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4 IN THE MATTER OF THE HEARING CALLED  
5 BY THE OIL CONSERVATION DIVISION FOR  
6 THE PURPOSE OF CONSIDERING:

**COPY**

6 APPLICATION OF CIMAREX ENERGY CASE NOS. 14698, 14703,  
7 COMPANY FOR COMPULSORY POOLING, 14704 and  
8 EDDY COUNTY, NEW MEXICO. 14705  
(Reopened)

9  
10 REPORTER'S TRANSCRIPT OF PROCEEDINGS

11 EXAMINER HEARING

12  
13 BEFORE: DAVID K. BROOKS, Chief Examiner  
14 TERRY WARNELL, Technical Examiner

15 May 24, 2012

16 Santa Fe, New Mexico  
17

18 This matter came on for hearing before the  
19 New Mexico Oil Conservation Division, DAVID K. BROOKS,  
20 Chief Examiner, and TERRY WARNELL, Technical Examiner,  
21 on Thursday, May 24, 2012, at the New Mexico Energy,  
22 Minerals and Natural Resources Department, 1220 South  
23 St. Francis Drive, Porter Hall, Room 102, Santa Fe,  
24 New Mexico.

25 REPORTED BY: Mary C. Hankins, CCR, RPR  
New Mexico CCR #20  
Paul Baca Professional Court Reporters  
500 4th Street, Northwest, Suite 105  
Albuquerque, New Mexico 87102

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APPEARANCES

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EXHIBITS OFFERED AND ADMITTED

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| Cimarex Exhibit Letter X   | 9          |
| Cimarex Exhibit Letter X   | 9          |
| Order of the Division  | (Attached) |
| Joint Motion to Rescind Order No. R-13490,<br>Replace it with a New Order, and Lift Stay | (Attached) |

1 (9:35 a.m.)

2 EXAMINER BROOKS: And that brings us to  
3 Case Number 23, which is Case Number 14703, reopened.  
4 So at this time, we will call Case Number 14703,  
5 reopened, the application of Cimarex Energy Company for  
6 compulsory pooling, Eddy County, New Mexico.

7 Now, are there other cases to be considered  
8 in connection with this or to be considered jointly with  
9 this?

10 MR. BRUCE: Yes, Mr. Examiner, if you'll  
11 combine the next three cases, 14704, 14705 and 14698.

12 EXAMINER BROOKS: So that would be -- we  
13 would be combining Cases Number 23 -- 22 -- no. 22, 23,  
14 24 and 25, correct?

15 MR. BRUCE: That is correct.

16 EXAMINER BROOKS: Okay. Then having  
17 already called Case Number 14703, we will simultaneously  
18 call Case Number 14704, re-opened, application of  
19 Cimarex Energy Company for compulsory pooling, Eddy  
20 County, New Mexico; reopen Case 14705, the application  
21 of Cimarex Energy Company for compulsory pooling, Eddy  
22 County, New Mexico; and reopen case 14698, application  
23 of Cimarex Energy Company for compulsory pooling, Eddy  
24 County, New Mexico.

25 Now, is that all correct?

1 MR. BRUCE: That is correct.

2 EXAMINER BROOKS: Okay. We'll call for  
3 appearances in those four cases.

4 MR. BRUCE: Mr. Examiner, Jim Bruce of  
5 Santa Fe representing the Applicant Cimarex Energy  
6 Company.

7 MR. FELDEWERT: Mr. Examiner, Michael  
8 Feldewert, with the Santa Fe office of the law firm of  
9 Holland & Hart, appearing on behalf of COG Operating,  
10 LLC. And then I am separately appearing, as well, on  
11 behalf of Yates Petroleum Corporation, Myco Industries  
12 and Abo Petroleum Corporation.

13 EXAMINER BROOKS: Okay.

14 Mr. Bruce, you represent the Applicant, so  
15 you may proceed. Tell us what is going on in these  
16 cases.

17 MR. BRUCE: Mr. Examiner, I've submitted  
18 you a joint motion to rescind the Order Number R-3490  
19 and replace it with a new order and lift stay. That has  
20 been executed both by myself and by Mr. Feldewert.  
21 These cases that are listed on the heading of the motion  
22 were heard last September 1. They were consolidated for  
23 hearing. An order was issued last December, which --

24 EXAMINER BROOKS: This is Mr. Warnell's --

25 MR. BRUCE: Yeah. That's why he's leaving

1 the Division, I believe right now (laughter).

2 EXAMINER WARNELL: That's true (laughter).

3 MR. BRUCE: And they were heard. The order  
4 was issued, and contrary to prior Division policy, the  
5 order granted all of the applications, which covered  
6 both vertical and horizontal wells. COG sought to drill  
7 into horizontal wells in Section 6, 1926. Cimarex  
8 sought to drill four vertical wells in the southwest  
9 quarter of Section 6.

10 The case -- because of that order, both COG  
11 and Cimarex jointly moved the Division to reopen the  
12 cases and to be reheard. They were originally set for  
13 the second hearing in February, but during that time,  
14 the parties conducted intense negotiations to try to  
15 resolve the issues among them.

16 And as a result, at least as to the east  
17 half of Section 6, Cimarex was appointed -- the parties  
18 agreed that Cimarex could operate the east half of  
19 Section 6.

20 Other acreage was involved in a rather  
21 global settlement between the parties. Cimarex was to  
22 operate certain acreage. COG was to operate certain  
23 other acreage. I won't go through the motion in detail  
24 other than the -- the original order did raise some  
25 issues, which obviously weren't addressed at hearing,

1 including how do you split share allowables; how do you  
2 locate the wells, et cetera, et cetera. As a result,  
3 the request to reopen and stay the order was granted by  
4 Division Order R-13490-A.

5 After the settlement -- because of the  
6 settlement, the parties wish to rescind the original  
7 order, since it is no longer necessary. Cimarex also  
8 has another reason for rescinding the order, in that it  
9 has filed separate pooling applications on the far east  
10 quarter of Section 6 and would like separate orders  
11 issued as to its acreage.

12 And I'll let Mr. Feldewert go into the  
13 issues that he would like to discuss, also.

14 We have also handed you a proposed order of  
15 the Division that I will e-mail to you after the  
16 hearing. Both COG and Cimarex had input on this order.  
17 Other than making certain recitations regarding the  
18 joint motion I've just handed you, it is a rather  
19 standard pooling order, with the exception of  
20 paragraphs -- ordering paragraphs 10, 11 and 12, which  
21 set forth a provision that there can be only be one --  
22 since the pooling order covers four wells, only one well  
23 proposal or one election notice can go out at a time.

24 EXAMINER BROOKS: Yeah. Okay.

25 MR. BRUCE: And so we would ask -- take a

1 step back. I think Mr. Feldewert would point out that  
2 they had previously -- insofar as the COG cases, 14725  
3 and 14726, those cases have now been dismissed, which is  
4 why the proposed order only contains the Cimarex case  
5 numbers. Those orders were dismissed by R-319 --  
6 R-3940-B [sic]. And so we would ask that the final  
7 order, R-13940-C, be issued to cover these four wells  
8 and, as I said, include provisions for the separate  
9 sequencing of well proposals or election notices to the  
10 pooled parties.

11 EXAMINER BROOKS: Mr. Feldewert.

12 MR. FELDEWERT: Yes, Mr. Examiner. I think  
13 that Mr. Bruce summarized everything.

14 This deals with the southeast quarter of  
15 Section 6, which is involved here. We have agreed to  
16 resolve the issues by way of this order, in particular,  
17 adding the paragraphs that he referenced in the order,  
18 the ordering paragraphs 10, 11 and 12, which are very  
19 important to the resolution reached by the parties,  
20 number one.

21 Number two, we do have some remaining  
22 issues between the parties with respect to other pooling  
23 applications. We're hoping to work through them, but we  
24 certainly agree with the concept that at least this  
25 order deals with the southeast quarter of Section 6.

1 And we ask that the Division grant the motion and then  
2 the entry of this particular form of order as presented  
3 by the parties.

4 I can also represent that I've been in  
5 touch with Yates, Myco and Abo, and they're in support  
6 of this motion and these proposed orders.

7 EXAMINER BROOKS: Very good. Neither  
8 party's going to present any evidence, I take it?

9 MR. BRUCE: No additional evidence. There  
10 was plenty of evidence submitted on September 1.

11 I do have two follow-up exhibits,  
12 Mr. Examiner, which are simply notice exhibits in the  
13 cases. There was a lack of notice, at the time, in  
14 three of the cases, to COG. And that was due to the  
15 fact that I think, at that point, COG had taken a deal  
16 with Yates. And so just to make the record complete in  
17 the three cases, I sent notice to COG several months  
18 ago, and in the other case, there was notice that needed  
19 to be send to OXY-Y1 Company. And I have spoken with  
20 Mr. Howell about it, who represents OXY-Y1 Company, on  
21 the issues.

22 EXAMINER BROOKS: And it does appear that  
23 COG has made an appearance.

24 MR. BRUCE: Yeah. I was just making the  
25 record complete. I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 14698,  
heard by me on 14703, 14704, 14705.  
5-24-12

**PAUL BACA PROFESSIONAL COURT REPORTERS** Examiner

Oil Conservation Desk 8a1ae5ab-af88-432a-9fb9-cf1ebe0f97b5

1 EXAMINER BROOKS: Okay. Both of your  
2 notice exhibits are marked as Exhibit Number X?

3 MR. BRUCE: Yeah, because I couldn't  
4 remember the number of exhibits we submitted the last  
5 go-around (laughter).

6 EXAMINER BROOKS: Now, are these -- do you  
7 have -- did you give copies to the court reporter?

8 EXAMINER WARNELL: Copies of Exhibit X.

9 EXAMINER BROOKS: Of both Exhibits X?

10 MR. BRUCE: Yes. And move for their  
11 admission.

12 EXAMINER BROOKS: Okay. Exhibit X in Case  
13 Number 14698 is admitted, and Exhibit X in Case Numbers  
14 14703, 14704 and 14705 is admitted.

15 (Cimarex Exhibit Letters X were offered and  
16 admitted into evidence.)

17 MR. BRUCE: And I have nothing further in  
18 this matter.

19 EXAMINER BROOKS: Very good. Cases Numbers  
20 14851, 14852, 14- -- no. I'm sorry. Cases Numbers  
21 14703, 14704, 14705 and 14698 will be taken under  
22 advisement. That's 14705 taken under advisement; 14704  
23 taken under advisement; 14703 taken under advisement;  
24 and 14698 taken under advisement.

25 (The hearing concluded, 9:46 a.m.)

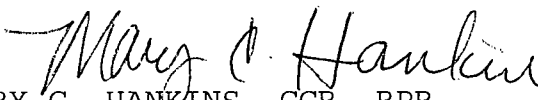
1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

3  
4 CERTIFICATE OF COURT REPORTER

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

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

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

19  
20   
21 MARY C. HANKINS, CCR, RPR  
22 Paul Baca Professional Court Reporters  
23 New Mexico CCR No. 20  
24 Date of CCR Expiration: 12/31/2012  
25