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1 2	STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION	
3	IN THE MATTED OF THE HEADING CALLED	
4	BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:	
5	APPLICATION OF CIMAREX ENERGY CASE NO. 1556	
6	COMPANY FOR A NONSTANDARD SPACING AND PRORATION UNIT AND COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO.	
7		
8	REPORTER'S TRANSCRIPT OF PROCEEDINGS	
9	EXAMINER HEARING	
10	October 27, 2016	
11	Santa Fe, New Mexico	
12		
13		
14	BEFORE: WILLIAM V. JONES, CHIEF EXAMINER DAVID K. BROOKS, LEGAL EXAMINER	
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17	This matter came on for hearing before the	
18	New Mexico Oil Conservation Division, William V. Jones, Chief Examiner, and David K. Brooks, Legal Examiner, on	
19	Thursday, October 27, 2016, at the New Mexico Energy, Minerals and Natural Resources Department, Wendell Chino Building, 1220 South St. Francis Drive, Porter Hall, Room 102, Santa Fe, New Mexico.	
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22	REPORTED BY: Mary C. Hankins, CCR, RPR New Mexico CCR #20	
23	Paul Baca Professional Court Reporters 500 4th Street, Northwest, Suite 105	
24	Albuquerque, New Mexico 87102 (505) 843-9241	
25		

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1	APPEARANCES	
2	FOR APPLICANT CIMAREX ENERGY COMPANY:	
3	JENNIFER L. BRADFUTE, ESQ. MODRALL, SPERLING, ROEHL, HARRIS & SISK, P.A.	
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8	INDEX	
9		PAGI
10	Case Number 15560 Called	
11	Cimarex Energy Company of Colorado's Case-in-Chief:	
12	Witnesses:	
13	Jordan Cockrell:	
14	Direct Examination by Ms. Bradfute Cross-Examination by Examiner Brooks	12
15	Cross-Examination by Examiner Jones	1
16	Meera Ramoutar:	
17	Direct Examination by Ms. Bradfute Cross-Examination by Examiner Jones	15 22
18		
19	Proceedings Conclude	2
20	Certificate of Court Reporter	2.
21		
22	EXHIBITS OFFERED AND ADMITTED	
23	Cimarex Energy Company Exhibit Numbers 1 through 5	1
24	Cimarex Energy Company Exhibit Numbers 6 through 9	2
25		

	Page 3	
1	(9:25 a.m.)	
2	EXAMINER JONES: Let's go back on the	
3	record and call Case Number 15560, application of	
4	Cimarex Energy Company of Colorado for a nonstandard	
5	spacing and proration unit and compulsory pooling, Eddy	
6	County, New Mexico.	
7	Call for appearances.	
8	MS. BRADFUTE: Mr. Examiner, my name is	
9	Jennifer Bradfute, and I'm with the Modrall Sperling Law	
10	Firm on behalf of Cimarex Energy Company.	
11	EXAMINER JONES: Any other appearances?	
12	Okay. Any witnesses?	
13	MS. BRADFUTE: Yes, Mr. Examiner. I have	
14	two witnesses I'd like to call today.	
15	EXAMINER JONES: Will the witnesses please	
16	stand?	
17	And will the court reporter swear the	
18	witnesses?	
19	(Ms. Cockrell and Ms. Ramoutar sworn.)	
20	MS. BRADFUTE: Mr. Examiner, I'd like to	
21	call my first witness, Jordan Cockrell.	
22	JORDAN COCKRELL,	
23	after having been first duly sworn under oath, was	
24	questioned and testified as follows:	
25	DIRECT EXAMINATION	

	Page 5
1	that are the subject of that application?
2	A. Yes.
3	MS. BRADFUTE: Mr. Examiner, I'd like to
4	tender the witness as an expert in petroleum land
5	matters.
6	EXAMINER JONES: Will you please spell your
7	last name?
8	THE WITNESS: It's C-O-C-K-R-E-L-L.
9	EXAMINER JONES: Thank you.
10	For some reason, I can't find a prehearing
11	statement in this
12	MS. BRADFUTE: I have a copy.
13	EXAMINER JONES: application. It may be
14	attached to one of these I have so many copies of the
15	application but not a real prehearing statement.
16	Jordan Cockrell is qualified as an expert
17	in petroleum land matters.
18	MS. BRADFUTE: Thank you, Mr. Examiner.
19	And I brought a copy of the prehearing statement.
20	EXAMINER JONES: Do you need this back?
21	MS. BRADFUTE: No, I do not.
22	Q. (BY MS. BRADFUTE) Can you please turn to what's
23	been marked as Exhibit Number 1 and explain to the
24	Hearing Examiners what that exhibit is?
25	A. Exhibit Number 1 is our application, and

- 1 it's -- it's our application.
- 2 Q. And can you please explain what Cimarex is
- 3 seeking in that application?
- A. Yes. We are looking to create a nonstandard
- 5 160-acre oil spacing and proration unit covering the
- 6 east half-east half of Section 20, 25 South -- Township
- 7 25 South, Range 27 East, in Eddy County, New Mexico.
- 8 And we are also seeking to pool the uncommitted interest
- 9 owners in that proration unit.
- 10 Q. And could you please turn to what's been marked
- 11 as Exhibit Number 2 and explain what that exhibit is to
- 12 the Hearing Examiners?
- 13 A. Exhibit Number 2 is the C-102 to the
- 14 Cottonberry 20 Federal Com 4H well.
- 15 O. Does this C-102 list the location of the
- 16 surface hole for the proposed well?
- 17 A. Yes, it does.
- Q. And is that location 330 feet from the north
- 19 line and 700 feet from the east line of Section 20?
- 20 A. Yes.
- Q. Does the C-102 also list the location of the
- 22 bottom hole for the well?
- 23 A. Yes, it does.
- Q. And is that location 330 feet from the south
- 25 line and 660 feet from the east line of Section 20?

- 1 derived.
- 2 Q. And does this copy of the Midland map section
- 3 show the offset owners within the area as well?
- 4 A. Yes.
- 5 Q. Can you turn to what's been -- or page 2 of
- 6 Exhibit Number 3? What does this second page list?
- 7 A. Page 2 of Exhibit Number 3 is the uncommitted
- 8 interest owners that we seek to pool, and it also lists
- 9 their associated interests that they own in that east
- 10 half-east half.
- 11 Q. In Cimarex's original application that it
- 12 filed, did it also seek to pool Trabajo Del Spear?
- 13 A. Yes. Trabajo Del Spear was listed on the
- 14 original application, but since that time, they have
- 15 signed a JOA so they are no longer -- we are no longer
- 16 seeking to pool their interest.
- Q. Can you please summarize for the Hearing
- 18 Examiners what efforts you've made to obtain volunteer
- 19 pooling from the parties that you seek to pool?
- 20 A. Yes. So all of Section 20 is covered by a JOA
- 21 covering the Bone Spring Formation. All other partners,
- 22 being the majority of the interest, have signed a JOA
- 23 and are a party to it. We have sent out well-proposal
- 24 letters, the associated AFE for the Cottonberry 4H well,
- 25 the JOA and the communitization agreement to the

	Page 9
1	uncommitted interest owners, and they were unresponsive.
2	So we have not heard anything from them.
3	Q. In your opinion, has Cimarex made a good-faith
4	effort to obtain the voluntary joinder of those parties?
5	A. Yes, I believe we have.
6	Q. Can you please turn to what's been marked as
7	Exhibit Number 4 and explain what that is to the Hearing
8	Examiners?
9	A. Exhibit Number 4 are the well-proposal letters
10	that I mentioned earlier and the associated AFE that was
11	sent along with those.
12	Q. And I believe if you turn to the last page of
13	that exhibit, you'll find the AFE; is that correct?
14	A. Yes.
15	Q. Could you please explain to the Examiners what
16	the estimated cost of the drilling and completing the
17	well will be?
18	A. Yes. The total cost of the well is estimated
19	to be 4,360,750. The dry-hole costs are estimated at
20	1,505,500, and the after-casing point is 2,855,250.
21	EXAMINER JONES: Sorry. Which exhibit was
22	that?
23	THE WITNESS: It's Exhibit 4, the last page

EXAMINER JONES: Okay. Thanks.

of Exhibit 4.

24

25

- 1 Q. (BY MS. BRADFUTE) Are the costs included in the
- 2 AFE in line for the drilling of other horizontal wells
- 3 drilled to this length and depth in this area of
- 4 New Mexico?
- 5 A. Yes.
- 6 Q. And who should be appointed operator of the
- 7 well?
- 8 A. Cimarex Energy Co.
- 9 Q. Do you have a recommendation for the amounts
- 10 Cimarex should be paid for supervision and
- 11 administrative expenses?
- 12 A. We like to charge 7,000 for drilling and 700
- 13 for producing a well.
- 14 O. And are these amounts equivalent to those
- 15 normally charged by Cimarex and other operators in this
- 16 area for development of horizontal wells?
- 17 A. Yes, they are.
- 18 Q. Do you request that these rates be adjusted
- 19 periodically as provided by the COPAS accounting
- 20 procedure?
- 21 A. Yes.
- 22 Q. Does Cimarex request the maximum cost plus 200
- 23 percent risk charge if any pool interest owner fails to
- 24 pay its share of cost for drilling, completing and
- 25 equipping the well?

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Α.

Yes, they were.

	Page 12
1	Q. Is the granting of this application in the
2	interest of conservation and the prevention of waste?
3	A. Yes.
4	MS. BRADFUTE: Mr. Examiner, I'd like to
5	move the admission of Exhibits 1 through 5 into
6	evidence.
7	EXAMINER JONES: Exhibits 1 through 5 are
8	admitted.
9	(Cimarex Energy Company of Colorado Exhibit
10	Numbers 1 through 5 are offered and
11	admitted into evidence.)
12	MS. BRADFUTE: Thank you.
13	CROSS-EXAMINATION
14	BY EXAMINER BROOKS:
15	Q. Well, I suppose it wouldn't be kosher for me to
16	ask you anything about the Granberg #5H.
17	A. I was wondering if you I was actually going
18	to ask you about that (laughter).
19	Q. Well, I'm a little confused about a couple of
20	Marklock [sic; phonetic] wells, but I'm going to leave a
21	note here, and you can take it.
	A. Okay.
22	A. Okay.
22	Q. And I'll do my personal business not on OCD

	Page 13
1	Q. Let's see. Who are you pooling in this?
2	A. There are six uncommitted interest owners. Let
3	me find those.
4	MS. BRADFUTE: If you turn to Exhibit
5	Number 3, there is page 2.
6	THE WITNESS: Okay. So there are six
7	Q. (BY EXAMINER BROOKS) This is on the second page
8	of Exhibit 3
9	A. Yes, sir.
10	Q this list of names?
11	A. Uh-huh. Those are the parties that we're
12	looking to pool. Like I said, they were just
13	unresponsive. We haven't heard back from them. We sent
14	them their proposals.
15	Q. Yeah. Are they unleased mineral interest
16	owners or
17	A. Yes.
18	Q. Okay. And you've got service on all but one,
19	and then you published on one; did you say?
20	A. Yes.
21	Right?
22	MS. BRADFUTE: Yes, that is correct.
23	Q. (BY EXAMINER BROOKS) Which one was that?
24	A. Mary Jo Dickerson.
25	Q. Okay. Thank you.

	Page 16
1	Q. And what are your responsibilities as a
2	geologist?
3	A. I'm responsible for several properties in
4	southeast New Mexico, prospecting different geographic
5	areas for oil and gas.
6	Q. And have you previously testified before the
7	Division?
8	A. I have.
9	Q. And were your credentials as a geologist
10	accepted and made part of the record?
11	A. Yes, they were.
12	Q. Are you familiar with the application that's
13	been filed by Cimarex in this case?
14	A. I am.
15	Q. And are you familiar with the status of the
16	lands that are subject of that application?
17	A. I am.
18	Q. Are you familiar with the drilling plan for the
19	Cottonberry 20 Federal Com 4H well?
20	A. Yes, ma'am.
21	Q. And have you conducted a geologic study of the
22	area embracing the proposed spacing unit for that well?
23	A. Yes, I have.
24	MS. BRADFUTE: Mr. Examiner, I'd tender the
25	witness as an expert in petroleum geology matters.
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	Page 17
1	EXAMINER JONES: Ms. Ramoutar is qualified
2	as an expert in petroleum geology.
3	Q. (BY MS. BRADFUTE) Ms. Ramoutar, what is the
4	targeted interval for the proposed well?
5	A. The Cottonberry 4H will be targeted in the 2nd
6	Bone Spring Sand.
7	Q. And could you please turn to what's been marked
8	as Exhibit Number 6 and explain what this exhibit is to
9	the Hearing Examiners?
10	A. Exhibit Number 6 is a structure map on the top
11	of the 2nd Bone Spring Sand, and what we have here are
12	just varying colors. And you can see here the colors
13	change as you move from the northwest to the southeast,
14	and we have a black arrow on that exhibit that indicates
15	the direction of the dip, which is to the south and
16	east.
17	Q. And when you conducted your study, did you see
18	any geological impediments within this area?
19	A. No.
20	Q. Did you see any pinch-outs or faults?
21	A. No.
22	Q. Are there other Bone Spring wells within the
23	area?
24	A. There are. This well is the immediate offset
25	to the west half-east half well that Cimarex Energy

	Page 18
1	drilled earlier this year, the Cottonberry #3H, and we
2	are so we are bounded to the west by a well that we
3	operate. We are bounded to the east by two Chevron
4	wells, the White City 21, and then to the south in
5	Section 29, Concho-COG has drilled their Populus well
6	there. So we are bounded by producers on three out of
7	the four sides.
8	Q. And did you prepare a cross section of logs to
9	determine the relative thickness and porosity of the
10	Bone Spring Formation in the area?
11	A. I have, and that is Exhibit Number 7.
12	Q. And could you please walk through Exhibit
13	Number 7 and explain that to the Hearing Examiners?
14	A. Sure.
15	Exhibit Number 7 is a cross section going
16	from A to A prime. We're going from the northwest down
17	to the southeast. It starts from Chevron's Hayhurst 16
18	well that is also a Bone Spring producer and it
19	goes to COG's Populus well that I just mentioned as a
20	producer as well.
21	What I have on this cross section is very
22	basic, from your tracts moving from left to right, your
23	gamma ray, your porosity logs and your resistivity. And
24	then on the logs themselves, I've identified both the
25	top and the base of the 2nd Bone Spring Sand as

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		Page 19
-	1	indicated by the labeling, 2nd Bone Spring at the top
	2	and the base of the 2nd Bone Spring Sand, which is
	3	effectively the 3rd Bone Spring Carbonate, at the base
	4	of it. The internal markers that are there are not
	5	labeled. They're used for internal correlations.
	6	And on this section here, you can see we
	7	are averaging about 400 feet of gross thickness within
	8	the Bone Spring Sand. But also flagged on this cross
	9	section are pay intervals, and so the orange shading is
	10	what Cimarex uses as our internal payouts [sic]. So you
	11	can see here within both wells, we have pay development.
	12	Q. And do you consider the wells included within
	13	your cross section to be representative of the Bone
	14	Spring Formation in the area?
	15	A. Yes, ma'am.
	16	Q. Can you please turn to what's been marked as
	17	Exhibit Number 8 and explain what that is for the
ł	18	Hearing Examiners?
İ	19	A. So Exhibit Number 8 is a net pay map, and
	20	that'll be based on the orange shading off the cross
	21	section, so basically what we what we use to prospect
	22	for oil and gas as our reservoir interval.
-	23	So you can see the location of the

well in Section 20. On this map, the things that you

Cottonberry #4H, again, which is the east half-east half

24

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- 1 want to pay attention to are the colorings. The lighter
- 2 orange colors are thinner reservoir rock, and then the
- 3 darker orange is better quality rock. So you can see
- 4 our well is poised in a very good area for good-quality
- 5 2nd Bone Spring Sand. And, also, producers in the area
- 6 are identified by the green circles. So this is a very
- 7 active area for 2nd Bone Spring Sand.
- Q. And what conclusions have you drawn from your
- 9 geologic study of the area?
- 10 A. That the Cottonberry 4H is located in an area
- 11 that's going to be very prospective for 2nd Bone Spring
- 12 Sand production.
- Q. Will each quarter-quarter section included
- 14 within the project area be productive from the Bone
- 15 Spring Formation?
- 16 A. Yes.
- 17 Q. And will each 40-acre section contribute
- 18 approximately equally to production from the well?
- 19 A. Yes.
- 20 Q. Is horizontal drilling the most efficient
- 21 method to development in the area?
- 22 A. Absolutely.
- Q. And will the drilling of a horizontal well
- 24 prevent the drilling of unnecessary wells and result in
- 25 the greatest EUR?

- 1 A. Yes.
- 2 Q. Can you please turn to what's been marked as
- 3 Exhibit Number 9?
- 4 A. Exhibit Number 9 is a schematic of how we plan
- 5 on drilling the Cottonberry 4H. It is a little bit
- 6 difficult to see, but what I want to draw your attention
- 7 to is this well is going to be drilled vertically to a
- 8 landing point of about 7,600, which is indicated by the
- 9 table at the top of the exhibit labeled "Critical
- 10 Points." Our landing point is located there. And then
- 11 we're going to drill this well horizontally for one mile
- 12 to our vertical section of 5,600 feet and well TD at 330
- 13 from the south.
- 14 Q. In your opinion, would the granting of
- 15 Cimarex's application be in the best interest of
- 16 conservation, the prevention of waste and the protection
- 17 of correlative rights?
- 18 A. Yes, it would be.
- 19 Q. Were Exhibits 6 through 9 prepared by you or
- 20 compiled under your direction or supervision?
- 21 A. Yes, they were.
- MS. BRADFUTE: Mr. Examiner, I'd like to
- 23 move the admission of Exhibits 6 through 9.
- 24 EXAMINER JONES: Exhibits 6 through 9 are
- 25 admitted.

	Page 22
1	(Cimarex Energy Company Exhibit Numbers 6
2	through 9 are offered and admitted into
3	evidence.)
4	EXAMINER BROOKS: No questions.
5	CROSS-EXAMINATION
6	BY EXAMINER JONES:
7	Q. That's pretty good. Thanks for putting the dip
8	marker on there. I always have to look at those contour
9	maps to see where the strike and dip is.
10	A. Sure.
11	Q. The strike is pretty easy, but the dip is
12	always a bit
13	A. Yeah.
14	Q. So it's kind of interesting that it's bounded
15	by two wells on one side, another well on the other side
16	that you would have people that didn't want to
17	participate. I guess if you can't find them, they don't
18	want they can't decide.
19	A. Yeah.
20	MS. BRADFUTE: Yeah.
21	Q. (BY EXAMINER JONES) I guess that's so are
22	other depths in the Bone Spring being looked at?
23	A. Absolutely. With changing technology and all
24	of that, just the Permian Basin is layered with
25	productive intervals. So
	·

- 1 Q. So it's wide open for more drilling then?
- 2 A. I'm not sure if it's wide open, but (laughter)
- 3 it's prospective. That's for sure.
- 4 Q. But what can you see geologically on the logs
- 5 for -- that you -- that you like about this area?
- 6 A. I guess what I like about this area is just
- 7 simply where it sits as far as depositionally in the
- 8 Basin. So I'm a little more proximal to the shelf edge
- 9 as compared to some of the other operators, and so I
- 10 think that gives me an added advantage just based on how
- 11 the 2nd Bone Spring Sand was deposited. It gives me a
- 12 little bit of an advantage as far as water production is
- 13 concerned. And so this acreage is, for us, very
- 14 attractive simply because we have a very good handle on
- 15 what our water cuts should be, would be in this area.
- 16 As you move further into the Basin, your water cuts tend
- 17 to increase with regional dip just a little bit.
- 18 Q. Okay. So the actual -- actual ultimate
- 19 production on the well is predictable also?
- 20 A. Well, like you can see from the map, all the
- 21 blue -- the green dots are producers. So yeah, I think
- 22 our engineers have a pretty good handle on what
- 23 expecting the EUR should be.
- Q. And your managers are giving you an open
- 25 checkbook?

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		Page 24
h	1	A. I'm not sure if it's open at \$50 oil, but, you
	2	know, it's one of those areas that they do like, yes.
П	3	Q. They like it?
L}	4	A. Yes.
	5	Q. Okay. Thanks very much.
П	6	A. You're welcome.
	7	MS. BRADFUTE: Mr. Examiner, that's all I
Π	8	have. We ask that the case be taken under advisement.
U	9	EXAMINER JONES: Take Case Number 15560
	10	under advisement.
П	11	Thank you for coming.
	12	MS. BRADFUTE: Thank you.
	13	(Case Number 15560 concludes, 9:50 a.m.)
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	Page 25
1	STATE OF NEW MEXICO
2	COUNTY OF BERNALILLO
3	
4	CERTIFICATE OF COURT REPORTER
5	I, MARY C. HANKINS, Certified Court
6	Reporter, New Mexico Certified Court Reporter No. 20,
7	and Registered Professional Reporter, do hereby certify
8	that I reported the foregoing proceedings in
9	stenographic shorthand and that the foregoing pages are
10	a true and correct transcript of those proceedings that
11	were reduced to printed form by me to the best of my
12	ability.
13	I FURTHER CERTIFY that the Reporter's
14	Record of the proceedings truly and accurately reflects
15	the exhibits, if any, offered by the respective parties.
16	I FURTHER CERTIFY that I am neither
17	employed by nor related to any of the parties or
18	attorneys in this case and that I have no interest in
19	the final disposition of this case.
20	Mary C. Hanking
21	MARY C HANKING CCB BDB
22	MARY C. HANKINS, CCR, RPR Certified Court Reporter
23	New Mexico CCR No. 20 Date of CCR Expiration: 12/31/2016
24	Paul Baca Professional Court Reporters
25	
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