

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

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

APPLICATION OF CHISHOLM ENERGY
COMPANY OPERATING, LLC COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.

CASE NO. 20620

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

July 11, 2019

Santa Fe, New Mexico

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

This matter came on for hearing before the New Mexico Oil Conservation Division, William V. Jones, Chief Examiner, and David K. Brooks, Legal Examiner, on Thursday, July 11, 2019, 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.

REPORTED BY: Mary C. Hankins, CCR, RPR
New Mexico CCR #20
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APPEARANCES

FOR APPLICANT CHISHOLM ENERGY OPERATING, LLC:

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1 (3:14 p.m.)

2 EXAMINER JONES: Let's go back on the
3 record.

4 Call Case 20620, application of Chisholm
5 Energy Operating, LLC for compulsory poolings in Lea
6 County, New Mexico.

7 Call for appearances.

8 MS. LUCK: Kaitlyn Luck with the Santa Fe
9 office of Holland & Hart.

10 MR. BRUCE: Mr. Examiner, Jim Bruce of
11 Santa Fe representing ConocoPhillips.

12 I have no witnesses, and I do not object to
13 the case being presented by affidavit.

14 EXAMINER JONES: Okay. No witnesses, just
15 an affidavit presentation. Okay. Go ahead.

16 MS. LUCK: Thank you.

17 Turning to Exhibit A in this case, it's the
18 affidavit at Jacob Daniels that describes that Chisholm
19 Energy Operating, LLC in this case is seeking an order
20 pooling all uncommitted interests in the Bone Spring
21 Formation underlying a 320-acre spacing unit comprised
22 of the west half of the west half of Sections 14 and 23,
23 Township 21 South, Range 32 East, Lea County, New
24 Mexico.

25 Jacob Daniels is the landman for Chisholm

1 Energy Operating, LLC. He has testified before the
2 Division and had his credentials as an expert petroleum
3 landman accepted as a matter of record.

4 He's familiar with the applications in this
5 case. He states that this spacing unit will be
6 dedicated to the proposed Aztec 14-23 Fed Com 3BS 3H
7 well, which will be located in a wildcat Bone Spring
8 pool, pool code 97921.

9 His Exhibit A1 is the Form C-102 for the
10 proposed well. And I'm sorry. It looks like we might
11 be out of order on our exhibits. Actually, A2 is the
12 C-102 for the well, and it reflects the pool code.

13 And his Exhibit A1 is the tract map showing
14 the interests and their percentage of ownership in each
15 tract, as well as unit recap showing the percentage of
16 ownership interest in each horizontal spacing unit. The
17 spacing unit includes federal land only. And Chisholm
18 is seeking to pool both working interest owners and
19 overriding royalty interest owners shown on Exhibit A1.
20 There are no depth severances in the Bone Spring in this
21 area, and there are no unleased mineral interest owners.

22 Chisholm A3 is a copy of the well-proposal
23 letter that went out, along with the AFE for this well.
24 Mr. Daniels states that the costs are consistent with
25 what other operators have incurred for drilling similar

1 horizontal wells. And Chisholm is seeking \$7,000 --
2 \$7,500 per month while drilling and \$750 per month while
3 producing, which is also consistent with what other
4 operators are charging for these types of wells in the
5 area. Chisholm requests that those costs be
6 incorporated into the order together with a 200 percent
7 charge for the risk against any nonconsenting parties.

8 Chisholm has made good-faith efforts to
9 reach agreement with all the parties, and it's their
10 understanding that there would be no opposition to this
11 case being presented by affidavit. Chisholm will notify
12 the Division if there are any parties that it is no
13 longer seeking to pool.

14 And I'd just like to point out on Exhibit
15 A1, the only party that Chisholm is seeking to pool in
16 this case that's a working interest owner is
17 ConocoPhillips, and that's highlighted on Exhibit A1.

18 Turning to -- and finally -- sorry -- on
19 Exhibit A, he provided our office with a list of names
20 and addresses to be provided notice of this hearing,
21 which will be discussed in Exhibit C.

22 Exhibit B is the affidavit of Josh Kuhn,
23 who is the geologist for Chisholm Energy. He has
24 testified before as an expert witness in petroleum
25 geology, and his credentials have been accepted by the

1 Division as a matter of record.

2 In this case Chisholm is targeting the 3rd
3 Bone Spring Formation.

4 Mr. Kuhn's Exhibit B1 is a project locator
5 map showing the Aztec 3H well. The spacing unit is
6 outlined with a red-dashed line, and the path to the
7 proposed wellbore is shown by a gray-dashed line. This
8 map also shows existing 3rd Bone Spring producers with
9 brown circles.

10 His Exhibit B2 is a subsea structure map
11 that has 50-feet contour intervals, and it shows the
12 Bone Spring structure is dipping slightly to the
13 south-southwest in this area. In his opinion, the
14 structure appears consistent, and he does not observe
15 any faulting, pinch-outs or geologic hazards to
16 developing the horizontal well. This Exhibit B2 lays a
17 line of cross section from A to A prime, north to south.

18 And then his Exhibit B3 is a stratigraphic
19 cross section prepared by him with the four
20 representative wells shown on Exhibit B2. These logs
21 demonstrate that the target interval within the 3rd Bone
22 Spring Sand are consistent across the entire spacing
23 unit. Based on his geologic study, he has not
24 identified any geologic impediments to horizontal
25 drilling in this area. And each tract in the spacing

1 unit will be productive and contribute more or less
2 equally to production from the wellbore.

3 And finally, in his opinion, the granting
4 of Chisholm's application is in the best interest of
5 conservation, the prevention of waste and the protection
6 of correlative rights.

7 Finally turning to Exhibit C, that's an
8 affidavit by me showing that my office sent notice of
9 this hearing to the parties to be pooled in these
10 proceedings, and there is also a Notice of Publication
11 that the proceedings were published in Lea County.

12 And with that, I would move the admission
13 of Exhibits A, B and C, along with their corresponding
14 attachments.

15 EXAMINER JONES: So newspaper notice was
16 provided in this case?

17 MS. LUCK: Yes.

18 EXAMINER JONES: So Exhibits A, B and C
19 with their attachments will be admitted.

20 (Chisholm Energy Operating, LLC Exhibits A,
21 B and C are offered and admitted into
22 evidence.)

23 EXAMINER JONES: So this is definitely a
24 wildcat Bone Spring? It's Lea County and it's Lower
25 Bone Spring. So it's not Wolfbone or anything like

1 that?

2 MS. LUCK: Not that we're aware of. We
3 were provided the pool code of 97921.

4 EXAMINER JONES: By Paul?

5 MS. LUCK: Uh-huh.

6 And if there is nothing further, we'd ask
7 the case be taken under advisement.

8 EXAMINER BROOKS: I have nothing.

9 EXAMINER JONES: Case Number 20620 is taken
10 under advisement.

11 Thank you very much.

12 (Case Number 20620 concludes, 3:21 p.m.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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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 DATED THIS 26th day of July 2019.

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23 MARY C. HANKINS, CCR, RPR
24 Certified Court Reporter
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2019
Paul Baca Professional Court Reporters

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