

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. 22175

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 9:32 a.m.)

2 EXAMINER BRANCARD: So we have now Case 22175,
3 Chisholm Energy.

4 MS. LUCK: Yeah. Thanks. Again this is Kaitlyn
5 Luck with the Santa Fe office of Holland & Hart for the
6 applicant in this case, Chisholm Energy Operating, LLC

7 I'm sorry, I don't have the video on today
8 because I got stung by a bee on my eyebrow yesterday, so
9 my face is swollen.

10 EXAMINER BRANCARD: Sorry.

11 So are there any other interested persons
12 in Case 22175? (Note: Pause.) Hearing none, you may
13 proceed, Ms. Luck.

14 MS. LUCK: Thank you. In this case we had
15 understood there was no opposition to us proceeding by
16 affidavit today, and so I submitted the standard set of
17 exhibits, which started off with Exhibit A, which is a
18 copy of Chisholm's application in this case; followed --
19 excuse me a copy of the Pooling Checklist for this case.

20 And then Chisholm's exhibit B is a copy of
21 the Application for this case.

22 Exhibit C is the affidavit of Luke Shelton
23 who is landman for Chisholm. He has testified before the
24 Division and had his credentials accepted as an expert
25 petroleum landman. He explains in his affidavit that

1 Chisholm is seeking an Order in this case to pool all
2 interests in the Bone Spring from the top of the Bone
3 Spring Formation to a depth of 9,651 feet underlying a
4 standard 324.18-acre spacing unit comprised of the west
5 half/east half of Sections 2 and 11. This is all in
6 Township 19 South, Range 33 East in Lea County New Mexico.

7 And Chisholm will dedicate this unit
8 initially to the RAM 2-11 Fed 1BS Com 10H well, and the
9 details of that well are provided in the affidavit of
10 Mr. Shelton.

11 He also testifies that the ownership depth
12 severance that existed in the Bone Spring Formation
13 underlying the spacing unit exists at a depth of 9651, as
14 defined in the well detailed in paragraph 8 of his
15 affidavit. It has a long name so I'm not going to say it
16 out, but as you can see in his affidavit, Mr. Shelton
17 explains that's where Chisholm is seeking to pool the
18 First Bone Spring interval in that unit.

19 The C-102 is attached as Exhibit B-1 and
20 reflects the Pool Code is 8146. Exhibit B-2 is a Tract
21 and Unit Recap for the spacing unit in this case.

22 Exhibit B-3 are copies of the Well Proposal
23 and AFE that shows that's the working interest owners.

24 Then B-4 is the chronology of Chisholm's
25 Chronology of Contact with the uncommitted working

1 interest owners in this case.

2 Next in the packet is Chisholm's geology
3 affidavit. The geologist in this case is Josh Kuhn, has
4 who has previously testified before the Division. He has
5 included the standard exhibits of exhibits for the Bone
6 Spring Formation and he provides his opinion that the Bone
7 Spring is suitable for horizontal development.

8 Then the last two items in the packet is
9 Exhibit E and F are the Notice Affidavit information that
10 Chisholm provided appropriate and timely Notice of this
11 hearing to the interest owners to be pooled, but
12 Chisholm's Exhibit E also includes a copy of the Waiver of
13 Notice from one of the overriding royalty interest owners
14 that's pooled in this case.

15 So with that I would move the admission Of
16 Exhibits A through E and ask that this case be taken under
17 advisement.

18 EXAMINER BRANCARD: Thank you.

19 Mr Rose-Coss, any questions?

20 EXAMINER ROSE-COSS: I might -- can you help me
21 to understand this depth severance, Ms. Luck? Does it
22 explain in here what -- what footage it comes in at, what
23 the depth is actually; how much different is ownership
24 between the Upper and Lower Bone Spring; is there
25 additional plans to develop the Lower Bone Spring; how

1 would that look different than this? Is Chisholm -- this
2 is several questions, I suppose.

3 Is Chisholm going to develop that or is
4 another operator seeking to develop, say, the Lower Bone
5 Spring in the Wolfcamp Formation acreage?

6 MS. LUCK: Uhm, excuse me, I don't believe that
7 Mr. Shelton's affidavit explains the development plans for
8 the Lower Bone Spring, but what we could do again in this
9 case so that I'm not testifying what the plans are, we
10 could have him just explain what the development plans are
11 for the Lower Bone Spring in this area.

12 So I don't think this is something we
13 typically included in our depth severance allocation
14 before, but I do see -- (Note: Pause.)

15 The -- and so, yeah, it's my understanding
16 that in the -- it's the same parties in the Upper and the
17 Lower Bone Spring in the area but just a slightly
18 differing interest. So all of these are essentially --
19 you know, these are the same interest owners in the Bone
20 Spring. It's just because this other well had been
21 drilled and it created a depth severance and the interests
22 are just slightly different above and below. But Mr.
23 Shelton can explain that a little more in detail and also
24 address what the development plans are for the Lower Bone
25 Spring, if you would like.

1 EXAMINER ROSE-COSS: And I suppose -- I know
2 Chisholm (inaudible) in cases involving depth severance,
3 but I suppose my concern would be it seems that this well
4 is going to be at the base of the First Bone Springs and
5 (inaudible) that is the Second Bone Spring. So if his
6 affidavit can address that concept, as well.

7 MS. LUCK: Okay.

8 MR. ROSE-COSS: Well, thank you for that
9 explanation, Ms. Luck. We will be on the lookout.

10 EXAMINER BRANCARD: Was that sort of more of a
11 geology question?

12 EXAMINER ROSE-COSS: I suppose that there was
13 geology in there, as well. Is there (inaudible)
14 significant enough to prohibit the frack from extending
15 into the Second Bone Spring crossing the depth severance.

16 EXAMINER BRANCARD: I'm sorry, Mr. Rose-Coss. I
17 mean, you've reviewed the geologist's affidavit. He
18 doesn't really quite explain that? Is that what you're
19 getting at?

20 EXAMINER ROSE-COSS: Uhm --

21 EXAMINER BRANCARD: What I'm getting at is I
22 want to know whether we need to get more information from
23 the geologist, not just the landman.

24 EXAMINER ROSE-COSS: I'm reviewing more
25 carefully here just to make sure he doesn't have --

1 because I think it's pretty straightforward, you know,
2 getting the landman in such a way to not cross over, but
3 there's also a way to do it where he could.

4 So maybe just supplemental information
5 could include a statement from the geologist, Ms. Luck, to
6 satisfy that concern, that addresses that concern.

7 MS. LUCK: All right. Okay.

8 EXAMINER BRANCARD: The question, Mr. Rose-Coss,
9 is whether the targeted interval is isolated. Is that...

10 EXAMINER ROSE-COSS: Yes. It's not going to
11 interfere with the depth severance.

12 EXAMINER BRANCARD: Thank you.

13 Did you get that Ms. Luck?

14 MS. LUCK: Yes. I got it.

15 EXAMINER BRANCARD: Okay. So I guess what we're
16 looking for, are there any other interested persons in
17 Case 22175 before we go forward? (Note: Pause.)

18 Hearing none, we can take this case under
19 advisement and leave the record open. What we are looking
20 for here is an amended landman's affidavit that addresses
21 the depth severance in a little more detail about why it's
22 occurring.

23 Is that correct, Mr. Rose-Coss?

24 EXAMINER ROSE-COSS: Correct. I don't know if
25 it needs to be separated out, landman and geologist, or if

1 they can be in one document.

2 EXAMINER BRANCARD: Sure. So why don't we do
3 one with a little more geologic detail about why the
4 interval that's being pursued in this case is sufficiently
5 isolated to justify the depth severance.

6 Is that correct, Mr. Rose-Coss?

7 EXAMINER ROSE-COSS: That's a good way of
8 putting it, Mr. Brancard.

9 EXAMINER BRANCARD: Okay. Ms. Luck?

10 MS. LUCK: I understand. I've got that list.
11 So all the supplemental information will be submitted to
12 the Division by the end of next week so that the Division
13 can make their review of this case.

14 EXAMINER BRANCARD: Thank you. So with that
15 Case 22175 is taken under advisement with the record left
16 open.

17 (Time noted 9:38 a.m.)

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1 STATE OF NEW MEXICO)

2 : ss

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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