

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 Company
for horizontal spacing units and
compulsory pooling, Lea County, New Mexico

Case No. 22754
22755
22756

TRANSCRIPT OF PROCEEDINGS

May 5, 2022

EXAMINER HEARING

This matter came on for hearing before the New Mexico Oil Conservation Division, William Brancard, Esq., Hearing Examiner, Dean McClure, Technical Examiner, on May 5th, 2022, via Webex Virtual Conferencing Platform hosted by the New Mexico Energy, Minerals and Natural Resources Department

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A P P E A R A N C E S

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For Cimarex Energy Company:

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I N D E X

Cases called	3:1
Summary of cases and exhibits	4:1
Cases continued	14:25
Court Reporter's Certificate	16:1

1 (Time noted as 10:53 a.m.)

2 EXAMINER BRANCARD: With that, I'll call case --
3 it looks like maybe three cases here, Cases 22754, 22755,
4 22756.

5 MR. SAVAGE: Mr. Examiner, Darin Savage, with
6 Abadie & Schill, appearing on behalf of Cimarex Energy
7 Company.

8 EXAMINER BRANCARD: Do I have an entry from
9 E.G.L. Resources?

10 MR. PADILLA: Mr. Examiner, Ernest L. Padilla for
11 E.G.L. Resources, Inc., and we do not have an objection to
12 an affidavit proceeding.

13 EXAMINER BRANCARD: Thank you. MRC Permian
14 Company?

15 MR. RANKIN: Mr. Examiner, Adam Rankin, with
16 Holland & Hart Santa Fe office, appearing on behalf of MRC
17 Permian Company.

18 EXAMINER BRANCARD: And does MRC Permian have any
19 objection to this case going forward by affidavit?

20 MR. RANKIN: No objection to the case going
21 forward by affidavit, no objection to the exhibits, and no
22 questions for Mr. Savage.

23 EXAMINER BRANCARD: Thank you. Any other persons
24 for Cases 22754, -755, -756?

25 Hearing none, Mr. Savage, you may proceed.

1 MR. SAVAGE: Thank you, Mr. Examiner.
2 Consolidated Case Numbers 22754, 22755, and 22756 cover
3 lands in the W/2 of Sections 21 and 28, Township 19 South,
4 Range 34 East, in Lea County, New Mexico. The landman for
5 these cases, John Coffman, has not testified previously
6 before the Division as an expert witness. He graduated in
7 2018 from Texas Tech University with a Bachelor's in
8 Business Administration and emphasis in energy commerce.
9 Mr. Coffman has worked for Cimarex for approximately four
10 years, all in New Mexico. His resume is attached to his
11 affidavit for the Examiner's review, and we ask that he be
12 accepted as an expert witness in petroleum land matters.

13 EXAMINER BRANCARD: Any objections?

14 Hearing none, he's so accepted as an expert.

15 MR. SAVAGE: Thank you. The geologist in these
16 cases, Staci Mueller, has testified before the Division as
17 an expert witness, and her credentials have been accepted
18 and made a matter of record.

19 In Case 22754, Cimarex seeks an order creating a
20 standard 320 spacing unit comprised of the W/2 E/2 of
21 Sections 21 and 28, and pooling all uncommitted interest
22 owners, record title owners, and overriding royalty interest
23 owners in the Quail Ridge; Bone Spring formation, Pool Code
24 50460 from 10,527 feet to the bottom of said formation,
25 which encompasses the third Bone Spring underlying the unit.

1 The depth severance accounts for differences in owners
2 between the third Bone Spring and the first and second Bone
3 Spring. It is described in Paragraph 10 of the landman
4 affidavit. The unit will be dedicated to the Mescalero
5 Ridge 21-28 Federal Com 2H well as an initial well.
6 Orientation of the unit is stand up north to south, and the
7 well is orthodox in its location.

8 Mr. Coffman's Exhibit A for case 22754 includes his
9 landman affidavit, the C-102, and ownership breakdown, the
10 well proposal letter with AFE and chronology of contacts.
11 Ms. Mueller's Exhibit B for this case includes her affidavit
12 along with the five standard geology exhibits that show good
13 potential for development as described in her affidavit.
14 Exhibit C provides the affidavit of notice for mailing and
15 publication notice, the notice letters were timely sent to
16 overriding royalty interest owners were returned as
17 undeliverable, 13 letters to overriding royalty interest
18 owners are still listed in transit.

19 Cimarex published this in Hobbs News-Sun; however, the
20 newspaper bumped our anticipated date of publication back a
21 day, resulting in it being a day late. Cimarex notified the
22 Division of this concern in its prehearing statement and
23 asked that after hearing the remainder of these cases, that
24 the cases be taken under advisement subject to the
25 Division's discretion to grant additional time to then cure

1 the publication notice issue.

2 Both Mr. Coffman and Ms. Mueller affirm that the
3 approval of this application is in the best interest of
4 conservation, protection of correlative rights, and
5 prevention of waste and will prevent the drilling of
6 unnecessary wells.

7 In the next case, 22755, Cimarex seeks an order
8 creating a standard 320-acre spacing unit comprised of the
9 W/2 east -- W/2 E/2 of Section 21 and 28, and pooling all
10 uncommitted interest owners, the record title owners, and
11 overriding royalty owners in the Quail Ridge; Bone Spring
12 formation, again pool Code 50460 underlying the unit from
13 the top of the pool at 8,085 feet to a depth of 10,527 feet,
14 that being the base of the second Bone Spring. The depths
15 that runs, again, accounts for differences in ownership.

16 The unit will be dedicated to the Mescalero Ridge
17 21-28 Federal Com 3H and 5H wells as initial wells.
18 Orientation of the unit is stand up north to south and the
19 well is orthodox -- the wells are orthodox in their
20 locations. Mr. Coffman's Exhibit A for Case 22755, again,
21 includes his landman affidavit, the C-102s, the ownership
22 breakdown, well proposal letters with AFE, and the
23 chronology of contacts.

24 Ms. Mueller's Exhibit B for this case includes her
25 affidavit along with the five standard geology exhibits that

1 show good potential for development, as she describes.
2 Exhibit C provides the affidavit of notice for mailings and
3 publication notice. The notice letters were timely sent.
4 Two overriding royalty interest owners were returned as
5 undeliverable, 13 letters to override owners are still in
6 transit.

7 Again, Cimarex published notice, but it was a day
8 late, having been dumped from the anticipated publication
9 date, and we ask the Division to exercise discretion and
10 allowing us to cure that issue. Both Mr. Coffman and
11 Ms. Mueller affirm that the approval of this application is
12 in the best interest of conservation, protection of
13 correlative rights, and the prevention of waste and will
14 prevent the drilling of unnecessary wells.

15 And, finally, in the last case in this series, Case
16 22756 Cimarex seeks an order creating a standard 320-acre
17 spacing unit comprised of the E/2 E/2 of Sections 21 and 28,
18 and pooling all uncommitted interest owners, record title
19 owner and overriding royalty owners in the Quail Ridge; Bone
20 Spring formation, pool Code 50460, from the top of the pool
21 at 8,085 feet to a depth of 10,527 feet encompassing the
22 first and second Bone Spring. And, again, the depth
23 severance accounts for differences in ownership as described
24 in Paragraph 10 of the landman affidavit.

25 The unit will be dedicated to the Mescalero Ridge

1 21-28 Federal Com 4H and 6H wells as initial wells.
2 Orientation is stand up north to south, and the wells are
3 orthodox in their location. Mr. Coffman's exhibit for this
4 case includes the land man affidavit, the C-102s, and
5 ownership breakdown, the well proposal letters and AFEs, and
6 the chronology of contacts.

7 In this particular unit, Cimarex owns and operates an
8 existing well, the Mescalero Ridge 21 Federal 1H, whose unit
9 covers the Bone Spring formation in the E/2 E/2 of
10 Section 21, and it owns and operates an existing -- another
11 existing well, the Cordoniz 28 Federal Com 4H, whose unit
12 covers the Bone Spring and the E/2 E/2 of Section 28.
13 Cimarex requests approval for these partially overlapping
14 units.

15 Ms. Mueller's Exhibit B for this case includes her
16 affidavit along with the five standard geology exhibits that
17 show good potential for development, as she describes in her
18 affidavit, and Exhibit C provides the affidavit of notice
19 for mailings and publication. Notice letters were timely
20 sent. Two overriding royalty interest owners were returned
21 as undeliverable, and 13 letters to overriding royalty
22 interest owners are listed as in transit. Again, we have
23 the publication notice with the Hobbs Sun-News [sic] having
24 been tardy for a day and we'd ask for consideration to cure
25 this issue.

1 Both Mr. Coffman and Ms. Mueller affirm that the
2 approval of this application is in the best interest of
3 conservation, protection of correlative rights, and the
4 prevention of waste and will prevent the drilling of
5 unnecessary wells.

6 Mr. Examiner, at this time I move that Exhibits A, B,
7 C and C [sic] and all subexhibits in Cases 22574, 22575, and
8 22576 be accepted into the record and that the cases be
9 taken under advisement subject to the publication notice
10 concern. I'm available for questions. Thank you.

11 EXAMINER BRANCARD: Thank you.

12 Mr. Padilla, did you have any questions?

13 MR. PADILLA: No questions.

14 EXAMINER BRANCARD: Mr. McClure?

15 TECHNICAL EXAMINER McCLURE: Yes. Mr. Savage,
16 essentially all three of these cases, they're the same
17 spacing unit, same pool, just different depths of the Bone
18 Spring. Is that essentially correct?

19 MR. SAVAGE: Two of them are in the W/2 E/2 and
20 one -- and the other one is in the E/2 E/2. Two of them --
21 one of them has a depth severances pools the third Bone
22 Spring and the other two have depth severances that pool the
23 first and second Bone Spring, but -- so that's -- yeah, so
24 they -- they cover -- yeah, that would be a correct
25 description of those.

1 TECHNICAL EXAMINER McCLURE: Okay. Very good.

2 That was my only question, Mr. Brancard. I'm -- I'm
3 assuming that you'll be discussing whether we're continuing
4 or taking under advisement, I guess.

5 EXAMINER BRANCARD: Yes, we will.

6 MR. SAVAGE: Sounds ominous, Mr. Examiner.

7 EXAMINER BRANCARD: Oh, I'm just trying to look at
8 your depth severance here. Okay. I'm looking at -756, and
9 it's 8,085 measured depth to 10,527?

10 MR. SAVAGE: That's correct. That's case -- I'm
11 sorry; repeat that case.

12 EXAMINER BRANCARD: That was -56.

13 MR. SAVAGE: -56.

14 EXAMINER BRANCARD: And the other depth severance
15 was in which case? They're all depth severances, I guess.

16 MR. SAVAGE: They're all depth severances. -56 it
17 looks like encompasses the first and second Bone Spring and
18 that is the 8,000 -- approximately 8,000 to 10,000; and then
19 to the -55, Paragraph 10 again, this one is also the first
20 and second Bone Spring. That's the same depth,
21 approximately 8,000 to 10,000; and then the -54 is the one
22 that picks up the third Bone Spring, and that is from the
23 approximately 10,000 to the base of the pool, if that makes
24 sense to you in how I described it.

25 EXAMINER BRANCARD: No, it does, but there's no

1 depth to the bottom of the pool specified. You didn't need
2 to, but --

3 MR. SAVAGE: The third one -- in Case 22754 --

4 TECHNICAL EXAMINER McCLURE: You describe it as to
5 the bottom of the Bone Spring, is how it's described in your
6 affidavit.

7 MR. SAVAGE: To a depth of 10,768 feet would be
8 the bottom of the --

9 EXAMINER BRANCARD: Right, that's what I was
10 looking for. So that's Paragraph 10.

11 MR. SAVAGE: Paragraph 10 in Case 22754.

12 EXAMINER BRANCARD: So 10527, 10768, by my math,
13 that's 241 feet.

14 MR. SAVAGE: Well, that is the -- Mr. Examiner,
15 that's the numbers that we were provided on that. Does that
16 sound like a challenge?

17 EXAMINER BRANCARD: I don't know. I mean, do
18 these fractures go up and down, Mr. Savage, or do they just
19 go sideways?

20 MR. SAVAGE: Yeah, there's variation in there.

21 EXAMINER BRANCARD: So they go up and down, that's
22 not a lot of room.

23 MR. SAVAGE: That's what the engineers of Cimarex
24 provided with me. So I have to -- you know, I have to rely
25 on their expertise. I mean, they're the ones taking the

1 risk that would -- as they navigate that. I -- if -- if
2 we -- I will certainly -- I would certainly, you know, ask
3 them to make sure that they are good with that, and if they
4 find out that -- that they might need to amend it, I guess
5 we could amend it similar to adding working interest if
6 that's necessary or amending the specifications, but this is
7 what -- the specifications that we were given.

8 EXAMINER BRANCARD: I --

9 Mr. McClure, I defer to you on geologic matters. I'm
10 just a lawyer.

11 TECHNICAL EXAMINER McCLURE: I would say,
12 Mr. Brancard, you bring up a good point. I hadn't realized
13 how tight we were looking at here. You mentioned the
14 verticality of the fracturing, but in addition to that, what
15 Mr. Savage was maybe interpreting was how a lateral is
16 actually going to land because, in all reality, I mean, they
17 could be slightly off on their lateral to miss these depths,
18 too, somewhat, but it's an interesting concept for sure. I
19 don't know what you want to do here, though, with it.

20 EXAMINER BRANCARD: I don't know. It may be more
21 of an issue to handle at the APD stage.

22 MR. SAVAGE: Certainly.

23 TECHNICAL EXAMINER McCLURE: So, yeah, as far as
24 the vertical depth, essentially something at the APD stage,
25 we'll just have to make sure that we are within it, I would

1 think, otherwise I don't know if we'd have to downhole
2 commingle between two different areas. That would be
3 interesting, but I mean, the general concept, I guess, of
4 having your fractures having verticality to them and having
5 a setback, vertically speaking, I don't think we currently
6 have a limitation in the Administrative Code currently on
7 that, so it's kind of two different issues here, I guess,
8 but I don't know if you want to address them, I guess, at
9 this point or not.

10 EXAMINER BRANCARD: Well, that's correct,
11 Mr. McClure, the horizontal rule just assumes that all
12 fractures just go sideways, so --

13 TECHNICAL EXAMINER McCLURE: Exactly. And so if
14 the -- the well bore were to get out of target formation
15 here, then that would probably be where we'd be looking at
16 some sort of downhole commingling, I guess. I'm not sure
17 how else you'd go about doing it, unless we did come back
18 and amend the lease or the pool here, and they'd have to
19 change the pooling agreement accordingly.

20 MR. SAVAGE: Mr. Examiner, it seems like it would
21 be similar to situations where we drill into the Bone Spring
22 and then close to the Wolfcamp and veer off and penetrate
23 part of the Wolfcamp. I have seen situations where they've
24 gone back and made adjustments to create a Wolf-Bone
25 scenario those -- I mean, I hope that we wouldn't have to do

1 something like that, but it seems like there's some
2 procedures in place that could account for that if there
3 need to be adjustments.

4 TECHNICAL EXAMINER McCLURE: Well, typically when
5 we vary from the Wolfcamp -- I'm mean, unless there's
6 something geological where it's hard to get a target and
7 actually determine the target is what you're referring to by
8 the -- the Wolf-Bone, but I was going to say in other
9 instances where we just had a mishap while drilling the well
10 and we went into the Wolfcamp into the Bone Spring, and vice
11 versa, we typically have just given a downhole commingle
12 permit, but here, we have different ownerships where it
13 ain't identical making the determination as to how much
14 production is coming from either one of the pooled areas
15 would be interesting for sure, so hopefully it doesn't
16 occur, I guess, would be my thought.

17 EXAMINER BRANCARD: Okay. All right. So with
18 that, are there any other interest -- comments of interested
19 persons in Cases 22754, 22755, 22756?

20 Mr. Padilla, do you have any comments?

21 MR. PADILLA: No.

22 EXAMINER BRANCARD: Thank you.

23 MR. PADILLA: That is a touchy issue on the depths
24 efforts.

25 EXAMINER BRANCARD: Yes, it is. All right. So

1 with that, Cases 22754, 22755, 22756, the exhibits will be
2 admitted into the record. These cases will be continued to
3 May 19th to deal with the notice issue on the publication of
4 the notice, see if anybody else jumps in.

5 MR. SAVAGE: Thank you, Mr. Examiner. I have --
6 oh, excuse me.

7 EXAMINER BRANCARD: Mr. Savage, we will do the
8 continuance. You don't need to file.

9 MR. SAVAGE: Okay. That was my question. Thank
10 you.

11 (Proceedings concluded at 11:14 a.m.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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REPORTER'S CERTIFICATE

I, SHANON R. MYERS, New Mexico Certified Court Reporter, CCR #275, do hereby certify that I reported the foregoing virtual proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings to the best of my ability.

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

I FURTHER CERTIFY that the virtual proceeding was of extremely poor to good quality.

Dated this 2nd day of June 2022.

/s/ Shanon R. Myers

SHANON R. MYERS, CCR, RPR, CRR, RMR, CRC
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