

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

COPY

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

6 APPLICATION OF CIMAREX ENERGY Consolidated Cases
COMPANY FOR COMPULSORY 14842, 14843
7 POOLING, EDDY COUNTY,
8 NEW MEXICO

9 TRANSCRIPT OF PROCEEDINGS

10 EXAMINER HEARING

11 BEFORE: RICHARD EZEANYIM, Technical Examiner
12 DAVID K. BROOKS, Legal Examiner

13 June 25, 2012

14 Santa Fe, New Mexico

15 This matter came on for hearing before the New
16 Mexico Oil Conservation Division, RICHARD EZEANYIM,
17 Technical Examiner, and DAVID K. BROOKS, Legal
18 Examiner, on Monday, June 25, 2012, at the New
19 Mexico Energy, Minerals, and Natural Resources
20 Department, 1220 South St. Francis Drive, Room 102,
21 Santa Fe, New Mexico.

22

23

24 REPORTED BY: PAUL BACA, CCR #112
PAUL BACA COURT REPORTERS
25 500 4th Street, NW, Suite 105

RECEIVED COD
2012 JUL -3 PM 3:00

A P P E A R A N C E S

For Applicant:

James Garrett Bruce
P.O. Box 1056
Santa Fe, New Mexico 87504
505-982-2043

For COG Operating:

Adam G. Rankin
agrarkin@hollandhart.com
Holland & Hart
110 North Guadalupe, Suite 1
Santa Fe, New Mexico 875012
505-988-4421

I N D E X

CERTIFICATE OF COURT REPORTER 8

EXHIBIT: DESCRIPTION

1-3 Mr. Bruce's Exhibits 6

1 CHAIRMAN BROOKS: Okay. Back on the
2 record.

3 Mr. Bruce, I assume that you want to
4 combine -- want to consolidate 14842 and 14843 for
5 purposes of hearing.

6 MR. BRUCE: That's correct.

7 CHAIRMAN BROOKS: All right. Very good.

8 I will call at this time Case Number
9 14842, application of Cimarex Energy Company for
10 compulsory pooling, Eddy County, New Mexico, and
11 Case Number 14843, application of Cimarex Energy
12 Company for compulsory pooling, Eddy County,
13 New Mexico.

14 I call for appearances.

15 MR. BRUCE: Mr. Examiner, Jim Bruce, of
16 Santa Fe, representing the applicant. I intend to
17 present these cases by affidavit.

18 MR. RANKIN: Mr. Examiner, Adam Rankin,
19 with Holland & Hart, Santa Fe, on behalf of COG
20 Operating, appearing in both cases.

21 CHAIRMAN BROOKS: Appearing in both cases?

22 MR. RANKIN: Correct, for COG Operating.

23 MR. BRUCE: Mr. Examiner, I have submitted
24 three exhibits to you. Just if you would look --
25 turn back to the land plat. Attachment A to the

1 Exhibit 1, the statement of Cimarex's landman, the
2 wells being drilled are in the southwest/northeast
3 of Section 6 and the southeast/northeast of Section
4 6 of Township 19 south, Range 26 east.

5 You can see the two well units outlined.
6 Actually, that south half of the northeast quarter
7 is -- or was originally patented as a single Fee
8 tract.

9 CHAIRMAN BROOKS: Okay. What were the
10 township and range?

11 MR. BRUCE: 19/26.

12 CHAIRMAN BROOKS: Go ahead.

13 MR. BRUCE: And they have the same well
14 name, so I -- I consolidated them, although there is
15 a difference in ownership. But nonetheless, this
16 is -- as I think you will recall -- an area that
17 there were some fights -- some substantial fights
18 between COG and Cimarex, in which they split up the
19 areas they were going to operate.

20 This is one of those areas. And in fact
21 late last week, COG did -- and Cimarex did sign a
22 JOA regarding these two wells, so we're not seeking
23 to force pool COG.

24 The two wells are the Alabama 6 Fee Well
25 Number 1, which will be a Glorieta Yeso test in the

1 southwest quarter/northeast quarter of Section 6,
2 and then the Alabama 6 Fee Well Number 4, which is a
3 Glorieta Yeso test in the southeast
4 quarter/northeast quarter of Section 6.

5 I believe the pool in this area is the
6 Penasco. I think it's the Penasco San Andres
7 Glorieta Yeso, something like that. I can verify
8 the pool name for you, but I believe that's what it
9 is.

10 CHAIRMAN BROOKS: Okay.

11 MR. BRUCE: Anyway, the parties being
12 pooled are identified on the second page of the
13 affidavit.

14 The interest ownership does vary somewhat
15 in the two well units. The applicant does request a
16 200 percent risk charge. And the overhead rates are
17 4,500 a month for a drilling well and 450 a month
18 for a producing well. These are vertical wells.

19 The correspondence is attached to the
20 interest owners, one of whom is unlocatable.

21 And the AFEs are attached. These wells
22 will cost approximately \$2.3 million each.

23 Attached as -- submitted as Exhibit 2 is
24 the affidavit of notice whereby Yates, Abo, and Myco
25 did receive actual notice of this well and some

1 other wells in this area.

2 Normally I would have sent separate
3 letters, but it was actually Mr. Moran, Yates'
4 landman, who asked me to conglomerate them into one
5 package to minimize his paperwork.

6 And finally, Exhibit 3 is the affidavit of
7 publication in the Carlsbad newspaper, whereby
8 notice was given to Mr. Gustof Johnson or his heirs,
9 who is a person who was unlocatable after the normal
10 county search, Internet search, et cetera.

11 And with that, we would move the admission
12 of Exhibits 1 through 3 and we ask that the matters
13 be taken under advisement.

14 CHAIRMAN BROOKS: Okay. Exhibits 1
15 through 3 are admitted.

16 I suppose the difference in the overhead
17 rate had something to do with the fact that -- your
18 agreement with COG?

19 MR. BRUCE: It is. Cimarex has been
20 asking, for its vertical wells, a lower overhead
21 rate.

22 CHAIRMAN BROOKS: Yeah. But the previous
23 case included -- well, the previous case was not
24 Cimarex. That was...

25 MR. BRUCE: That was -- correct. That was

1 Mack Energy.

2 CHAIRMAN BROOKS: The common factor was
3 Jim Bruce.

4 MR. BRUCE: Yeah.

5 CHAIRMAN BROOKS: Okay. I have no further
6 questions.

7 Mr. Ezeanyim?

8 CHIEF ENGINEER EZEANYIM: I have no
9 questions.

10 CHAIRMAN BROOKS: Very good. The case
11 is --

12 I'm sorry. Adam, did you have any
13 questions?

14 MR. RANKIN: No questions, Mr. Examiner.

15 CHAIRMAN BROOKS: Case Numbers 14842 and
16 14843 are taken under advisement.

17 (Proceedings concluded.)

18

19

20

21

22

23

24

25

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 14842:43
heard by me on 6-25-12.

David K. Brooks Examiner
Oil Conservation Division

CERTIFICATE

I, Paul Baca, RPR, CCR in and for the
State of New Mexico, do hereby certify that the
above and foregoing contains a true and correct
record, produced to the best of my ability via
machine shorthand and computer-aided transcription,
of the proceedings had in this matter.



PAUL BACA, RPR, CCR
Certified Court Reporter #112
License Expires: 12-31-12