

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

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION COMMISSION FOR
THE PURPOSE OF CONSIDERING:

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

CASE NO. 16027

REPORTER'S TRANSCRIPT OF PROCEEDINGS

COMMISSIONER HEARING

September 13, 2018

Santa Fe, New Mexico

BEFORE: HEATHER RILEY, CHAIRWOMAN
ED MARTIN, COMMISSIONER
DR. ROBERT S. BALCH, COMMISSIONER
BILL BRANCARD, ESQ.

This matter came on for hearing before the
New Mexico Oil Conservation Commission on Thursday,
September 13, 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
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APPEARANCES

FOR APPLICANT CHISHOLM ENERGY OPERATING, LLC:

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FOR DE NOVO APPLICANT CIMAREX ENERGY COMPANY:

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EXHIBITS OFFERED AND ADMITTED

(No Exhibits.)

1 (9:29 a.m.)

2 CHAIRWOMAN RILEY: So the next one, Case
3 Number 16027, de novo, application of Chisholm Energy
4 Operating, LLC for a nonstandard spacing and proration
5 unit and compulsory pooling in Eddy County, New Mexico.

6 That one also was distributed by
7 Mr. Brancard. Did everybody get a chance to look
8 through the order?

9 COMMISSIONER MARTIN: And I have, and I
10 move to adopt.

11 MS. BRADFUTE: Madam Director, there was
12 one typo in the proposed order.

13 Jennifer Bradfute on behalf of Cimarex.

14 CHAIRWOMAN RILEY: Okay.

15 MS. BRADFUTE: On page 4 of the proposed
16 order, under the Commission's findings, paragraph 16, it
17 says that Cimarex is the only working interest owner
18 pooled pursuant to the order.

19 CHAIRWOMAN RILEY: Uh-huh.

20 MS. BRADFUTE: My understanding is that
21 there are other pooled parties under the order, and so I
22 think that that paragraph needs to be amended to clarify
23 both that there are other pooled parties under the order
24 and the pooled parties should have been entitled to an
25 election. That was my understanding from the hearing.

1 MS. KESSLER: Members of the Commission,
2 good morning. Jordan Kessler from the Santa Fe office
3 of Holland & Hart.

4 My understanding was that the parties were
5 pooled under the original order, all of whom have made
6 an election, either consent or nonconsent. Cimarex is
7 the only remaining party to be pooled under the new
8 order or who had not made an election pursuant to the
9 original pooling order. So if the nonconsenting party,
10 Marathon, needs to be given an election, Chisholm would
11 agree to that. Otherwise, I don't believe that the
12 parties who did elect under the original order need a
13 new election period.

14 MS. BRADFUTE: We're okay if the
15 nonconsenting parties are given an election. That would
16 be Marathon and Cimarex. I'm not sure of the effect of
17 an amended pooling order issued by the Commission if the
18 Division's prior order is still in effect.

19 MR. BRANCARD: No.

20 MS. BRADFUTE: No?

21 MR. BRANCARD: This order would replace the
22 Division order.

23 MS. BRADFUTE: That's right. So I think
24 the best way to clarify that there are other pooled
25 parties under this order is for Cimarex and Chisholm's

1 benefit as well.

2 MR. BRANCARD: That's right. And the
3 ordering paragraphs are just general, generic, so refer
4 to any --

5 MS. BRADFUTE: And that's what I thought.
6 The ordering is just for the findings.

7 MR. BRANCARD: This is just -- this is just
8 the findings. So would it be easier to say
9 then -- just delete the word "Cimarex" and say, "The
10 working interest owners pooled pursuant to this order
11 are entitled to a new" --

12 MS. BRADFUTE: Yes, I believe so.

13 CHAIRWOMAN RILEY: Are you okay with that,
14 Ms. Kessler?

15 MS. KESSLER: I think in my mind that would
16 give all of the interest owners who had already
17 consented a new election period, which doesn't make
18 sense. Yeah. That would be problematic. And I think
19 the record would reflect we specifically agreed to a new
20 election period for Cimarex but limited to Cimarex.

21 COMMISSIONER MARTIN: I think that's true.

22 CHAIRWOMAN RILEY: That's what I thought.

23 COMMISSIONER BALCH: Okay.

24 MR. BRANCARD: The order paragraph seven
25 says, "Within 30 days, any nonconsenting working

1 interest owner shall be" --

2 MS. BRADFUTE: Yes. My understanding was
3 that the drilling plan had changed for -- versus what
4 was proposed during the Division hearing, and that was
5 the basis for the new election. I don't remember
6 specifically what was said when we were asked to draft
7 the order, if it was limited to Cimarex or not. But I
8 don't remember it being limited to Cimarex specifically.

9 MS. KESSLER: And all of the -- all of the
10 parties that consented under the original pooling order
11 were provided notice that they were consenting to the
12 one well, which was the new drilling plan. So they were
13 aware of the fact that plans had changed and only one
14 well was going to be drilled. They only consented to
15 one.

16 MR. BRANCARD: So would it then be better
17 to say, "The nonconsenting working interest owners
18 pooled pursuant to this order are entitled" --

19 MS. BRADFUTE: Yes. I think both parties
20 will agree to that.

21 MS. KESSLER: Yes.

22 MR. BRANCARD: That change is earlier in
23 the docket, and so you can probably sign the order and
24 just substitute that language into the paragraph 16.

25 COMMISSIONER BALCH: So I would move that

1 we adopt the order with the changes recommended by
2 Mr. Brancard.

3 COMMISSIONER MARTIN: I second.

4 CHAIRWOMAN RILEY: All in favor?

5 COMMISSIONER BALCH: Those changes are, in
6 paragraph 16, "The nonconsenting working interest
7 owner" -- "owners pooled pursuant to this order are
8 entitled to a new 30-day election period."

9 COMMISSIONER MARTIN: Right.
10 Aye.

11 CHAIRWOMAN RILEY: Aye.

12 COMMISSIONER BALCH: Aye.

13 (Ayes are unanimous.)

14 (Case Number 16027 concludes, 9:34 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 17th day of October 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