

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS
PRE-HEARING TRANSCRIPT

BEFORE: TERRY WARNELL, Presiding Examiner
DAVID K. BROOKS, Legal Examiner

May 26, 2011

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, TERRY WARNELL, Presiding Examiner, DAVID K. BROOKS, Legal Examiner, on Thursday, May 26, 2011, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South St. Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Jacqueline R. Lujan, CCR #91
Paul Baca Professional Court Reporters
500 Fourth Street, N.W., Suite 105
Albuquerque, NM 87103 505-843-9241

1 EXAMINER WARNELL: Good morning, everyone.
2 Let's say that it's 8:15 or thereabouts. So we'll call
3 hearing Docket Number 13-11 to order. Today is May 26th,
4 2011.

5 I'll be the Hearing Examiner today. My name
6 is Terry Warnell. Here on my left is David Brooks.
7 David will be our legal advisor and hopefully keep me out
8 of trouble as the day progresses.

9 If there are any witnesses that will be coming
10 before us here today, it's usually beneficial if you
11 could give a business card to Jackie, the court reporter,
12 so she gets your name properly spelled or whatever. It's
13 helpful.

14 Let's start by reading the continuances and
15 dismissals that I know of. I hope that I know of all of
16 them. Starting on page 2, Case Number 14648 has been
17 dismissed; Case Number 14602 has been continued to June
18 23rd, 2011. At the bottom of that page, Case Number
19 14651 has been continued to June 9th.

20 Page 3, Case Number 14652 has been continued
21 to June 9th; Case Number 14655 is continued to June 9th.
22 Page 4, Case 14656 is continued to June 9th. And then
23 the bottom three cases, Case 14633, Case 14634 and Case
24 14623, are all three continued to June 9th.

25 Page 5, all the cases on page 5, Case 14624, 14625,

1 14626 and Case 14551, all four have been continued to
 2 June 9th, 2011. Page 6, Case 14627 is continued. As a
 3 matter of fact, all three cases -- I'm sorry. Case
 4 14627, Case 14628 and Case 8352 -- that's an old one --
 5 all three of those cases have been continued to June 9th.

6 That's all the dismissals and continuances
 7 that I know of. Are there any that I missed?

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I do hereby certify, and the foregoing is
 a complete record of the proceedings in
 the Examiner hearing of Case No. _____
 heard by me on _____

 Oil Conservation Division

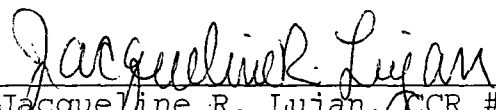
REPORTER'S CERTIFICATE

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I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO
HEREBY CERTIFY that on May 26, 2011, proceedings in the
above captioned case were taken before me and that I did
report in stenographic shorthand the proceedings set
forth herein, and the foregoing pages are a true and
correct transcription to the best of my ability.

I FURTHER CERTIFY that I am neither employed by
nor related to nor contracted with 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.

WITNESS MY HAND this 8th day of June, 2011.


Jacqueline R. Lujan, CCR #91
Expires: 12/31/2011

W/2 of this section to be dedicated to its Southeast Lusk "33" Federal Com Well No. 5-H to be drilled horizontally from a surface location (Unit D) 330 feet FNL and 990 feet FWL to a bottom hole location (Unit M) 330 feet FSL and 660 feet FWL within this section and to a depth sufficient to test the Bone Springs formation. Also to be considered will be the costs of the drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Cimarex Energy Co. as the operator of the well a risk charge of 200% for the risk involved in this well. This unit is located approximately five miles Northeast of the intersection of US Highway 62/180 and State Highway 176, New Mexico.

14. **CASE 14623:** (Continued from the May 26, 2011 Examiner Hearing.)

Application of Nadel and Gussman Permian, L.L.C. for approval of a non-standard oil spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant seeks an order approving a 159.36-acre non-standard oil spacing and proration unit (project area) in the Glorieta-Yeso formation comprised of Lots 1-4 of Section 7, Township 19 South, Range 26 East, NMPM. Applicant further seeks the pooling of all mineral interests (i) from the surface to the top of the Glorieta-Yeso formation in Lot 1 of Section 7, and (ii) the Glorieta-Yeso formation underlying the non-standard spacing and proration unit (project area), for all pools or formations developed on 40 acre spacing within that vertical extent. The units are to be dedicated to the Long Branch Well No. 1, a horizontal well with a surface location in Lot 1, and a terminus in Lot 4, of Section 7. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The units are located approximately 4 miles northwest of Lakewood New Mexico.

15. **CASE 14624:** (Continued from the May 26, 2011 Examiner Hearing.)

Application of Nadel and Gussman Permian, L.L.C. for approval of a non-standard oil spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant seeks an order approving a 160-acre non-standard oil spacing and proration unit (project area) in the Glorieta-Yeso formation comprised of the E/2 W/2 of Section 7, Township 19 South, Range 26 East, NMPM. Applicant further seeks the pooling of all mineral interests (i) from the surface to the top of the Glorieta-Yeso formation in the NE/4 NW/4 of Section 7, and (ii) the Glorieta-Yeso formation underlying the non-standard spacing and proration unit (project area), for all pools or formations developed on 40 acre spacing within that vertical extent. The units are to be dedicated to the Long Branch Well No. 2, a horizontal well with a surface location in the NE/4 NW/4, and a terminus in the SE/4 SW/4, of Section 7. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The units are located approximately 4 miles northwest of Lakewood New Mexico.

16. **CASE 14625:** (Continued from the May 26, 2011 Examiner Hearing.)

Application of Nadel and Gussman Permian, L.L.C. for approval of a non-standard oil spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant seeks an order approving a 160-acre non-standard oil spacing and proration unit (project area) in the Glorieta-Yeso formation comprised of the W/2 E/2 of Section 7, Township 19 South, Range 26 East, NMPM. Applicant further seeks the pooling of all mineral interests (i) from the surface to the top of the Glorieta-Yeso formation in the NW/4 NE/4 of Section 7, and (ii) the Glorieta-Yeso formation underlying the non-standard spacing and proration unit (project area), for all pools or formations developed on 40 acre spacing within that vertical extent. The units are to be dedicated to the Long Branch Well No. 3, a horizontal well with a surface location in the NW/4 NE/4, and a terminus in the SW/4 SE/4, of Section 7. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The units are located approximately 4 miles northwest of Lakewood New Mexico.

17. **CASE 14626:** (Continued from the May 26, 2011 Examiner Hearing.)

Application of Nadel and Gussman Permian, L.L.C. for approval of a non-standard oil spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant seeks an order approving a 160-acre non-standard oil spacing and proration unit (project area) in the Glorieta-Yeso formation comprised of the E/2 E/2 of Section 7, Township 19 South, Range 26 East, NMPM. Applicant further seeks the pooling of all mineral interests (i) from the surface to the top of the Glorieta-Yeso formation in the NE/4 NE/4 of Section 7, and (ii) the Glorieta-Yeso formation underlying the non-standard spacing and proration unit (project area), for all pools or formations developed on 40 acre spacing within that vertical extent. The units are to be dedicated to the Long Branch Well No. 4, a horizontal well with a surface location in the NE/4 NE/4, and a terminus in the SE/4 SE/4, of Section 7. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The units are located approximately 4 miles northwest of Lakewood New Mexico.

18. **CASE 14551:** (Continued from the May 26, 2011 Examiner Hearing.)

Application of Nadel and Gussman Permian, L.L.C. for approval of four non-standard oil spacing and proration units and compulsory pooling, Eddy County, New Mexico. Nadel and Gussman Permian, L.L.C. seeks an order approving four 160-acre non-standard oil spacing and proration units (project areas) in the Bone Spring formation comprised of the following lands in Section 12, Township 26 South, Range 29 East, NMPM:

(a) The N/2 N/2, to be dedicated to the Picou Fed. Well No. 1, a horizontal well with a surface location in the NE/4 NE/4, and a terminus in the NW/4 NW/4, of Section 12;