

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 CASE NO. 16456,
OPERATING, LLC FOR COMPULSORY POOLING, 16457
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

November 15, 2018

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
 KEITH W. HERRMANN, LEGAL EXAMINER

This matter came on for hearing before the
New Mexico Oil Conservation Division, Michael McMillan,
Chief Examiner, and Keith W. Herrmann, Legal Examiner,
on Thursday, November 15, 2018, at the New Mexico
Energy, Minerals and Natural Resources Department,
Wendell Chino Building, 1220 South St. Francis Drive,
Third Floor Meeting Room, Santa Fe, New Mexico.

REPORTED BY: Mary C. Hankins, CCR, RPR
 New Mexico CCR #20
 Paul Baca Professional Court Reporters
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 (505) 843-9241

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APPEARANCES

FOR APPLICANT CHISHOLM ENERGY OPERATING, LLC:

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1 (9:07 a.m.)

2 EXAMINER McMILLAN: I'd like to call Case
3 16456, application of Chisholm Energy Operating, LLC for
4 compulsory pooling, Eddy County, New Mexico.

5 Is this going to be combined with 16457?

6 MS. KESSLER: Yes.

7 EXAMINER McMILLAN: Which is the
8 application of Chisholm Energy Operating, LLC for
9 compulsory pooling, Eddy County, New Mexico.

10 Call for appearances.

11 MS. KESSLER: Mr. Examiner, Jordan Kessler
12 from the Santa Fe office of Holland & Hart.

13 EXAMINER McMILLAN: Any other appearances?
14 Please proceed.

15 MS. KESSLER: Mr. Examiner, I believe that
16 COG Operating had entered an appearance in these cases.

17 EXAMINER McMILLAN: Are you COG Operating?

18 MR. CARR: Yes.

19 EXAMINER McMILLAN: Thank you.

20 MS. KESSLER: Mr. Examiner, if I may
21 proceed?

22 These two cases will also be presented by
23 affidavit. I've included, as Exhibit 1, the affidavit
24 from Luke Shelton, who is a landman who has been
25 previously sworn in and whose credentials as an expert

1 in petroleum land matters accepted.

2 He, in paragraphs five and six, identifies
3 the two spacing units. One is a Bone Spring east
4 half-east half spacing unit. That's in Section 5 of
5 Township 22 South, Range 26 East, Eddy County. And that
6 spacing unit will be dedicated to the Mudshark 5 State
7 3BS #1H well. And Case Number 16457 is a 320.46-acre
8 horizontal spacing unit in the Wolfcamp Formation.

9 Exhibit A1 includes the two C-102s for each
10 of the proposed wells. These wells, as Mr. Shelton
11 states in his affidavit, have not -- have been
12 submitted, but not yet approved, so there is not an APD
13 number. They have been placed into two different pools.
14 The Bone Spring well, as reflected in the C-102, is in
15 the Happy Valley; Bone Spring Pool. That's Pool Code
16 96347. And the Mudshark 5 State Wolfcamp #2H well is in
17 the Purple Sage; Wolfcamp Pool, and that's 98220.

18 He goes on to say, in paragraphs 8 and 9,
19 that each of the completed intervals is orthodox.

20 He identifies the interest owners that he
21 seeks to pool in Exhibits B and C. He's only seeking to
22 pool a single working interest owner, and that's Premier
23 Oil & Gas. And that's for each of the two spacing
24 units.

25 He includes, in Exhibit 1D, the

1 well-proposal letter sent to that working interest
2 owner, and he also includes the costs of 7,500 per month
3 while drilling and 750 per month while producing.
4 That's in paragraph 16.

5 I will point out, Mr. Examiner, that
6 Mr. Shelton also states that the working interest owners
7 were locatable and overriding royalty interest owners.
8 And there were two overriding royalty interest owners
9 who were sent notification of this hearing and whose
10 letters have not yet been delivered. And those two
11 interest owners are -- overriding royalty interest
12 owners are identified in paragraph 13.

13 I'll move on to the geology affidavit of
14 Mr. George Roth, unless you have any questions for me,
15 Mr. Examiner.

16 EXAMINER McMILLAN: Okay. Where's the
17 return receipt for the working interest owner you're
18 attempting to --

19 MS. KESSLER: Let's see. My notice,
20 Mr. Examiner, is included in Exhibit 3.

21 EXAMINER McMILLAN: Do you have a return
22 receipt from the working interest owner?

23 MS. KESSLER: We do, yes. The working
24 interest owner we do have a return receipt from, and
25 that's reflected on the fourth page of Exhibit 3. It

1 says, "Your item was delivered."

2 Per Exhibit 3, the third page says, in line
3 2, "Premier Oil & Gas." And then in the same line 2, on
4 page 4, it says, "Your item was delivered."

5 EXAMINER McMILLAN: Do you see it?

6 EXAMINER HERRMANN: Yes, on line 2, to
7 Premier Oil & Gas. It was delivered at 10:33 a.m. on
8 October 4th in Richardson, Texas.

9 EXAMINER McMILLAN: Let's make sure we have
10 it.

11 MS. KESSLER: I'll move on.

12 Exhibit 2 is the affidavit of the
13 geologist, George Roth. He identifies the 3rd Bone
14 Spring target for the initial well for the Bone Spring
15 spacing unit, and he identifies the Wolfcamp target for
16 the Wolfcamp well. He's included a structure map for
17 each of the two sections -- I'm sorry -- each of the two
18 spacing units, Mr. Examiner, as well as cross-section
19 exhibits.

20 He has identified in paragraph nine that
21 each of the tracts will contribute more or less equally
22 to production and that he believes -- he states in
23 paragraph eight that the orientation of the wells places
24 them perpendicular to the known stress direction in the
25 area and will be the most appropriate way to develop the

1 acreage.

2 As I mentioned, Exhibit 3, Mr. Examiner, is
3 my affidavit with a letter both to the working interest
4 owners and overriding royalty interests. It's providing
5 notice of this hearing.

6 And Exhibit 4 is an Affidavit of
7 Publication for each of the two cases.

8 I'll move admission, Mr. Examiner, of
9 Exhibits 1 through 4.

10 EXAMINER McMILLAN: Exhibits 1 through 4
11 may now be accepted as part of the record.

12 (Chisholm Energy Operating, LLC Exhibit
13 Numbers 1 through 4 are offered and
14 admitted into evidence.)

15 EXAMINER McMILLAN: Okay. I'm looking at
16 the cross section.

17 MS. KESSLER: For the Bone Spring or for
18 the Wolfcamp, or you can just tell me what tab you're
19 looking at?

20 EXAMINER McMILLAN: I'm looking at the 3rd
21 Bone Spring, structural cross section, A, A prime, 3rd
22 Bone Spring. So your target interval is right on the
23 base of the lower -- is on the base of the 3rd Bone
24 Spring-Wolfcamp, right?

25 MS. KESSLER: That's my understanding,

1 Mr. Examiner. I can clarify that.

2 EXAMINER McMILLAN: Because crudely looking
3 at the Chisholm Energy Westside 4 State Com, it looks
4 like the target interval may be a little bit of both,
5 Wolfcamp and Bone Spring. And my question is -- I want
6 to make sure there is uniform interest in the mineral
7 estate between the Bone Spring and the Wolfcamp.

8 MS. KESSLER: There is, Mr. Examiner, and
9 that's reflected in Exhibits C and D to Attachment 1.

10 EXAMINER McMILLAN: Exhibits --

11 MS. KESSLER: So you'll see, Mr.
12 Examiner -- it's B and C.

13 EXAMINER McMILLAN: Okay. Hold on.

14 Okay. I'm looking at B and C.

15 MS. KESSLER: Yes, Mr. Examiner. And
16 you'll see that the exact same owners own exact same
17 percentages in the Bone Spring and the Wolfcamp
18 Formations.

19 EXAMINER McMILLAN: Okay. So basically if
20 that -- if, when you complete it, it goes in the -- so
21 you're saying that looking at the Bone Spring, if you --
22 if there is production contribution from the Wolfcamp,
23 there'll be no adversely affected parties because of
24 uniform ownership in the mineral estate? Is that what
25 you're saying?

1 MS. KESSLER: That's correct, Mr. Examiner.
2 And if you would like testimony to that effect, I can
3 solicit that from the landman.

4 EXAMINER McMILLAN: Well, but your
5 testimony is that they're identical, identical ownership
6 in the mineral estate.

7 MS. KESSLER: Correct, Mr. Examiner.
8 That's what's in the affidavits. I can't testify on
9 behalf of the landman, so I'm just reading what's in his
10 affidavit.

11 EXAMINER McMILLAN: Okay. Well, that's an
12 accepted part of the record. And you're assuming that
13 then? That's a safe statement to make?

14 MS. KESSLER: That is a safe statement to
15 make, that ownership is identical.

16 MR. HERRMANN: Just to clarify: This is
17 what's been presented in the exhibits and the affidavit
18 that were sworn.

19 EXAMINER McMILLAN: I always get the
20 completing right on top of the base and the top of the
21 other formation -- I always like to make sure ownership
22 is identical.

23 No APIs, correct?

24 MS. KESSLER: Correct.

25 EXAMINER McMILLAN: Do you have any

1 questions?

2 MR. CARR: No questions.

3 MS. KESSLER: I would ask that these cases
4 be taken under advisement.

5 EXAMINER McMILLAN: Case Numbers 16456 and
6 16457 shall be taken under advisement.

7 (Case Numbers 16456 and 16457 conclude,
8 9:20 a.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 18th day of December 2018.

21

22

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

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