

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 NO. 20522,
OPERATING, LLC FOR COMPULSORY POOLING, 20523
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 (10:22 a.m.)

2 EXAMINER DAWSON: Moving on, our next case
3 is 20522. It's the application of Chisholm Energy
4 Operating, LLC for compulsory pooling, Lea County, New
5 Mexico. And I'm presuming this will also be
6 consolidated with Case Number 20523.

7 MS. BROGGI: With the Division's
8 permission, yes, please.

9 EXAMINER DAWSON: Okay. And 20253 is also
10 a case by Applicant Chisholm Energy Operating, LLC for
11 compulsory pooling, Lea County, New Mexico.

12 When you're ready, Ms. Broggi.

13 Any other appearances in these cases?

14 MS. BROGGI: Yes. I'm entering an
15 appearance on behalf of Jim Bruce for ConocoPhillips.
16 He entered his entry of appearance yesterday.

17 EXAMINER DAWSON: Okay. On both cases.

18 MS. BROGGI: On both cases.

19 EXAMINER DAWSON: Thank you.

20 MS. BROGGI: Mr. Hearing Examiner, the
21 hearing packet before you follows a similar format to
22 the prior one.

23 Attached as Exhibit A is an affidavit from
24 the landman. In the first case, Case Number 20522,
25 Chisholm is seeking to pool all of the uncommitted

1 interests in the Bone Spring Formation in a 285-acre
2 standard horizontal spacing unit comprised of the west
3 half of the west half of Sections 7 and 18, Box 1
4 through 4 of each section, Township 21 South, Range 35
5 East, Lea County, New Mexico. And Chisholm is seeking
6 to dedicate that spacing unit to the proposed Outland
7 18-7 State Com 1BS #1H well. And Chisholm has prepared
8 a draft form C-102 for that proposed well, and it is
9 attached as Exhibit A1 to the landman's affidavit.

10 In the second Case, Case Number 20523,
11 Chisholm is seeking to pool all of the uncommitted
12 interests in the Bone Spring Formation underlying a
13 320-acre standard horizontal spacing unit comprised of
14 the east half of the west half of Sections 7 and 18,
15 Township 21 South, Range 34 East, Lea County, New
16 Mexico. And Chisholm is seeking to propose that spacing
17 unit to the proposed Outland 18-7 State Com 2BS #2H
18 well.

19 And Chisholm has prepared a draft Form
20 C-102 for this proposed well, and that is attached as
21 Exhibit A2 to the landman's affidavit. The pool code
22 for these two proposed wells is 64560, and the landman
23 testifies that there are no depth severances in the Bone
24 Spring Formation.

25 Exhibit A3 to the landman's affidavit is

1 the ownership exhibit. It shows the tracts of land, the
2 ownership by tract and by unit. And on page 3 of
3 Exhibit A3, you will see in bold-faced type font the two
4 working interest owners that Chisholm is seeking to pool
5 and the three overriding royalty interest owners that
6 Chisholm is seeking to pool in this case.

7 And finally, Exhibits A4 and A5 are the
8 working -- the well-proposal letters that were sent to
9 the working interest owners in both of the cases. They
10 include AFEs. Chisholm has determined -- or seeks
11 approval for overhead and administrative costs of 7,500
12 a month and 750 a month -- 7,500 a month for drilling
13 and 750 a month for producing and ask that be
14 incorporated into any order resulting from this hearing.

15 Exhibit B in the exhibit packet is the
16 affidavit from the geologist. Because they are
17 targeting -- in the first case, they are targeting the
18 1st Bone Spring Sand. And in the second case, they are
19 targeting the 2nd Bone Spring Sand. These exhibits are
20 organized by case.

21 So in the first case, 20522, Exhibit A1 is
22 the locator map showing the proposed spacing unit.

23 Exhibit A2 is the subsea structure map,
24 which also shows two wells A to A prime that are
25 representative of the geology in the area and which were

1 used to create the cross section, which is Exhibit B3 to
2 the geologist's affidavit. And he testifies that he
3 observes no geologic impediments to drilling horizontal
4 wells in the area.

5 Turning to the second case, Case Number
6 20523, Exhibit B4 is the locator map showing the second
7 horizontal spacing unit.

8 Exhibit B5 is the subsea structure map,
9 which shows the two wells. They're the same two
10 wells. I'm not sure they are the same two wells. But
11 they show the wells A to A prime that were used to
12 create the cross section, which is attached as Exhibit
13 A6 to the geologist's affidavit. And finally, he offers
14 his testimony that the granting of Chisholm's
15 application in these consolidated cases would be in the
16 best interest of conservation, the prevention of waste
17 and the protection of correlative rights.

18 And finally the last two exhibits. Exhibit
19 C is an affidavit from myself with the notice letters
20 attached and proof that they were sent out to the
21 working interest owners and to the overriding royalty
22 interest owners that Chisholm is seeking to pool in
23 these consolidated cases.

24 And finally, out of an abundance of
25 caution, we also provided notice by publication and the

1 affidavits of publication are attached as Exhibit D.

2 So I would ask that Exhibits A through D be
3 admitted into the record.

4 EXAMINER DAWSON: Okay. Seeing no
5 objections at this time, Exhibits A through C will be --
6 A through D -- I'm sorry -- will be admitted to the
7 record.

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

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

12 EXAMINER DAWSON: Do you have any
13 questions, Mr. Brooks?

14 EXAMINER BROOKS: No questions.

15 EXAMINER DAWSON: I have one question. On
16 the first page, under Exhibit A, the affidavit of Beau
17 Sullivan, in Case Number 20522, it says "underlying a
18 285-acre standard horizontal spacing unit." Should that
19 be 320, because it's the west half-west half of Sections
20 7 and 18?

21 MS. BROGGI: But I think if you look --

22 Because this is Lots 1 through 4, it means
23 that they're slightly irregular, right?

24 (Consultation with Mr. Rankin.)

25 MS. BROGGI: Because the lots are slightly

1 smaller, so no. I believe it is 285 acres. That was
2 also included in the application.

3 EXAMINER DAWSON: Okay.

4 MS. BROGGI: But you're right. That second
5 case, that one is 320 acres.

6 EXAMINER DAWSON: Well, when I look at the
7 plat, it's like 320, the way they have it marked on the
8 C-102 plat.

9 EXAMINER BROOKS: Those are often not
10 precise.

11 EXAMINER DAWSON: Okay.

12 MS. BROGGI: Yeah. And if you look at
13 Exhibit A1, they're marked as lots.

14 EXAMINER DAWSON: Oh, lots.

15 MS. BROGGI: Yeah. So they're smaller.

16 EXAMINER BROOKS: Plus, it's a general
17 principle in land title law that the recitation of
18 acreage is disregarded if it's wrong.

19 EXAMINER DAWSON: Okay.

20 Okay. That's all the questions I have.

21 MS. BROGGI: Thank you.

22 And with that, we'd ask that Case Numbers
23 20522 and 20523 be taken under advisement.

24 EXAMINER DAWSON: Okay. At this time Case
25 Numbers 20522 and 20523 will be taken under advisement.

1 Thank you very much.
2 (Case Numbers 20522 and 20523 conclude,
3 10:30 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
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2019
Paul Baca Professional Court Reporters

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