

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 CASE NOS. 20520,
OPERATING, LLC FOR COMPULSORY 20521
POOLING, LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

June 13, 2019

Santa Fe, New Mexico

BEFORE: SCOTT DAWSON, CHIEF EXAMINER
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Scott Dawson, Chief Examiner, and David K. Brooks, Legal Examiner, on Thursday, June 13, 2019, 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
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APPEARANCES

FOR APPLICANT CHISHOLM ENERGY OPERATING, LLC:

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1 (10:11 a.m.)

2 EXAMINER DAWSON: Okay. The next case is
3 Case Number 20520, Chisholm Energy Operating, LLC for
4 compulsory pooling, Lea County, New Mexico.

5 Please call for appearances.

6 MS. BROGGI: Julia Broggi, with Holland &
7 Hart, on behalf of Chisholm Energy Operating, LLC.

8 And with the Division's permission, we
9 would like to present this case along with Case Number
10 20521.

11 EXAMINER DAWSON: Okay. So Case Numbers
12 20520 and 20521, which are both -- Chisholm Energy
13 Operating, LLC is the Applicant on both cases, and
14 they're both compulsory pooling, Lea County, New Mexico.
15 They will be consolidated at this time.

16 Any other appearances in these cases?

17 Seeing none, when you're ready.

18 MS. BROGGI: Mr. Examiner, we will be
19 presenting these cases by affidavit.

20 EXAMINER DAWSON: Okay.

21 MS. BROGGI: Exhibit A to the exhibit
22 packet before you is an affidavit from the landman. And
23 he testifies that in the first case, Case Number 20520,
24 Chisholm is seeking to pool all of the uncommitted
25 interests in the Bone Spring Formation underlying a

1 240-acre standard horizontal spacing unit comprised of
2 the west half of the east half of Section 14 and the
3 west half of the northeast quarter of Section 23,
4 Township 21 South, Range 34 East, Lea County, New
5 Mexico.

6 And you will see that Exhibit A1 is a draft
7 C-102 showing that horizontal spacing unit and its
8 dedication to the proposed Outland 14-23 State Com 1BS
9 #8H well.

10 And in the second case, Case Number 25021,
11 Chisholm is seeking to pool all uncommitted interests
12 again in the Bone Spring Formation underlying a 240-acre
13 standard horizontal spacing unit comprised of the east
14 half-east half of Section 14 and the east half of the
15 northeast quarter of Section 23, Township 21 South,
16 Range 34 East, Lea County, New Mexico and to dedicate
17 that spacing unit to the proposed Outland 14-23 State
18 Com 1BS #9H well.

19 And if you look at Exhibit A2 to the
20 affidavit, that is a draft C-102 for the second proposed
21 well. The pool code for both of these proposed wells is
22 28430. And the landman testifies that there are no
23 depth severances in the Bone Spring Formation.

24 You'll see that Exhibit A3 to the landman's
25 affidavit is the ownership exhibit, which shows the

1 tracts of land and ownership by tract and by unit. And
2 on page 4 of that exhibit, A3, you'll see that Chisholm
3 is seeking to pool the working owners that are in bold.
4 And then on page 5 of that exhibit, A3, you'll see a
5 list of overriding royalty interest owners that Chisholm
6 is seeking to pool in this case. There are no unleased
7 mineral interest owners.

8 And finally Exhibits A4 and A5 are
9 well-proposal letters that were sent to the working
10 interest owners in the consolidated cases fully.
11 Exhibit A4 is for the first case, and Exhibit A5 is for
12 the second case. It includes AFEs. Chisholm is seeking
13 to incorporate the overhead and administrative costs of
14 7,500 a month for drilling and 750 a month for
15 producing, and they ask that that be incorporated into
16 any orders that result from this hearing.

17 Exhibit B is an affidavit from the
18 geologist for both of these cases, and you'll see that
19 Exhibit B1 to the affidavit is a locator map that shows
20 the standard horizontal spacing units and other
21 producing wells in the area.

22 Exhibit B2 is the subsea structure map
23 that's prepared off the top of the 1st Bone Spring
24 Formation. He testifies that he observes no faulting,
25 pinch-outs or other geologic hazards to the development

1 of horizontal wells in that area. Exhibit B2 also shows
2 five wells from A to A prime that reviews to create the
3 stratigraphic cross section. He testifies that those
4 are representative of the geology in the area.

5 And finally, Exhibit A3 to his affidavit is
6 the cross section. It shows the target interval on
7 there, and he testifies that he doesn't see any geologic
8 impediments to drilling in the area. And he provides
9 his opinion in his affidavit that the granting of these
10 two applications in these consolidated cases are in the
11 best interest of conservation, the prevention of waste
12 and the protection of correlative rights.

13 And finally the last two exhibits. Exhibit
14 C is an affidavit from myself showing -- attaching the
15 notice letters and proof they were sent to the working
16 interest owners and overriding royalty interest owners
17 that Chisholm is seeking to pool in these cases. I will
18 tell you that there were two later discovered overriding
19 royalty interest owners that we need to provide notice
20 to, so at the end of this case -- at the end of my
21 presentation, I'll ask that it be continued to fix the
22 notice for those two overrides.

23 And then finally, out of abundance of
24 caution, we also provided the Affidavit of Publications
25 for both of these cases.

1 EXAMINER DAWSON: Okay. So you're asking
2 for Exhibits A through D be admitted to the record?

3 MS. BROGGI: Yes, please.

4 EXAMINER DAWSON: Okay. At this time
5 Exhibits A through D will be admitted to the record.

6 (Chisholm Energy Operating, LLC Exhibits
7 A through D are offered and admitted into
8 evidence.)

9 EXAMINER DAWSON: Do you have any
10 questions, David?

11 EXAMINER BROOKS: Since you mentioned
12 overrides, did you notice all the override owners.

13 Ms. BROGGI: Well, we noticed all of them
14 except for the two later discovered overrides, and we
15 intend to provide those two overrides notice.

16 EXAMINER BROOKS: Thank you.

17 EXAMINER DAWSON: So you're asking for this
18 to be continued for notice to the override owners?

19 MS. BROGGI: Yes, Mr. Examiner.

20 EXAMINER DAWSON: So at this point, Case
21 Numbers 20520 and 20521 will be continued for notice
22 purposes, continued to an undetermined date at this
23 point.

24 MR. RANKIN: That's a -- we need to know --

25 EXAMINER DAWSON: Go ahead, Mr. Rankin.

1 MS. BROGGI: Mr. Rankin is whispering in my
2 ear that we need to -- it's true. For purposes of
3 providing the notice letter, we would need to be able to
4 identify the date of the hearing.

5 EXAMINER DAWSON: Okay.

6 EXAMINER BROOKS: Well, if you're looking
7 to me, my opinion is and still remains, despite the
8 management decision affecting this, that the examiner's
9 required to specify the date when granting a
10 continuance.

11 EXAMINER DAWSON: Do you have a requested
12 date you would like to continue it to?

13 MS. BROGGI: I mean, I think it was our
14 understanding that it would probably be the second
15 docket in July. I mean, our preference would be to have
16 the very first docket in July, but I know that --

17 EXAMINER BROOKS: Well, the policy is to
18 put continuances to the second date, and there is no
19 rule against that policy.

20 EXAMINER DAWSON: Okay. So we will
21 continue to the 25th of July.

22 MS. BROGGI: Thank you, Mr. Examiner.

23 EXAMINER DAWSON: Thank you very much.

24 So both cases, 20520 and 20521, will be
25 continued to the 25th of July.

1 EXAMINER BROOKS: For the record, the
2 policy that -- the statement I made, by my legal
3 opinion, is supported by Rule 19.15.4.15, which reads,
4 "A division examiner or the commission may continue an
5 adjudicatory case before a division examiner or the
6 commission held after due notice to a specified time and
7 place without the necessity of notice being -- of the
8 same being served or published."

9 Thank you.

10 EXAMINER DAWSON: Does that -- I mean, that
11 says specified time and place, but it doesn't say a date
12 though, does it?

13 EXAMINER BROOKS: Well, time includes the
14 date. It wouldn't make much sense to set a hearing date
15 if the authority said, "Be here at 8:00 in the morning
16 but we don't know what day."

17 (Laughter.)

18 EXAMINER BROOKS: That goes back to the
19 declaration of the New Mexico courts, that you give
20 literal reading to a statute. If it makes -- even if it
21 makes -- no -- "especially if it makes sense as
22 written," which suggests that you give literal
23 application to it even if it doesn't. But apparently we
24 can be more scrupulous about things. We have to be more
25 scrupulous when it does make sense.

1 MS. BROGGI: Thank you, Mr. Brooks.

2 EXAMINER DAWSON: So we will continue to
3 July 25th, those two cases.

4 Thank you.

5 (Case Numbers 20520 and 20521 conclude,
6 10:21 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 30th day of June 2019.

21

22

23 MARY C. HANKINS, CCR, RPR
24 Certified Court Reporter
25 New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2019
Paul Baca Professional Court Reporters