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APPEARANCES

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EXHIBITS OFFERED AND ADMITTED

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1 (9:07 a.m.)

2 EXAMINER McMILLAN: I'd like to call Case  
3 16456, application of Chisholm Energy Operating, LLC for  
4 compulsory pooling, Eddy County, New Mexico.

5 Is this going to be combined with 16457?

6 MS. KESSLER: Yes.

7 EXAMINER McMILLAN: Which is the  
8 application of Chisholm Energy Operating, LLC for  
9 compulsory pooling, Eddy County, New Mexico.

10 Call for appearances.

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

13 EXAMINER McMILLAN: Any other appearances?  
14 Please proceed.

15 MS. KESSLER: Mr. Examiner, I believe that  
16 COG Operating had entered an appearance in these cases.

17 EXAMINER McMILLAN: Are you COG Operating?

18 MR. CARR: Yes.

19 EXAMINER McMILLAN: Thank you.

20 MS. KESSLER: Mr. Examiner, if I may  
21 proceed?

22 These two cases will also be presented by  
23 affidavit. I've included, as Exhibit 1, the affidavit  
24 from Luke Shelton, who is a landman who has been  
25 previously sworn in and whose credentials as an expert

1 in petroleum land matters accepted.

2 He, in paragraphs five and six, identifies  
3 the two spacing units. One is a Bone Spring east  
4 half-east half spacing unit. That's in Section 5 of  
5 Township 22 South, Range 26 East, Eddy County. And that  
6 spacing unit will be dedicated to the Mudshark 5 State  
7 3BS #1H well. And Case Number 16457 is a 320.46-acre  
8 horizontal spacing unit in the Wolfcamp Formation.

9 Exhibit A1 includes the two C-102s for each  
10 of the proposed wells. These wells, as Mr. Shelton  
11 states in his affidavit, have not -- have been  
12 submitted, but not yet approved, so there is not an APD  
13 number. They have been placed into two different pools.  
14 The Bone Spring well, as reflected in the C-102, is in  
15 the Happy Valley; Bone Spring Pool. That's Pool Code  
16 96347. And the Mudshark 5 State Wolfcamp #2H well is in  
17 the Purple Sage; Wolfcamp Pool, and that's 98220.

18 He goes on to say, in paragraphs 8 and 9,  
19 that each of the completed intervals is orthodox.

20 He identifies the interest owners that he  
21 seeks to pool in Exhibits B and C. He's only seeking to  
22 pool a single working interest owner, and that's Premier  
23 Oil & Gas. And that's for each of the two spacing  
24 units.

25 He includes, in Exhibit 1D, the

1 well-proposal letter sent to that working interest  
2 owner, and he also includes the costs of 7,500 per month  
3 while drilling and 750 per month while producing.  
4 That's in paragraph 16.

5 I will point out, Mr. Examiner, that  
6 Mr. Shelton also states that the working interest owners  
7 were locatable and overriding royalty interest owners.  
8 And there were two overriding royalty interest owners  
9 who were sent notification of this hearing and whose  
10 letters have not yet been delivered. And those two  
11 interest owners are -- overriding royalty interest  
12 owners are identified in paragraph 13.

13 I'll move on to the geology affidavit of  
14 Mr. George Roth, unless you have any questions for me,  
15 Mr. Examiner.

16 EXAMINER McMILLAN: Okay. Where's the  
17 return receipt for the working interest owner you're  
18 attempting to --

19 MS. KESSLER: Let's see. My notice,  
20 Mr. Examiner, is included in Exhibit 3.

21 EXAMINER McMILLAN: Do you have a return  
22 receipt from the working interest owner?

23 MS. KESSLER: We do, yes. The working  
24 interest owner we do have a return receipt from, and  
25 that's reflected on the fourth page of Exhibit 3. It

1 says, "Your item was delivered."

2 Per Exhibit 3, the third page says, in line  
3 2, "Premier Oil & Gas." And then in the same line 2, on  
4 page 4, it says, "Your item was delivered."

5 EXAMINER McMILLAN: Do you see it?

6 EXAMINER HERRMANN: Yes, on line 2, to  
7 Premier Oil & Gas. It was delivered at 10:33 a.m. on  
8 October 4th in Richardson, Texas.

9 EXAMINER McMILLAN: Let's make sure we have  
10 it.

11 MS. KESSLER: I'll move on.

12 Exhibit 2 is the affidavit of the  
13 geologist, George Roth. He identifies the 3rd Bone  
14 Spring target for the initial well for the Bone Spring  
15 spacing unit, and he identifies the Wolfcamp target for  
16 the Wolfcamp well. He's included a structure map for  
17 each of the two sections -- I'm sorry -- each of the two  
18 spacing units, Mr. Examiner, as well as cross-section  
19 exhibits.

20 He has identified in paragraph nine that  
21 each of the tracts will contribute more or less equally  
22 to production and that he believes -- he states in  
23 paragraph eight that the orientation of the wells places  
24 them perpendicular to the known stress direction in the  
25 area and will be the most appropriate way to develop the

1 acreage.

2 As I mentioned, Exhibit 3, Mr. Examiner, is  
3 my affidavit with a letter both to the working interest  
4 owners and overriding royalty interests. It's providing  
5 notice of this hearing.

6 And Exhibit 4 is an Affidavit of  
7 Publication for each of the two cases.

8 I'll move admission, Mr. Examiner, of  
9 Exhibits 1 through 4.

10 EXAMINER McMILLAN: Exhibits 1 through 4  
11 may now be accepted as part of the record.

12 (Chisholm Energy Operating, LLC Exhibit  
13 Numbers 1 through 4 are offered and  
14 admitted into evidence.)

15 EXAMINER McMILLAN: Okay. I'm looking at  
16 the cross section.

17 MS. KESSLER: For the Bone Spring or for  
18 the Wolfcamp, or you can just tell me what tab you're  
19 looking at?

20 EXAMINER McMILLAN: I'm looking at the 3rd  
21 Bone Spring, structural cross section, A, A prime, 3rd  
22 Bone Spring. So your target interval is right on the  
23 base of the lower -- is on the base of the 3rd Bone  
24 Spring-Wolfcamp, right?

25 MS. KESSLER: That's my understanding,

1 Mr. Examiner. I can clarify that.

2 EXAMINER McMILLAN: Because crudely looking  
3 at the Chisholm Energy Westside 4 State Com, it looks  
4 like the target interval may be a little bit of both,  
5 Wolfcamp and Bone Spring. And my question is -- I want  
6 to make sure there is uniform interest in the mineral  
7 estate between the Bone Spring and the Wolfcamp.

8 MS. KESSLER: There is, Mr. Examiner, and  
9 that's reflected in Exhibits C and D to Attachment 1.

10 EXAMINER McMILLAN: Exhibits --

11 MS. KESSLER: So you'll see, Mr.  
12 Examiner -- it's B and C.

13 EXAMINER McMILLAN: Okay. Hold on.

14 Okay. I'm looking at B and C.

15 MS. KESSLER: Yes, Mr. Examiner. And  
16 you'll see that the exact same owners own exact same  
17 percentages in the Bone Spring and the Wolfcamp  
18 Formations.

19 EXAMINER McMILLAN: Okay. So basically if  
20 that -- if, when you complete it, it goes in the -- so  
21 you're saying that looking at the Bone Spring, if you --  
22 if there is production contribution from the Wolfcamp,  
23 there'll be no adversely affected parties because of  
24 uniform ownership in the mineral estate? Is that what  
25 you're saying?

1 MS. KESSLER: That's correct, Mr. Examiner.

2 And if you would like testimony to that effect, I can  
3 solicit that from the landman.

4 EXAMINER McMILLAN: Well, but your  
5 testimony is that they're identical, identical ownership  
6 in the mineral estate.

7 MS. KESSLER: Correct, Mr. Examiner.  
8 That's what's in the affidavits. I can't testify on  
9 behalf of the landman, so I'm just reading what's in his  
10 affidavit.

11 EXAMINER McMILLAN: Okay. Well, that's an  
12 accepted part of the record. And you're assuming that  
13 then? That's a safe statement to make?

14 MS. KESSLER: That is a safe statement to  
15 make, that ownership is identical.

16 MR. HERRMANN: Just to clarify: This is  
17 what's been presented in the exhibits and the affidavit  
18 that were sworn.

19 EXAMINER McMILLAN: I always get the  
20 completing right on top of the base and the top of the  
21 other formation -- I always like to make sure ownership  
22 is identical.

23 No APIs, correct?

24 MS. KESSLER: Correct.

25 EXAMINER McMILLAN: Do you have any

1 questions?

2 MR. CARR: No questions.

3 MS. KESSLER: I would ask that these cases  
4 be taken under advisement.

5 EXAMINER McMILLAN: Case Numbers 16456 and  
6 16457 shall be taken under advisement.

7 (Case Numbers 16456 and 16457 conclude,  
8 9:20 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 18th day of December 2018.

21

22

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

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