

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
OPERATING, LLC TO RE-OPEN CASE
NUMBER 15851 TO POOL THE INTEREST
OF AN ADDITIONAL MINERAL INTEREST
OWNER UNDER THE TERMS OF COMPULSORY
POOLING ORDER R-14539, LEA COUNTY,
NEW MEXICO.

CASE NO. 15851
(Re-opened)

Consolidated with

APPLICATION OF CHISHOLM ENERGY
OPERATING, LLC TO RE-OPEN CASE
NUMBER 15852 TO POOL THE INTEREST
OF AN ADDITIONAL MINERAL INTEREST
OWNER UNDER THE TERMS OF COMPULSORY
POOLING ORDER R-14540, LEA COUNTY,
NEW MEXICO.

CASE NO. 15852
(Re-opened)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING
February 8, 2018
Santa Fe, New Mexico

BEFORE: PHILLIP GOETZE, CHIEF EXAMINER
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the
New Mexico Oil Conservation Division, Phillip Goetze,
Chief Examiner, and David K. Brooks, Legal Examiner, on
Thursday, February 8, 2018, 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
Paul Baca Professional Court Reporters
500 4th Street, Northwest, Suite 105
Albuquerque, New Mexico 87102

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APPEARANCES

FOR APPLICANT CHISHOLM ENERGY OPERATING, LLC:

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1 (8:25 a.m.)

2 EXAMINER GOETZE: The next is two cases
3 that were requested to be consolidated, Case Number
4 15851, re-opened, application of Chisholm Energy
5 Operating, LLC to re-open Case Number 15851, in the
6 interest of an additional mineral owner under the terms
7 of Compulsory Pooling Order R-14539, Lea County, New
8 Mexico, and Case Number 15852, re-opened, application of
9 Chisholm Energy Operating, LLC to re-open Case Number
10 15852 to pool the interest of an additional mineral
11 owner under the terms of Compulsory Pooling Order
12 R-14540, Lea County, New Mexico.

13 Call for appearances.

14 MS. KESSLER: Mr. Examiner, Jordan Kessler,
15 from the Santa Fe office of Holland & Hart, on behalf of
16 the Applicant, Chisholm Energy Operating, LLC. No
17 witnesses.

18 Again, this case will be presented by
19 affidavit. There are two pooling orders that are at
20 issue here. That would be R-14539 and Order R-14540.
21 Both of these orders were entered back in December and
22 created a spacing unit in the west half-west half and
23 east half-west half, respectively, of Section 32,
24 Township 18 South, 33 East in Lea County. Each of the
25 orders pooled, at the time, uncommitted interest owners

1 in the Bone Spring Formation and dedicated each of the
2 spacing units to the respective Gazelle wells, the
3 Gazelle 32 State Com 2 BS 1H and 2H wells.

4 After the entry of these orders, one of the
5 working interest owners that Chisholm previously had
6 viewed as committed in this case elected to go
7 nonconsent under -- or has requested for nonconsent
8 under each of the pooling orders, but they have not been
9 previously pooled. So Gazelle [sic] is requesting to
10 re-open these orders and pool the uncommitted working
11 interest owners so that they may go nonconsent under --

12 EXAMINER GOETZE: You mean Chisholm
13 Energy --

14 MS. KESSLER: Yes. What did I say?

15 EXAMINER GOETZE: -- as opposed to Gazelle?

16 MS. KESSLER: Yes, Chisholm.

17 EXAMINER GOETZE: Good morning.

18 MS. KESSLER: Exhibit 11 is an affidavit
19 from the landman, Davis Armour, who originally testified
20 at the hearing outlining each of the spacing units and
21 the pooled working interest owners.

22 Exhibit A is a copy of R-14539, which
23 pertains to the west half-west half spacing unit.

24 Exhibit B is a copy of the order for the
25 east half-west half spacing unit.

1 Exhibit C shows the ownership breakdown of
2 the parties that were previously pooled. Those are
3 highlighted in yellow. And the new party to be pooled
4 is Rohoel, Inc. They're highlighted in blue. And have
5 an approximately .3 percent working interest in the
6 spacing unit. The additional working interest owner has
7 been in communication with Chisholm and, as I mentioned,
8 has requested to be pooled.

9 Exhibits D and E are -- I'm sorry --
10 Exhibit D is a copy of each of the well-proposal letters
11 that was sent to the uncommitted working interest owner.

12 Exhibit E is a copy of the AFE for each of
13 the two wells.

14 And finally, Exhibit F is an affidavit
15 prepared by my office providing notice to the additional
16 working interest owners who Chisholm seeks to pool.

17 As is mentioned in the affidavit, Chisholm
18 conducted a diligent search of the records to get in
19 touch with Rohoel. They have been in touch with Rohoel,
20 Inc., and they have made a good-faith effort to reach
21 agreement with Rohoel, Inc., but Rohoel, Inc. has
22 requested to be pooled.

23 For these reasons, Mr. Examiners, Chisholm
24 respectfully requests that the two orders creating the
25 these spacing units and pooling uncommitted interest

1 owners be re-opened and that the additional working
2 interest owners be brought under the terms of those two
3 orders.

4 EXAMINER GOETZE: Would you like to enter
5 an exhibit?

6 MS. KESSLER: I would like to enter Exhibit
7 11, inclusive of Tabs A through F.

8 EXAMINER GOETZE: Exhibit 11 is so entered.
9 (Chisholm Energy Operating, LLC Exhibit
10 Number 11 is offered and admitted into
11 evidence.)

12 EXAMINER GOETZE: Any questions,
13 Mr. Brooks?

14 EXAMINER BROOKS: You said something about
15 Exhibit F, an affidavit. Where is that?

16 MS. KESSLER: It's the first page of
17 Exhibit F.

18 EXAMINER BROOKS: Pardon me?

19 EXAMINER GOETZE: F. Way back.

20 EXAMINER BROOKS: I must have the wrong
21 notebook. I don't have an Exhibit F.

22 EXAMINER GOETZE: That's right. You've got
23 the wrong one. You've got to be more savvy around here.
24 Remember, they have slick presentations.

25 EXAMINER BROOKS: Well, all this says is

1 that these people were provided notice, right?

2 MS. KESSLER: Correct.

3 EXAMINER BROOKS: And in the case before,
4 what was the -- why were they not in the case before,
5 since there was a previous case, right?

6 MS. KESSLER: There was a previous case.
7 Chisholm had understood that they were going to be
8 participating in the well, and after the entry of the
9 pooling orders, at that time, the working interest owner
10 notified them they wanted to be compulsory pooled and
11 participate under the pooling order.

12 EXAMINER BROOKS: Okay. They get what they
13 want.

14 MS. KESSLER: Yes.

15 EXAMINER BROOKS: Well, very well.

16 EXAMINER GOETZE: I have no questions about
17 this case, so thank you very much.

18 Case Number 15851, re-opened, and Case
19 15852, re-opened, are taken under advisement.

20 (Case Numbers 15851 and 15852 conclude,

21 8:31 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 1st day of March 2018.
21

22
23 MARY C. HANKINS, CCR, RPR
24 Certified Court Reporter
25 New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2018
Paul Baca Professional Court Reporters