

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

**APPLICATION OF CHISHOLM ENERGY OPERATING, LLC  
FOR A NON-STANDARD SPACING AND  
PRORATION UNIT AND COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.**

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**CASE NO. 16027 (*de novo*)**

**CHISHOLM'S PRE-HEARING STATEMENT**

Chisholm Energy Operating, LLC submits this Pre-Hearing Statement as required by Oil Conservation Commission Rule 19.15.4.13 NMAC.

**APPEARANCES**

**APPLICANT**

Chisholm Energy Operating, LLC

**ATTORNEY**

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**OPPONENT**

Cimarex Energy Company

**ATTORNEY**

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## STATEMENT OF CASE

On February 27, 2018, Chisholm Energy Operating, LLC (“Chisholm”) filed an application with the Oil Conservation Division requesting (1) creation of a 638.16-acre, more or less, non-standard spacing and proration unit comprised of the W/2 of Section 3 and the W/2 of Section 10, Township 24 South, Range 26 East, NMPM, Eddy County, New Mexico; and (2) pooling all uncommitted interests in the Wolfcamp formation (Purple Sage Wolfcamp Gas Pool) underlying the acreage. The spacing unit was to be dedicated to the Black River 3-10 Fed Com WCA No. 2H Well, its proposed Black River 3-10 Fed Com WCA No. 3H Well, and its proposed Black River 3-10 Fed Com WCA No. 4H Well.

A hearing was held on April 5, 2018, before Division examiners. Cimarex Energy Company entered an appearance and cross-examined Chisholm’s land witness regarding the status of a “deal in principle” between the parties. The deal in principle included a Term Assignment and trade of Cimarex’s interest in the non-standard spacing unit. The case was continued for notice reasons and taken under advisement on May 3, 2018.

On June 8, the Division issued Order R-14719. Chisholm proposed the well pursuant to the pooling order on June 19th, and Cimarex failed to respond to the proposal or to Chisholm’s proposed form of the Term Assignment. Because Cimarex did not make an election under the pooling order and the parties were unable to reach an agreement on the language of the Term Assignment within thirty days, Cimarex was deemed a non-consenting working interest owner pursuant to Order R-14719. *See* Order R-14719, page 5, ¶ 12. Chisholm proceeded to drill and complete the Black River 3-10 Fed Com WCA No. 4H Well.

Cimarex appealed Order R-14719. After the entry of the order and to date, Chisholm has continued to reach out to Cimarex to come to an agreement and finalize the form of the Term Assignment. The parties have not been able to reach agreement.

**APPLICANT'S PROPOSED EVIDENCE**

<b>WITNESS Name and Expertise</b>	<b>ESTIMATED TIME</b>	<b>EXHIBITS</b>
Davis Armour, Landman	Approx. 30	Approx. 7
George Roth, Geologist	Approx. 10	Approx. 2
James Huling, Engineer	Approx. 15	Approx. 4

**PROCEDURAL MATTERS**

None at this time.

Respectfully submitted,

HOLLAND & HART LLP



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**ATTORNEYS FOR CHISHOLM ENERGY OPERATING,  
LLC**


**CERTIFICATE OF SERVICE**

I hereby certify that on August 14, 2018, I served a copy of the foregoing document to the following counsel of record via Electronic Mail to:

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