

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION**

**APPLICATION OF CHISHOLM ENERGY OPERATING, LLC
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 16456

APPLICATION

Chisholm Energy Operating, LLC ("Chisholm") (OGRID No. 327137), through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order pooling all uncommitted interests in the Bone Spring formation in the 160.31-acre horizontal spacing unit comprised of the E/2E/2 of Section 5, Township 22 South, Range 26 East, NMPM, Eddy County, New Mexico. In support of its application, Chisholm states:

1. Chisholm Energy Operating, LLC is a working interest owner in the proposed horizontal spacing unit and has the right to drill thereon.
2. Chisholm seeks to dedicate the above-referenced horizontal spacing unit to its proposed **Mudshark 5 State 3BS No. 1H Well**, which will be horizontally drilled from a surface location in the NW/4NE/4 (Lot 2) to bottom hole location in the SE/4SE/4 (Unit P) of Section 5.
3. The completed interval for the **Mudshark 5 State 3BS No. 1H Well** will remain within the standard setback as required by the Statewide rules for oil wells.
4. Chisholm has sought and been unable to obtain voluntary agreement for the development of these lands from all of the working interest owners in the subject spacing unit.

5. The pooling of interests will avoid the drilling of unnecessary wells, will prevent waste, and will protect correlative rights.

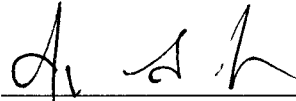
6. In order to permit Chisholm to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in this horizontal spacing unit should be pooled and Chisholm Energy Operating LLC should be designated the operator of this proposed horizontal well and spacing unit.

WHEREFORE, Chisholm requests that this application be set for hearing before an Examiner of the Oil Conservation Division on October 18, 2018, and, after notice and hearing as required by law, the Division enter an order:

- A. Pooling all uncommitted interests in the horizontal spacing unit;
- B. Designating Chisholm Energy Operating LLC operator of this spacing unit and the horizontal well to be drilled thereon;
- C. Authorizing Chisholm to recover its costs of drilling, equipping and completing the well;
- D. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- E. Imposing a 200% penalty for the risk assumed by Chisholm in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

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**ATTORNEYS FOR
CHISHOLM ENERGY OPERATING, LLC**

CASE 16436:

Application of Chisholm Energy Operating LLC for compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order pooling all uncommitted interest owners in the Bone Spring formation underlying a 160.31-acre horizontal spacing unit comprised of the E/2 E/2 of Section 5, Township 22 South, Range 26 East, NMPM, Eddy County, New Mexico. The above-referenced unit will be dedicated to the proposed **Mudshark 5 State 3BS No. 1H Well**, which will be horizontally drilled from a surface location in the NW/4NE/4 (Lot 2) to bottom hole location in the SE/4SE/4 (Unit P) of Section 5. The completed interval for the well will remain within the standard setbacks as required by the Statewide rules for oil wells. Also to be considered will be the cost of drilling and completing the well, the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Chisholm Energy Operating LLC as operator, and a 200% charge for risk involved in drilling and completing the well. Said area is located approximately 5 miles west of Carlsbad, New Mexico.