's
15 exhibits and affidavit may now be accepted as part of
16 the record.

17 (Cimarex Energy Company Exhibit B with Tabs
18 1 through 5 are offered and admitted into
19 evidence.)

20 MR. HOUGH: Thank you, Mr. Examiner.

21 I'd like to move on to the last component
22 here. It's behind Tab Number [sic] C, labeled Exhibit
23 Number [sic] C. This is an affidavit by myself as the
24 authorized representative of Cimarex Energy that we've
25 provided notice to all of the parties entitled to notice

1 of the application and hearing. Attached to this as
2 evidence is a list of the certified mailings being
3 conducted, and there is the report of the status of
4 those certified mailings, as we briefly discussed
5 earlier, providing that all were delivered except two,
6 one that was lost to ConocoPhillips Company and another
7 one lost to the Bureau of Land Management. And provided
8 is an Affidavit of Publication, the same one that we had
9 covered earlier, and we will supplement with a lighter
10 one that is more readable due to the color issues on
11 this copy.

12 EXAMINER McMILLAN: Yes.

13 MR. HOUGH: With that, I'd like to move for
14 the admission of Exhibit C and the corresponding
15 attachments.

16 MR. FELDEWERT: No objection.

17 MR. BRUCE: No objection.

18 EXAMINER McMILLAN: Exhibit C may now be
19 accepted as part of the record.

20 (Cimarex Energy Company Exhibit C is
21 offered and admitted into evidence.)

22 MR. HOUGH: Are there any further questions
23 on this?

24 EXAMINER McMILLAN: No.

25 MR. HOUGH: With that, I'd like to request

1 the Division take this matter under advisement.

2 MR. FELDEWERT: Mr. Examiner, Devon Energy
3 Production Company has no objection to that and further
4 states that they actually support these pooling
5 applications that have been presented by Cimarex today.

6 MR. BRUCE: No comment.

7 EXAMINER McMILLAN: Okay. So Case 20305
8 shall be taken under advisement. 20306 shall be taken
9 under advisement. 20307 shall be taken under
10 advisement, and 20308 shall be taken under advisement
11 with the supplemental information.

12 MR. HOUGH: Yes. Thank you, Mr. Examiner.

13 MR. FELDEWERT: Thank you.

14 EXAMINER McMILLAN: That does it for this
15 hearing.

16 (Case Numbers 20162 and 20301 through 20308
17 conclude, 10:26 a.m.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, Certified Court
6 Reporter, New Mexico Certified Court Reporter No. 20,
7 and Registered Professional Reporter, do hereby certify
8 that I reported the foregoing proceedings in
9 stenographic shorthand and that the foregoing pages are
10 a true and correct transcript of those proceedings that
11 were reduced to printed form by me to the best of my
12 ability.

13 I FURTHER CERTIFY that the Reporter's
14 Record of the proceedings truly and accurately reflects
15 the exhibits, if any, offered by the respective parties.

16 I FURTHER CERTIFY that I am neither
17 employed by nor related to any of the parties or
18 attorneys in this case and that I have no interest in
19 the final disposition of this case.

20 DATED THIS 15th day of July 2019.

21

22

23 MARY C. HANKINS, CCR, RPR
24 Certified Court Reporter
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2019
Paul Baca Professional Court Reporters

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