

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

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

CASE NO. 20521

OPPOSED MOTION FOR CONTINUANCE

Marathon Oil Permian LLC (“Marathon”) moves to continue the above-referenced case to **October 17, 2019**. As grounds for this Motion, Marathon states that Marathon’s undersigned counsel has a scheduling conflict and so cannot attend the August 22, 2019 hearing. The undersigned has a required hearing in Montana federal court on August 22, 2019. Marathon previously requested a continuance through September 19, 2019, and the Division granted Marathon’s motion but only through August 22, 2019. Given the scheduling conflict that has arisen, Marathon respectfully requests a continuance.

Marathon intends to appear at the hearing in this case to present evidence of Marathon’s working interest ownership. As Marathon explained in its prior Motion for Continuance, Marathon is a working interest in the proposed unit yet Chisholm Energy Operating, LLC did not send Marathon a proposal letter nor did it seek to pool Marathon’s working interest ownership. Marathon requests the continuance through October 17, 2019 to give Marathon and Chisholm more time to engage in discussions and potentially resolve the issue as to Marathon’s working interest. Marathon has communicated with Chisholm regarding Marathon’s working interest. *See* July 12, 2019 Letter from Marathon’s counsel to Chisholm. Chisholm’s Texas counsel has responded to Marathon’s

letter and additional communication directly between Chisholm and Marathon has occurred.

Counsel for Marathon contacted Chisholm's counsel and Chisholm does not agree to the continuance. Counsel for Marathon contacted ConocoPhillips Company's counsel, who has entered an appearance in this case, and ConocoPhillips Company's counsel agrees to the relief Marathon requests in this Motion.

Marathon respectfully requests a prehearing conference be scheduled prior to the August 22, 2019 hearing to address Marathon's motion for continuance.

Respectfully submitted,

MODRALL, SPERLING, ROEHL, HARRIS
& SISK, P.A.

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served on counsel of record by electronic mail on August 15, 2019:

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July 12, 2019

Via FedEx

Chisholm Energy Holdings, LLC
Attn: Legal and/or Land Department
801 Cherry Street
Suite 1200
Fort Worth, Texas 76102

Re: Dispute between Marathon Oil Permian LLC and Chisholm Energy Holdings, LLC.

To Whom It May Concern:

I represent Marathon Oil Permian LLC ("Marathon"). I am writing you concerning your claim to ownership of certain mineral interests in the N/2 of Section 14, Township 21-South, Range 34-East, N.M.P.M., Lea County, New Mexico (the "Property"). Chisholm Energy Holdings, LLC ("Chisholm") is currently clouding Marathon's title to ownership in the Property, limited in depth from the surface to 12,808 feet beneath the surface (the "Shallow Depths"). And Chisholm has not properly paid Marathon royalties owed for oil and gas production from the Shallow Depths. **This matter requires your immediate attention and may result in Marathon pursuing legal action in the near future.**

The Property makes up a portion of State Lease No. E-1923, between the State of New Mexico and Phillips Petroleum Company ("Phillips"), dated June 10, 1948 (the "Original Lease"). Effective October 1, 1999, Phillips assigned fifty-five percent (55%) of its right, title, and interest in the Shallow Depths under the Original Lease to Southwestern Energy Production Company ("Southwestern"), through a Partial Assignment of Oil and Gas Lease (or Leases).

Southwestern later entered a Term Assignment of Oil and Gas Lease, effective June 1, 2004 (the "Term Assignment") with Nearburg Exploration Company, L.L.C. ("Nearburg"). Under the Term Assignment, Southwestern conveyed its interest in the Shallow Depths for "a period of two (2) years . . . and so long thereafter as oil and/or gas is produced in paying quantities or is capable of being produced in paying quantities from the Subject Lease and land assigned herein or from lands pooled, communitized or unitized therewith, and the Subject Lease is being property maintained." Under the Term Assignment, Marathon is the successor-in-interest to Southwestern and Chisholm is the successor-in-interest to Nearburg.

Nearburg never produced any oil or gas from the Shallow Depths in the two years following the parties' execution of the Term Assignment. And all oil and gas production from the Shallow Depths ceased in 2016. Thus, the Term Assignment expired under its own terms based on a lack of oil and gas production from the Shallow Depths. Under New Mexico law, once the Term

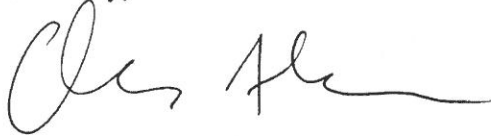
Assignment expired, ownership of the 55% interest in the Shallow Depths automatically reverted back to Marathon as successor-in-interest to Southwestern. Marathon is now the proper owner of this 55% interest in the Shallow Depths. Yet Chisholm has refused to recognize Marathon as the owner of this interest, nor has Chisholm paid Marathon for production from wells that Chisholm recently drilled in the Shallow Depths.

Chisholm must immediately release any claim to interest in the Shallow Depths through the Term Assignment and prepare a formal conveyance to Marathon recognizing Marathon's right, title, and interest to the Shallow Depths as successor to Southwestern under the Term Assignment. Additionally, Chisholm must adjust its accounting for oil and gas wells that have produced from the Shallow Depths to account for Marathon's ownership interests. If Chisholm refuses to do so, Marathon will have no choice but to initiate legal action to confirm its rights in the Property and recover monies that Chisholm owes to Marathon.

Please respond to me by July 26, 2019, to confirm that Chisholm recognizes Marathon's rights to the Shallow Depths and royalties related to production of oil and gas from the Shallow Depths.

By this letter, Marathon does not waive but instead reserves all rights and remedies.

Sincerely,

A handwritten signature in black ink, appearing to read 'Chris Hogan', written in a cursive style.

Christopher M. Hogan

CMH:df

cc: **Via Email bsullivan@chisholmenergy.com**
Beau Sullivan