

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 for Compulsory
Pooling, Lea County, New Mexico Case No. 22173

Application of Chisholm Energy
Operating, LLC for Compulsory
Pooling, Lea County, New Mexico Case No. 22174

REPORTER'S TRANSCRIPT OF PROCEEDINGS

THURSDAY, OCTOBER 7, 2021

EXAMINER HEARING

This matter came on for hearing before the
New Mexico Oil Conservation Division, William
Brancard, Esq. Hearing Examiner, Dylan Rose-Coss,
Technical Examiner, on Thursday, October 7, 2021,
via Webex Virtual Conferencing Platform hosted
by the New Mexico Department of Energy, Minerals and
Natural Resources

Reported by: Mary Therese Macfarlane
New Mexico CCR #122
PAUL BACA COURT REPORTERS
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A P P E A R A N C E S

FOR CHISHOLM ENERGY OPERATING, LLC:

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1 (Time noted 9:11 a.m.)

2 EXAMINER BRANCARD: All right. So let's try
3 Cases -- where are we -- 22173, 22174, Nos. 29 and 30 on
4 our agenda, Chisholm Energy.

5 MS. LUCK: Good morning, Mr. Examiner. Kaitlyn
6 Luck with the Santa Fe office of Holland & Hart for the
7 Applicant in these cases, Chisholm Energy Operating, LLC.

8 EXAMINER BRANCARD: Are there any other
9 interested persons in Cases 22173, 22174? (Note: Pause.)
10 Hearing none, Ms. Luck you can start, but I think you need
11 to first clarify what your spacing unit is in Case 22173.

12 MS. LUCK: It's requested a 280-acre spacing
13 unit. Uh, I'm sorry. Let me get down to the...

14 And I see where there might be confusion.
15 It looks like our C-102 isn't the current one, because we
16 are requesting a 280-acre spacing unit that doesn't
17 include the northwest quarter of the northwest quarter,
18 because that is an unleased federal tract.

19 EXAMINER BRANCARD: Yeah. So your problem is
20 your C-102 here.

21 MS. LUCK: I would like to request to be able to
22 submit an updated C-102 there.

23 EXAMINER BRANCARD: Okay. I'm of the thought
24 about continuing this case so you can do that, and also I
25 think we -- what you have just explained is probably a

1 good indication of why you're not stranding a
2 quarter/quarter section here, which was the other concern
3 I was going to raise, because that's clearly what it looks
4 like.

5 MS. LUCK: Okay. We can provide additional
6 explanation in a supplemental landman affidavit to be
7 submitted with that C-102 that would explain the
8 development plans that could include that quarter/quarter
9 section so that it's not going to be stranded to satisfy
10 the Division's concerns.

11 EXAMINER BRANCARD: All right. Well, why don't
12 you go ahead, then, with the case.

13 MS. LUCK: Okay.

14 Well, with that caveat I would like to say
15 it was our understanding there would be no objection to
16 this case proceeding, or both of these cases proceeding by
17 affidavit today, and so we -- by "we" I mean Chisholm --
18 submitted our exhibit packet on Tuesday for this hearing.

19 The exhibit packet includes the standard
20 exhibits that start off with the Exhibit Checklist as
21 Exhibit A, followed by copies of the Application as
22 Exhibit B.

23 Next in the packet is the affidavit of Luke
24 Shelton, who is the landman for Chisholm. His affidavit
25 explains that in Case 22173, Chisholm is seeking to form a

1 standard 280-acre spacing unit comprised of the southwest
2 corner of the northwest corner, the west half of the
3 southwest quarter of Section 5, and the west half/west
4 half of Section 8, all in Township 19 South, Range 33
5 East, and this is in Lea County, New Mexico.

6 And this spacing unit would be dedicated to
7 the Bel-Air 5-8 Fed Com 5H wells, and the details for the
8 surface and bottomhole locations are provided in his
9 affidavit.

10 And in Case 22174 Chisholm is seeking to
11 form a standard 321.07-acre spacing unit in the east
12 half/west Half of Sections 5 and 8, and this is again all
13 in Township 19 South, Range 33 East, and Chisholm seeks to
14 dedicate this spacing unit to the Bel-Air 6H well. And
15 again the details for that well, both the surface and
16 bottomhole locations, are provided in Mr. Shelton's
17 Affidavit.

18 The C-102s for both of these wells are
19 provided on Exhibit C-1, but as I mentioned we will
20 provide an updated C-102 for the 5H well that reflects the
21 280-acre spacing unit.

22 The C-102s also reflect the Pool Code for
23 the wells, which is 14160, and Chisholm Exhibit C-2
24 includes the Tracts and Unit Recap for both cases.

25 (Note: Pause.)

1 EXAMINER BRANCARD: You're muted, Ms. Luck.

2 MS. LUCK: Sorry about that.

3 Chisholm Exhibit C-3 is Well Proposal
4 Letters for both wells, including AFEs for the wells; and
5 Chisholm Exhibit C-4 includes a chronology of Chisholm's
6 contacts with the working interest owners that Chisholm
7 seeks to pool into the spacing units in both of these
8 cases.

9 Next in the exhibit packet is Chisholm's
10 Exhibit D, which is affidavit of Chisholm's geologist, and
11 his affidavit includes the standard set of geology
12 exhibits, including a Project Locator Map, as well as a
13 Structure and Cross-Section Map, and a Cross Section for
14 both of these Bone Spring spacing units.

15 The final exhibits in the packet, Chisholm
16 has Exhibits E and F, that are Notice exhibits for both
17 cases that reflect that Chisholm has provided timely
18 Notice of this hearing to the parties to be pooled into
19 both of these spacing units.

20 And so with that I would move the admission
21 of Chisholm Exhibits A through F and request that these
22 cases be taken under advisement after Chisholm provides
23 the supplemental landman affidavit explaining the
24 exclusion of the northwest quarter of the northwest
25 quarter of Section 5.

1 EXAMINER BRANCARD: Thank you.

2 Mr. Rose-Coss, questions?

3 EXAMINER ROSE-COSS: Thank you.

4 I propose when that supplemental
5 information is submitted regarding the inclusion of the
6 northwest quarter of the northwest quarter of Section 5,
7 it looks like, uh, I see that the well plans have the kind
8 of well pad where the well will be begun being drilled
9 from what will all be in the northeast quarter of the
10 northwest quarter, and that the route of the well, the
11 drilling of the well is going to cross into and pass
12 through this northwest quarter of the northwest quarter
13 that's excluded, and, uh, from the unleased BLM land. And
14 I guess I can imagine a scenario where, you know, the
15 landing point won't be in that quarter/quarter section but
16 that the well path, the upper interval of the (inaudible)
17 will have to pass through that quarter section, and I just
18 want to make sure that's not going to in the future strand
19 acreage or prohibit the future development into this, or
20 that there can't somehow be funny business in terms of
21 just producing that acreage anyway. But I imagine that
22 the well path when completed will take care of that.

23 It seems like maybe there is a conflict
24 there.

25 So that consideration will be taken into

1 account in the supplemental information that we seek.

2 MS. LUCK: Yeah, exactly. And it's my
3 understanding that Chisholm is looking to lease acreage
4 that is already going to be set up to, you know, to deal
5 with that tract. But I will get confirmation from Mr.
6 Shelton and get a supplemental affidavit to submit to the
7 Division.

8 EXAMINER ROSE-COSS: Okay. Perfect.

9 EXAMINER BRANCARD: So, Ms. Luck, I mean does
10 Chisholm have any sense of when the BLM might lease this
11 quarter/quarter section?

12 MS. LUCK: I don't know that. I'm sorry.

13 EXAMINER BRANCARD: I'm just wondering if it's
14 better to wait to try to lease it and get it included in
15 the spacing unit.

16 MS. LUCK: And again I'm not sure about that
17 because I don't know when Chisholm has these wells on a
18 drilling schedule or intends to get started on these, but
19 we can explain what when we submit the exhibit, too.

20 EXAMINER ROSE-COSS: Is there a risk of -- I
21 mean, is it kind of claiming preemptively by doing that,
22 hypothetically having your well pass through there? If
23 Chisholm doesn't gain this lease is a future operator
24 going to find themselves stranded there?

25 MS. LUCK: Uhm, I don't know I can answer those

1 questions but I can definitely have Chisholm's landman
2 submit an affidavit that just explains what their
3 development plans are for this acreage and the path
4 (inaudible) to explain why this isn't going to be
5 stranded.

6 EXAMINER ROSE-COSS: I guess that's best we can
7 do at this time.

8 MS. LUCK: I think so.

9 EXAMINER BRANCARD: Are there any other
10 interested persons for Case 22173 or 22174? (Note:
11 Pause.)

12 Hearing none, we will take -- so do you
13 want these cases in a single Order, Ms. Luck?

14 MS. LUCK: No, we typically get separate Orders
15 even if they are consolidated for hearing, so I would
16 request that they be a typical Order with essentially the
17 west half/west half spacing unit and the east half/west
18 half spacing unit.

19 EXAMINER BRANCARD: Okay. Well, we will take
20 these cases under advisement but we are going to leave the
21 record open for Chisholm to submit an amended landman's
22 affidavit which includes an amended C-102 for the 22173
23 case, and further explanation about why we are not
24 creating a stranded quarter/quarter section here.

25 We are taking the cases under advisement,

1 but depending on how the engineers review this, they may
2 want to take this back to hearing. So just be warned.

3 MS. LUCK: Thank you.

4 EXAMINER BRANCARD: Thank you. So Cases 22173
5 and -174 are taken under the advisement with the record
6 left open.

7 (Time noted 9:32 a.m.)

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1 STATE OF NEW MEXICO)

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3 COUNTY OF TAOS)

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5 REPORTER'S CERTIFICATE

6 I, MARY THERESE MACFARLANE, New Mexico Reporter
7 CCR No. 122, DO HEREBY CERTIFY that on Thursday,
8 October 7, 2021, the proceedings in the above-captioned
9 matter were taken before me; that I did report in
10 stenographic shorthand the proceedings set forth herein,
11 and the foregoing pages are a true and correct
12 transcription to the best of my ability and control.

13 I FURTHER CERTIFY that I am neither employed by
14 nor related to nor contracted with (unless excepted by the
15 rules) any of the parties or attorneys in this case, and
16 that I have no interest whatsoever in the final
17 disposition of this case in any court.

18

/s/ Mary Macfarlane

19

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MARY THERESE MACFARLANE, CCR
NM Certified Court Reporter No. 122
License Expires: 12/31/2021

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