

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:

CASE NOS: 22891-22893

APPLICATION OF CIMAREX ENERGY CO.,
FOR A HORIZONTAL SPACING UNIT AND
COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS
EXAMINER HEARING
JULY 7, 2022
SANTA FE, NEW MEXICO

This matter came on for virtual hearing before
the New Mexico Oil Conservation Division, HEARING OFFICER
WILLIAM BRANCARD and TECHNICAL EXAMINER DEAN McCLURE on
Thursday, July 7, 2022, through the Webex Platform.

Reported by: PAUL BACA PROFESSIONAL COURT REPORTERS
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A P P E A R A N C E S

DARIN SAVAGE
ABADIE & SCHILL
214 McKenzie Street
Santa Fe, New Mexico 87501

I N D E X

CASE CALLED

TAKEN UNDER ADVISEMENT 12

REPORTER CERTIFICATE 13

E X H I B I T I N D E X

Admitted

Exhibits and Attachments 12

1 HEARING EXAMINER BRANCARD: All right. So I'm
2 now looking at -- I'm going to -- do you want to combine the
3 next few cases or not, Mr. Savage.

4 MR. SAVAGE: Mr. Brancard, let's consolidate all
5 three of those. This is round two for the Mescalero. We
6 had some misinformation from the previous submittals because
7 of wrong numbers in the depth severances, if you remember
8 that, so this is cases to address that.

9 HEARING EXAMINER BRANCARD: Let me introduce it
10 here. We are at items 69, 70, 71 on today's checklist.
11 This is Case 22891, 22892, 22893, Cimarex Energy Co.

12 MR. SAVAGE: Mr. Hearing Examiner, Darin Savage
13 with Abadie & Schill with Cimarex Energy Company.

14 HEARING EXAMINER BRANCARD: Thank you. Any other
15 entries of appearance for 22891, 22892, 22893?

16 (No audible response.)

17 HEARING EXAMINER BRANCARD: Hearing none, please
18 proceed.

19 MR. SAVAGE: Good morning. These consolidated
20 case numbers, 22891, 22892 and 22893 cover land to the W/2
21 of Section 21 and 28, Township 19 South, Range 34 East in
22 Lea County, New Mexico.

23 The landman for these cases John Coffman has
24 testified previously with the Division as an expert witness
25 and his credentials have been accepted as a matter of

1 record.

2 The geologist in these cases Staci Mueller has
3 testified before the Division as an expert witness and her
4 credentials have been accepted as a matter of record.

5 In Case 22891, Cimarex seeks an order
6 establishing a standard 320 acre spacing unit comprised of
7 the W/2 E/2 of Sections 21 and 28, and pooling all
8 uncommitted interest owners and royalty interest owners in
9 the Quail Ridge, Bone Spring formation, pool code 50460 from
10 10,290 feet to the bottom of said formation which
11 encompasses the Third Bone Spring underlying the unit.

12 The depth severance accounts for differences in
13 owners between the Third Bone Spring and the First and
14 Second Bone Spring as described in Paragraph 10 of the
15 landman affidavit.

16 The unit will be dedicated to Mescalero Ridge
17 21-28 Fed Com 2H well as an initial well. Orientation of
18 the unit is stand up north to south and the well is orthodox
19 in its location.

20 Mr. Coffman's Exhibit A for Case 22891 includes
21 his landman affidavit, the C-102 and ownership breakdown the
22 well proposal letter with AFEs and chronology of contacts.

23 Ms. Mueller's exhibit for this case includes her
24 affidavit along with the five standard geology exhibits that
25 show the potential for development as described in her

1 affidavit.

2 Exhibit C provides the affidavit of notice for
3 mailing and publication notice. The notice letters were
4 timely sent. Only one overriding royalty interest owner was
5 returned as undeliverable. Eight letters are still in
6 transit, only one of which is a working interest owner, two
7 were locatable.

8 Cimarex timely published notice in the Hobbs News
9 Sun, a newspaper of general circulation, in Lea County, New
10 Mexico to account for any unknown parties or contingencies
11 regarding notice.

12 Both Mr. Coffman and Ms. Mueller affirm the
13 approval of this application is in the best interest of
14 conservation and prevention of waste.

15 In the next case, 22892, Cimarex seeks an order
16 establishing a standard 320 spacing unit comprised of the
17 W/2 E/2 of Section 21 and 28 and pooling all uncommitted
18 interest owners and overriding royalty interest owners in
19 the Quail Ridge, Bone Spring, as well as record title owners
20 in the Bone Spring -- Quail Ridge, Bone Spring formation,
21 pool code 50460 underlying the unit from the top of the pool
22 at 8085 feet to a depth of 10,290 feet, that being the base
23 of the Second Bone Spring.

24 The depth severance accounts for differences
25 again in the Third Bone Spring and the First and Second Bone

1 Spring. The unit will be dedicated to the Mescalero Ridge
2 21-28 Federal Com 3H and 5H wells as initial wells.
3 Orientation of the unit is stand up, north to south, and the
4 wells are orthodox in their location.

5 Mr. Coffman's Exhibit A for case 22892 includes
6 his landman affidavits, the C-102s, ownership breakdown, the
7 well proposal letter with AFEs and chronology of contacts.

8 And Ms. Mueller, the geologist, Exhibit B for
9 this case includes her affidavit along with the five
10 standard geology exhibits, again showing good potential for
11 development as she describes.

12 Exhibit C provides the affidavit of notice,
13 mailing and publication. Notice letters were timely sent.
14 The only letter that was undeliverable was an overriding
15 royalty interest owner. Eight of the mailings are still in
16 transit, only one of which is a working interest who, as I
17 understand, has been located and has been contacted.

18 Cimarex timely published notice in the Hobbs News
19 Sun, a newspaper of general circulation in Lea County, New
20 Mexico to account for any unknown parties or contingencies
21 regarding notice.

22 Mr. Coffman and Ms. Mueller again affirm this
23 application is the best interest of conservation.

24 In the last case, 22893, Cimarex seeks an order
25 establishing a standard 320 acre spacing unit comprised of

1 the E/2 E/2 of Section 21 and 28, and pooling all
2 uncommitted interest owners and overriding royalty interest
3 owners and record title owners in the Quail Ridge, Bone
4 Spring formation, pool code 50460 from the top of the pool
5 at 8,085 feet to a depth of 290 feet encompassing the First
6 and Second Bone Spring.

7 The depth severance accounts for differences in
8 in ownership. The unit will be dedicated to the Mescalero
9 21-28 Federal Com 4H and 6H wells as initial wells.
10 Orientation of the unit is stand up north to south, and the
11 well is orthodox in its location.

12 Mr. Coffman's landman exhibit in this case
13 include the affidavits, C-102s, ownership breakdown, the
14 well proposal letter, AFEs and chronology of contacts.

15 Cimarex in this proposed unit, Cimarex owns and
16 operates an existing well, the Mescalero Ridge 21 Federal 1H
17 whose unit covers the Bone Spring formation in the E/2 E/2
18 of Section 21 and owns and operates an existing well, the
19 Flor de Lis 28 Federal Com 4H, covers the Bone Spring in the
20 E/2 E/2 of Section 28. Cimarex requests approval for the
21 partially overlapping units.

22 Ms Mueller's Exhibit B for this case includes her
23 affidavit with the five standard geology exhibits showing
24 good potential as she described in her affidavit.

25 Exhibit C provides the affidavit of notice for

1 mailing and publication. The notice letters were timely
2 sent. One letter was returned undeliverable, that was to an
3 overriding royalty interest owner. Eight of the mailings
4 are in transit, one of which is a working interest owner who
5 has been notified and located.

6 Cimarex timely published notice in the Hobbs News
7 Sun, timely published notice in the Hobbs News Sun, a
8 newspaper of general circulation in Lea County, New Mexico
9 to account for any unknown parties or contingencies
10 regarding notice.

11 Both Mr. Coffman and Ms. Mueller affirm the
12 approval of this last application is also in the interest of
13 conservation, protection of correlative rights, and
14 prevention of waste.

15 At this time I move that Exhibits A, B, C and all
16 sub exhibits in Cases 22891, 22892 and 22893 be accepted
17 into the record and that the cases be taken under
18 advisement. I am available and stand for any questions you
19 may have.

20 HEARING EXAMINER BRANCARD: Thank you. Mr.
21 McClure?

22 TECHNICAL EXAMINER McCLURE: Thank you,
23 Mr. Brancard I do not have any questions for any of these
24 cases.

25 HEARING EXAMINER BRANCARD: Okay. I was

1 expecting a depth severance question here.

2 TECHNICAL EXAMINER McCLURE: I was going to say,
3 it looks pretty clear, I mean, it sounded pretty clear. I
4 guess I haven't directly read all of the information here,
5 but -- did you want me to ask questions about it,
6 Mr. Brancard?

7 HEARING EXAMINER BRANCARD: I just made the
8 mistake of looking at the geologist exhibit. So, Mr.
9 Savage, when you talk about the Second Bone Spring, you are
10 looking at the first case that would be the Third Bone
11 Spring; correct?

12 MR. SAVAGE: Correct, first case.

13 HEARING EXAMINER BRANCARD: The geologist divides
14 it into two layers.

15 MR. SAVAGE: Is this a specific geology exhibit,
16 Mr. Brancard.

17 HEARING EXAMINER BRANCARD: B-5, Third Bone
18 Spring carbonate, sandstone.

19 MR. SAVAGE: Looks like it on the left based on
20 the nomenclature that they are using for that Third Bone
21 Spring.

22 HEARING EXAMINER BRANCARD: Okay. But that, that
23 the depth severance is for the entire thing?

24 MR. SAVAGE: The depth severance would encompass
25 the entire Third Bone Spring, correct. And the other depth

1 severance would encompass a combination of the First and
2 Second Bone Spring.

3 HEARING EXAMINER BRANCARD: And they seem to be a
4 distance -- they seem to be shooting for the sandstone?

5 MR. SAVAGE: I believe that is correct, as I
6 understand it.

7 TECHNICAL EXAMINER McCLURE: That would be
8 typical.

9 MR. SAVAGE: I would think so, yes. This gets
10 into the technical expertise of geology, which I rely on the
11 geologist and I have a hard time interpreting what, beyond
12 what's provided.

13 HEARING EXAMINER BRANCARD: I will say, you know,
14 and I think a number of applicants have done this with depth
15 severances, Mr. Savage, is that in the checklist, the depth
16 severance is not described. There is simply see landman
17 exhibit.

18 MR. SAVAGE: Okay. That would be Paragraph 10.

19 HEARING EXAMINER BRANCARD: Yeah. That's fine, I
20 guess, my only concern is that that checklist, that's what
21 gets attached to the order --

22 MR. SAVAGE: That's true.

23 HEARING EXAMINER BRANCARD: -- not the landman's
24 exhibit that described that actual vertical delineation. So
25 I don't know if it would be possible to just simply copy

1 what the landman said, which is only a sentence, really,
2 it's not that much, and put that into the checklist so the
3 checklist would be clear anyone finding the order that's
4 what the depth severance is.

5 MR. SAVAGE: That sounds like a very good idea,
6 very doable. Is it allowed to do, like if you have, if you
7 have to have a larger description of something, to do an
8 exhibit as an attachment to the checklist? I'm just
9 curious.

10 HEARING EXAMINER BRANCARD: Some people are doing
11 that for like language they want to see, but most of the
12 stuff where it says, see exhibit, that's all fine, but in
13 terms of defining what exactly we are -- the unit that we
14 are compulsory pooling here, I'm just a little more
15 concerned about it, that's all.

16 MR. SAVAGE: Yes, I understand that.

17 HEARING EXAMINER BRANCARD: If you could tell us
18 a short description of what this --

19 MR. SAVAGE: Yes, thank you. That's great.

20 HEARING EXAMINER BRANCARD: Or I mean, I guess
21 you could say, Third Bone Spring as more further described
22 in the landman's Exhibit A.

23 MR. SAVAGE: That's what I was thinking, maybe
24 base of the or Third Bone Spring, yeah, I agree with that.
25 I think might be a way to go.

1 HEARING EXAMINER BRANCARD: And then you don't
2 have to talk about all the defining wells. Great, I have no
3 further questions. Are there any other interested parties
4 in cases -- for these three cases, cases 22891, 22892,
5 22893?

6 (No audible response.)

7 HEARING EXAMINER BRANCARD: Hearing none, the
8 exhibits will be admitted into the record and the cases will
9 be taken under advisement and we will have slight revision
10 to the checklist.

11 MR. SAVAGE: Will do, thank you.

12 (Exhibits admitted.)

13 (Taken under advisement.)

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1 STATE OF NEW MEXICO
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REPORTER'S CERTIFICATE

I 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 poor to good quality.

Dated this 7th day of July 2022.

/s/ Irene Delgado

Court Reporter
License Expires: 12-31-22