

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

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

7 APPLICATION OF CHISHOLM ENERGY CASE NO. 16364
8 OPERATING, LLC FOR AN UNORTHODOX
9 WELL LOCATION, NONSTANDARD SPACING
10 AND PRORATION UNIT, AND COMPULSORY
11 POOLING, LEA COUNTY, NEW MEXICO.

12

13 REPORTER'S TRANSCRIPT OF PROCEEDINGS

14 EXAMINER HEARING

15 August 23, 2018

16 Santa Fe, New Mexico

17

18 BEFORE: WILLIAM V. JONES, CHIEF EXAMINER
19 DAVID K. BROOKS, LEGAL EXAMINER

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22 This matter came on for hearing before the
23 New Mexico Oil Conservation Division, William V. Jones,
24 Chief Examiner, and David K. Brooks, Legal Examiner, on
25 Thursday, August 23, 2018, 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.

26

27 REPORTED BY: Mary C. Hankins, CCR, RPR
28 New Mexico CCR #20
29 Paul Baca Professional Court Reporters
30 500 4th Street, Northwest, Suite 105
31 Albuquerque, New Mexico 87102
32 (505) 843-9241

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APPEARANCES

FOR APPLICANT CHISHOLM ENERGY OPERATING, LLC:

JULIA BROGGI, ESQ.
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INDEX

	PAGE
Case Number 16364 Called	3
Case Presented by Affidavit	3
Proceedings Conclude	8
Certificate of Court Reporter	9

EXHIBITS OFFERED AND/OR ADMITTED

Chisholm Energy Operating, LLC Exhibit Letters A, B and C and Attachments 1 through 5	5
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1 (8:49 a.m.)

2 EXAMINER JONES: Okay. Call Case Number
3 16364, application of Chisholm Energy Operating, LLC for
4 an unorthodox well location, nonstandard spacing and
5 proration unit and compulsory pooling in Lea County, New
6 Mexico.

7 Call for appearances.

8 MS. BROGGI: Julia Broggi, with the Holland
9 & Hart Law Firm, on behalf of the Applicant, Chisholm
10 Energy Operating, LLC.

11 EXAMINER JONES: Any other appearances?

12 MS. BROGGI: So we are presenting all three
13 of these cases by affidavit, so I can provide as much or
14 as little information as you want.

15 But what we have in this packet are three
16 affidavits, one from Davis Armour, who is a landman with
17 Chisholm, and that's Exhibit A.

18 Exhibit B is an affidavit from Josh Kuhn,
19 who is the petroleum geologist with Chisholm.

20 And then the final affidavit is Exhibit C,
21 and it's an affidavit from myself with the letters and
22 proof of mailing notice to the parties and the offsets,
23 as well as Notice of Publication, which was just done
24 out of an abundance of caution.

25 Just to give you a brief overview in this

1 case, 16364, Chisholm is asking the Division to enter an
2 order creating, if necessary, a roughly 320-acre oil
3 spacing and proration unit and to dedicate that spacing
4 and proration unit to the proposed well, Buffalo 12-1
5 Fed Com WCC #6H well, and pooling all the uncommitted
6 interest owners in the Wolfcamp Formation.

7 And attached to Mr. Armour's affidavit --
8 again, he's a landman -- is a C-102 which was filed with
9 the Division but hasn't yet been approved. It shows a
10 pool code has been assigned. That's Exhibit 1 to his
11 affidavit.

12 Exhibit 2 shows the ownership interest both
13 by tract and by unit. That's Exhibit 2 to his
14 affidavit.

15 Exhibit 3 is the well-proposal letter that
16 was sent to the working interest owners, and the
17 overriding royalty interest owners -- I'm sorry -- just
18 to the working interest owners, with the AFE attached.
19 But notice of the hearing was provided both to the
20 working interest owners and the overriding royalty
21 interest owners just out of an abundance of caution for
22 the overrides. There are no unleased mineral owners and
23 everybody was locatable.

24 And then the affidavit of the geologist,
25 Mr. Kuhn, and attached is a subsea structure map as

1 Exhibit 4 to his affidavit, and it also shows the four
2 wells that were used to create a cross section, which is
3 denoted from A to A prime.

4 And then Exhibit 5 to his affidavit is a
5 stratigraphic cross section that shows the area they are
6 proposing to drill is uniform. And he expresses his
7 opinion, you know, that ultimately it's in the best
8 interest of conservation, the prevention of waste and
9 the protection of correlative rights.

10 And so we would ask for the Division to
11 accept Exhibits A through C and the accompanying
12 exhibits to those affidavits as evidence in this case.

13 (Chisholm Energy Operating, LLC Exhibit
14 Letters A, B and C with Attachments 1
15 through 5 are offered into evidence.)

16 EXAMINER JONES: For the record, is the --
17 in Exhibit 2, the yellow parties are the only ones being
18 pooled at this time, by the time you've reached hearing.

19 MS. BROGGI: Yes.

20 EXAMINER JONES: Just OXY USA, Timothy R.
21 MacDonald and Maverick Oil & Gas, Corp.? That's all I
22 see.

23 MS. BROGGI: Yeah. Those are the working
24 interest owners. And I guess we're also asking to
25 include the overriding royalty interest owners out of an

1 abundance of caution.

2 EXAMINER JONES: Okay. You noticed them
3 so you want them to be --

4 MS. BROGGI: Yes.

5 EXAMINER JONES: Okay. You're on the
6 record saying that you're pooling the overrides also.

7 MS. BROGGI: Yes.

8 EXAMINER JONES: And this is a new
9 application. It's a Wolfcamp oil in Lea County. It's a
10 well with zero azimuth. It's 40-acre building blocks
11 for the spacing unit, and the spacing unit has not been
12 approved yet by BLM or OCD.

13 MS. BROGGI: It definitely hasn't by the
14 OCD, and I'm not sure about the BLM.

15 EXAMINER JONES: Okay. Sometimes -- I
16 don't know how you find out where it is in the process
17 with the BLM. Is there a Web site you go to, or you
18 just call them up?

19 MS. BROGGI: I mean, I don't personally
20 know. I'm sure that the landman probably knows the
21 status of that. I'd be happy to ask him and provide
22 that information.

23 EXAMINER JONES: No, no. That's fine. I
24 just --

25 For these cases, we're compulsory pooling,

1 so we can only compulsory pool a spacing unit. So
2 normally the spacing unit gets formed when you permit
3 the well, but, legally, do you think it's necessary to
4 wait until the well's permitted before you release
5 the compulsory pooling?

6 EXAMINER BROOKS: Well, is there any
7 concern about this being a proper spacing unit? I've
8 not studied the case, as you may have observed.

9 EXAMINER JONES: It's all federal. It's
10 eight quarter-quarters.

11 EXAMINER BROOKS: It's a combination of
12 quarter-quarters, so it should not be -- no. I would
13 say there is not a problem.

14 EXAMINER JONES: So we say that the spacing
15 unit is formed and all interests are pooled?

16 EXAMINER BROOKS: I think that's right.
17 For statistical purposes or recordkeeping purposes, we
18 don't have a spacing unit, but this is unquestionably a
19 unit spacing unit or can be, so I don't see a problem
20 there.

21 EXAMINER JONES: Okay. Does he have the
22 overhead rates in here? I'm sure he does.

23 MS. BROGGI: Yes. We included that in the
24 affidavit at paragraph 11 of Exhibit A, and it's 7,000 a
25 month while drilling and 700 a month while producing.

1 EXAMINER JONES: Okay. Thank you. Thank
2 you very much.

3 We'll take Case 16364 under advisement.

4 MS. BROGGI: Thank you.

5 EXAMINER BROOKS: I take it that case was
6 filed on or after June 26th?

7 EXAMINER JONES: Afterwards.

8 EXAMINER BROOKS: What I said would not
9 necessarily have been true -- would not have been true
10 if it had been filed before. I just wanted to make that
11 clear.

12 (Case Number 16364 concludes, 8:57 a.m.)

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25 STATE OF NEW MEXICO

1 COUNTY OF BERNALILLO

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3 CERTIFICATE OF COURT REPORTER

4 I, MARY C. HANKINS, Certified Court
5 Reporter, New Mexico Certified Court Reporter No. 20,
6 and Registered Professional Reporter, do hereby certify
7 that I reported the foregoing proceedings in
8 stenographic shorthand and that the foregoing pages are
9 a true and correct transcript of those proceedings that
10 were reduced to printed form by me to the best of my
11 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 DATED THIS 23rd day of September 2018.

20

21

22 MARY C. HANKINS, CCR, RPR
23 Certified Court Reporter
24 New Mexico CCR No. 20
25 Date of CCR Expiration: 12/31/2018
Paul Baca Professional Court Reporters

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