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APPEARANCES

FOR APPLICANT CHISHOLM ENERGY OPERATING, LLC:

JORDAN L. KESSLER, ESQ.
HOLLAND & HART, LLP
110 North Guadalupe, Suite 1
Santa Fe, New Mexico 87501
(505) 988-4421
jlkessler@hollandhart.com

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1 (9:43 a.m.)

2 EXAMINER McMILLAN: Call case 20181 first?

3 MS. KESSLER: Yes.

4 EXAMINER McMILLAN: Is it combined?

5 MS. KESSLER: Yes.

6 EXAMINER McMILLAN: And 20181 and 182 shall
7 be combined.

8 Call for appearances.

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

11 EXAMINER McMILLAN: Could you give a brief
12 description?

13 MS. KESSLER: Sure.

14 Mr. Examiner, in Case Number 20181,
15 Chisholm is seeking an order pooling uncommitted
16 interests in the Bone Spring Formation in the 640-acre
17 spacing unit comprised of the east half of Section 1 and
18 the east half of Section 28, and that's in Township 23
19 South, Range 26 East in Eddy County. That will be
20 dedicated to the Cletus 28-21 Fed Com 3BS #3H well. And
21 it is a Bone Spring 40-acre pool, and the spacing unit
22 will incorporate the proximity tracts.

23 In Case 20182, Chisholm is seeking to pool
24 the Wolfcamp Formation underlying the 640-acre spacing
25 unit comprised of the east half of Sections 21 and 28,

1 again in Township 23 South, 26 East in Eddy County. And
2 that spacing unit will be dedicated to the Cletus 28-21
3 Wolfcamp B #1H well and Wolfcamp A #2H well.

4 If may I proceed, Mr. Examiner?

5 EXAMINER McMILLAN: What's that?

6 MS. KESSLER: May I proceed?

7 EXAMINER McMILLAN: Yes.

8 Any other appearances?

9 Please proceed.

10 MS. KESSLER: Before you and marked as
11 Exhibit 1 is an affidavit from Luke Shelton, who is a
12 landman for Chisholm. He's previously testified before
13 the Division. He outlines the two orders that Chisholm
14 is seeking to pool -- I'm sorry -- the two orders for
15 the spacing units that Chisholm is seeking to pool.

16 Included behind Tab A is the C-102 for the
17 3H well, and that's the Bone Spring well. There is an
18 API number assigned and a wildcat Bone Spring pool.
19 Again, you'll see that the well is within 330 feet from
20 the centerline of the section, and so we'll incorporate
21 the proximity tracts.

22 Turning to Tab B, there are two C-102s, one
23 for the 1H well and one for the 2H well. As set forth
24 by a future affidavit, these two wells target different
25 benches in the Purple Sage; Wolfcamp Formation.

1 Ownership is common through the Bone Spring
2 and Wolfcamp Formations, so Tab C is an ownership report
3 by tract showing all of the interests that Chisholm
4 seeks to pool for both the Bone Spring and the Wolfcamp
5 Formations. The unit recap on the third-to-last page
6 shows the final tabulation of the interest owners and
7 who Chisholm seeks to pool. And then the last two pages
8 reflect overriding royalty interest owners that Chisholm
9 also seeks to pool in both the Bone Spring and the
10 Wolfcamp Formations.

11 Behind Tab D, you'll see a well-proposal
12 letter for the Bone Spring well, along with an AFE.

13 And behind Tab E, you'll find the proposal
14 letters and AFEs for the two Wolfcamp wells. Outlined
15 in Mr. Shelton's affidavit is the fact that these AFEs
16 are similar to what other wells cost in the area. And
17 the well-proposal letters, as well the affidavit set
18 forth the rate that Chisholm is requesting, which is
19 \$7,500 a month while drilling and 750 a month while
20 producing.

21 I will move along to the geology affidavit
22 put together by Mr. George Roth who has also previously
23 testified before the Division. He presents a structure
24 map for both the Bone Spring and Wolfcamp Formations and
25 does not note any structural issues that would prevent

1 the drilling -- or present impediments to drilling a
2 horizontal well.

3 He also includes, behind Tabs C and D, the
4 cross-section exhibits both for the 3rd Bone Spring
5 Sandstone, and he calls out the target interval in the
6 3rd Bone Spring. And then you'll see, behind Tab D, the
7 target interval for the Wolfcamp B well is marked, and
8 the Wolfcamp A is marked. And he notes that the target
9 interval is continuous throughout the proposed spacing
10 units.

11 Exhibit 3 includes our notice affidavits.
12 Behind Tab A is the notice affidavit for the Wolfcamp
13 well -- I'm sorry -- yeah. So the letter is included
14 behind Tab A, and then the Notices of Publication are
15 included behind Tab B.

16 If there are any questions I can answer, I
17 would be happy to, or I would direct you to the
18 affidavit.

19 EXAMINER McMILLAN: Okay. So just for
20 clarity purposes, not that big of a deal, 82 is Bone
21 Spring and 81 is Wolfcamp. But I don't know how big a
22 deal that is.

23 Okay. So first question: There are
24 unlocatable interests?

25 MS. KESSLER: There are.

1 EXAMINER McMILLAN: Okay. Any depth
2 severances?

3 MS. KESSLER: No. And that's pointed out
4 in the affidavit.

5 EXAMINER McMILLAN: Okay. And all
6 quarter-quarter --

7 MS. KESSLER: The geology affidavit,
8 Mr. Examiner, outlines that each of the tracts in the
9 proposed spacing unit are expected to contribute more or
10 less equally to the production of each of the wells.

11 EXAMINER McMILLAN: Status is "proposed."
12 Go ahead, David.

13 EXAMINER BROOKS: Where's the depth
14 severance? You said there was a depth severance?

15 MS. KESSLER: No, Mr. Examiner. I said in
16 the affidavit it points out there are no depth
17 severances.

18 EXAMINER BROOKS: Oh, okay. Then I'm not
19 worried. Thank you.

20 EXAMINER McMILLAN: Kathleen?

21 EXAMINER MURPHY: The target intervals, can
22 they at least just start pointing out how thick they
23 are? It's hard to see when the scale on the side is --

24 MS. KESSLER: Sure. And we'll be happy to
25 provide these electronically. I think it's easier to

1 zoom in on the logs so you can see the depth --

2 EXAMINER MURPHY: Thank you.

3 EXAMINER BROOKS: I have one other question
4 that I always ask. Overrides?

5 MS. KESSLER: Yes, Mr. Examiner. The
6 affidavit notes that there are overriding royalty
7 interest owners that Chisholm seeks to pool, and they've
8 been included in the notice, and their names are
9 included in the --

10 EXAMINER BROOKS: Very good.

11 MS. KESSLER: I would ask that these
12 exhibits be entered into the record and that these two
13 cases be taken under advisement.

14 EXAMINER McMILLAN: Okay. The exhibits may
15 now be accepted as part of the record, and Cases 20181
16 and 20182 shall be taken under advisement.

17 Thank you.

18 (Chisholm Energy Operating, LLC Exhibit
19 Numbers 1 through 3 are offered and
20 admitted into evidence.)

21 (Case Numbers 20181 and 20182 conclude,
22 9:52 a.m.)

23

24

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 DATED THIS 8th day of February 2019.

21

22

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

25