

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 NO. 14678

APPLICATION OF CIMAREX ENERGY COMPANY
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO

COPY

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: TERRY G. WARNELL, Hearing Examiner

July 21, 2011

Santa Fe, New Mexico

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This matter came on for hearing before the
New Mexico Oil Conservation Division, TERRY G. WARNELL,
Hearing Examiner on Thursday, July 21, 2011, at the
New Mexico Energy, Minerals and Natural Resources
Department, 1220 South Street Francis Drive, Room 102,
Santa Fe, New Mexico.

REPORTED BY: Lisa Reinicke
PAUL BACA PROFESSIONAL COURT REPORTERS
500 Fourth Street, NW, Suite 105
Albuquerque, NM 87102

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A P P E A R A N C E S

For the Applicant:

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I N D E X

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2. Application for Permit to Drill 9

3. April 8, 2011 Letter 9

4. May 4, 2011 E-Mail 9

5. Affidavit of Notice 9

6. Authorization for Expenditure 9

1 MR. BRUCE: Again, what I'd like to do,
2 Mr. Examiner, is call these cases individually since we
3 have for the most part separate exhibits, but really
4 just give testimony on the first one. Then we'll
5 reference the nature of the case and you'll get the full
6 presentation on the first one.

7 HEARING OFFICER WARNELL: Okay. Then let's
8 go ahead and next we'll call Case Number 146787
9 application of Cimarex Energy Company for compulsory
10 pooling, Eddy County, New Mexico.

11 Call for appearances.

12 MR. BRUCE: Mr. Examiner, Jim Bruce of
13 Santa Fe representing the applicant. I have one
14 witness.

15 HEARING OFFICER WARNELL: The witness,
16 please state your name and be sworn.

17 MR. TRESNER: Hayden Tresner.

18 [WHEREUPON the witness was duly sworn.]

19 HAYDEN TRESNER

20 after having been first duly sworn under oath,
21 was questioned and testified as follows:

22 DIRECT EXAMINATION

23 BY MR. BRUCE:

24 Q. Will you please state your name and city of
25 residence?

1 A. Hayden Tresner, and I reside in Midland, Texas.

2 Q. Who do you work for and in what capacity?

3 A. Cimarex Energy Company as a landman.

4 Q. Have you previously testified before the
5 Division?

6 A. I have.

7 Q. And were your credentials as an expert petroleum
8 landman accepted as a matter of record?

9 A. They were.

10 Q. And are you familiar with the land matters
11 involved in this application?

12 A. Yes, I am.

13 MR. BRUCE: Mr. Examiner, I tender
14 Mr. Tresner as an expert petroleum landman.

15 HEARING OFFICER WARNELL: Mr. Tresner is so
16 recognized.

17 Q. (By Mr. Bruce) Mr. Tresner, would you identify
18 Exhibit 1 for the Examiner?

19 A. Yes. That's a Midland map company land plat
20 highlighting the northeast quarter of the southwest
21 quarter of section 29 of 18 south 26 east. The
22 highlighted portion of the plat was the spacing unit
23 that will be dedicated to the Alaska 29 fee Number One
24 well.

25 Q. And what is the target formation?

1 A. The Glorieta Yeso formation.

2 Q. And is Exhibit 2 an APD for the well?

3 A. Yes, it is.

4 Q. Approved by the Division?

5 A. Approved permit.

6 Q. In looking at the plat you show a 160-acre block
7 of the east half southwest quarter and west half
8 southeast quarter. Is that a single fee tract?

9 A. That is a single fee tract. And the ownership is
10 common throughout, both the leasehold ownership and the
11 mineral ownership.

12 Q. And the ownership is shown on the plat also,
13 correct?

14 A. Yes. Cimarex owns 62.5 percent leasehold
15 interest. Sharbro owns 12.5 percent leasehold interest
16 and has signed our operating agreement. And Pitch/COG
17 owns a quarter of the mineral interest.

18 Q. And today you are seeking to pool Pitch Energy
19 and COG Operating?

20 A. That's correct. They have not signed our
21 operating agreement.

22 Q. And then for the other three cases we're here for
23 today, they are three additional wells in that 160-acre
24 block, correct?

25 A. That's correct.

1 Q. And ownership in the other three wells is the
2 same as what you've just said for the first well?

3 A. It's identical.

4 Q. What is Exhibit 3?

5 A. Exhibit 3 is a copy of the well proposal letter
6 that was sent to all of the interest owners including
7 Pitch Energy Corporation and COG Operating.

8 Q. And have you also had e-mail correspondence?

9 A. I have. Exhibit 4 is a copy of the e-mail
10 exchanges that I've had with Stuart Dirks at COG. He's
11 the landman who's responsible for this area.

12 Q. And I suppose we should explain. Pitch Energy is
13 a sister company of COG Operating, correct?

14 A. That's correct. Pitch was owned by Marbob.
15 Concho bought Marbob.

16 Q. So the fact that there aren't any e-mails from
17 Pitch Energy is simply because Pitch Energy's land
18 matters are handled by COG?

19 A. That's now managed by Concho, yes.

20 Q. Have you had any phone calls with Mr. Dirks?

21 A. I've had approximately three to five phone calls
22 with Mr. Dirks and with Dean Chumbley at Pitch Energy
23 Corporation who deferred to it to Stuart Dirks at
24 Concho.

25 Q. In your opinion, has Cimarex made a good faith

1 effort to obtain the voluntary joinder of the interest
2 owners in the well?

3 A. Yes, we have.

4 Q. Would you identify Exhibit 5 and discuss the cost
5 of the proposed well?

6 A. Exhibit 5 is the AFE for the Alaska 29 Fee Number
7 1 well. It sets forth the dry hole cost of 443,600.
8 The completed well cost or the completion cost of
9 933,500. And then the total well cost of \$1,377,100 for
10 the completed well cost.

11 Q. And is this cost in line with the cost of other
12 wells drilled to this depth in this area of New Mexico?

13 A. It is.

14 Q. And this is obviously a vertical well?

15 A. Yes, it is. And these costs will apply to all
16 four wells that we're seeking to pool.

17 Q. Okay. Do you request that Cimarex be appointed
18 operator of the well?

19 A. Yes.

20 Q. And do you have a recommendation of the amounts
21 which Cimarex should be paid for the supervision and
22 administrative expenses?

23 A. Yes. The COPAS in our proposed operating
24 agreement calls for 4500 per drilling rate and a \$450
25 producing well rate.

1 Q. And are these amounts equivalent to those
2 normally charged by operators in this area for wells of
3 this depth?

4 A. Yes.

5 Q. Do you request that the rates be adjusted
6 periodically as provided by the COPAS accounting
7 procedure?

8 A. Yes.

9 Q. And were the uncommitted interest owners notified
10 of this hearing?

11 A. They have been.

12 Q. And is that reflected in Exhibit 6?

13 A. Yes, it is.

14 Q. Were Exhibits 1 through 6 prepared by you or
15 under your supervision or compiled from company business
16 records?

17 A. Yes, they were.

18 Q. And in your opinion is the granting of this
19 application in the interest of conservation and the
20 prevention of waste?

21 A. Yes.

22 MR. BRUCE: Mr. Examiner, I'd move the
23 admission of Exhibits 1 through 6.

24 HEARING OFFICER WARNELL: Exhibits 1 through
25 6 are admitted.

1 [Exhibits 1 through 6 admitted.]

2 MR. BRUCE: And I have no further questions
3 of this witness.

4 HEARING OFFICER WARNELL: Is this Cimarex
5 Energy Company or Cimarex Energy Company of Colorado?

6 MR. TRESNER: Cimarex Energy Co. of Colorado
7 is the operating company. The interest is owned under
8 Cimarex Energy Co. Yes, sir.

9 HEARING OFFICER WARNELL: I always get that
10 confused.

11 MR. TRESNER: So do I.

12 HEARING OFFICER WARNELL: It's kind of like
13 Conoco Phillips and Burlington.

14 I have no questions. I think everything looked
15 pretty straightforward. Again, Mr. Bruce, if you could
16 send me digitally your application that might help
17 expedite things a bit.

18 MR. BRUCE: Will do.

19 HEARING OFFICER WARNELL: So with that we
20 can take 14678 under advisement. And then we'll call
21 the next three cases? No. You want to call them each
22 separately.

23 MR. BRUCE: Actually, we can probably call
24 all three and we'll just differentiate them. I do have
25 separate sets of exhibits.

1 HEARING OFFICER WARNELL: No. If you're set
2 up that way, we'll go ahead.

3 [Case 14678 taken under advisement.]

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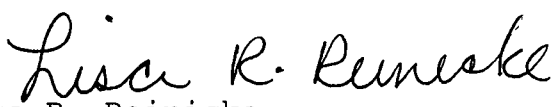
I hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. _____
heard by me on _____
_____, Examiner
Oil Conservation Division

REPORTER'S CERTIFICATE

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I, Lisa Reinicke, New Mexico Provisional Reporter, License #P-405, working under the direction and direct supervision of Paul Baca, New Mexico CCR License #112, Official Court Reporter for the US District Court, District of New Mexico, do hereby certify that I reported the foregoing proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings and was reduced to printed form under my direct supervision.

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 whatsoever in the final disposition of this case in any court.


Lisa R. Reinicke,
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License expires: 8/21/2011

Ex count: