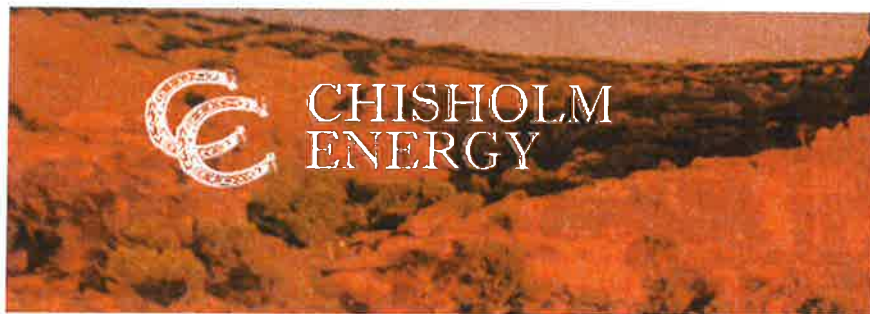


**BEFORE THE OIL CONSERVATION DIVISION
EXAMINER HEARING SEPTEMBER 20, 2018**

CASE NO. 16406

JADE 34-3 FED COM 1BS 7H WELL

LEA COUNTY, NEW MEXICO



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

**APPLICATION OF CHISHOLM ENERGY OPERATING, LLC
FOR A NON-STANDARD SPACING AND PRORATION UNIT,
COMPULSORY POOLING, AND UNORTHODOX WELL LOCATION
LEA COUNTY, NEW MEXICO**

CASE NO. 16406

AFFIDAVIT OF JACOB DANIELS IN SUPPORT OF CASE NO. 16406

Jacob Daniels, of lawful age and being first duly sworn, declares as follows:

1. My name is Jacob Daniels. I work for Chisholm Energy Operating, LLC (“Chisholm”) as a Landman.
2. I have previously testified before the New Mexico Oil Conservation Division as an expert witness in petroleum land matters. My credentials as a petroleum landman have been accepted by the Division and made a matter of record.
3. I am familiar with the application filed by Chisholm in this case, and I am familiar with the status of the lands in the subject area.
4. None of the proposed pool parties has indicated opposition, and therefore I do not expect any opposition at the hearing.
5. Chisholm is seeking an Order (a) creating, if necessary, a 319.95-acre, more or less, spacing and proration unit comprised of the W/2 E/2 of Section 34, Township 19 South, Range 33 East, NMPM, Lea County, New Mexico and W/2 E/2 of Section 3, Township 20 South, Range 33 East, NMPM, Lea County, New Mexico; (b) dedicating the horizontal spacing unit for the proposed **Jade 34-3 Fed Com 1BS No. 7H Well**; (c) pooling all uncommitted mineral interests

in the Bone Spring formation; and (d) designating Chisholm the operator of the well and the proposed spacing and proration unit.

6. Chisholm has prepared a draft Form C-102 to file with the Division for the proposed Jade 34-3 Fed Com 1BS No. 7H Well. The draft C-102 is attached hereto as **Chisholm Exhibit A-1**. The Pool Code is 58960.

7. The completed interval for the proposed well will comply with the Division's setback requirements.

8. There are no depth severances in the Bone Spring formation.

9. **Chisholm Exhibit A-2** is an exhibit prepared by me that identifies the tracts of land comprising the proposed spacing and proration unit. This proposed spacing and proration unit includes federal land only. This exhibit shows the interest owners and the percentage of their interest by tract. A unit recapitulation, showing the percentage of ownership interests in the proposed spacing unit, is also included on the exhibit. Chisholm is seeking to pool the working interest owners highlighted in yellow.

10. Chisholm is also seeking to pool the overriding royalty interest owners identified in **Chisholm Exhibit A-2**. Most of the instruments creating the overrides do not allow Chisholm to pool, and therefore out of an abundance of caution Chisholm, is seeking to pool all overriding royalty interest owners.

11. There are no unleased mineral interest owners.

12. Chisholm sent a well proposal letter to the working interest owners. An AFE was included with the well proposal letter. The costs reflected in the AFE are consistent with what other operators have incurred for drilling similar horizontal wells in the area. A copy of one of the well proposal letters, along with the AFE, is attached as **Chisholm Exhibit A-3**.

13. Chisholm has made an estimate of overhead and administrative costs for drilling and producing the proposed wells. It is \$7,500/month while drilling, and \$750/month while producing. These costs are consistent with what other operators are charging in this area for these types of wells. Chisholm respectfully requests that these administrative and overhead costs be incorporated into any order entered by the Division in this case.

14. In my opinion, Chisholm has made good faith efforts to reach an agreement with the parties it is seeking to pool. I have had multiple conversations and email exchanges with contacts at the working interest owners that Chisholm is seeking to pool. If Chisholm reaches an agreement with any of the proposed pool parties before the Division enters an order, I will let the Division know that Chisholm is no longer seeking to pool those parties.

15. I provided the law firm of Holland & Hart LLP a list of names and addresses for the proposed pool parties. The names and last known addresses are included in Exhibit C. In compiling these notice lists, Chisholm conducted a diligent search of all public records in the county where the proposed wells are located and of phone directories, including computer searches. All parties were locatable.

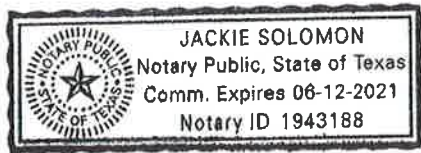
16. **Chisholm Exhibit A-1 through A-3** were either prepared by me or compiled under my direction and supervision.

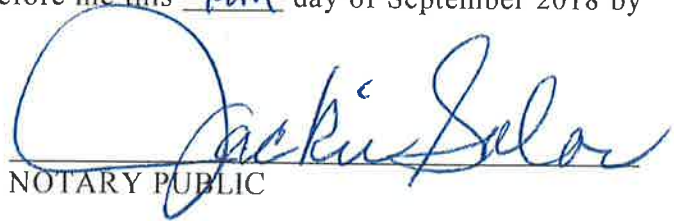

JACOB DANIELS

STATE OF TEXAS)

COUNTY OF Tarrant)

SUBSCRIBED and SWORN to before me this 19th day of September 2018 by
Jacob Daniels.




NOTARY PUBLIC

My Commission Expires:

6-12-21

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240
Phone (505) 393-0161 Fax: (505) 393-0720

DISTRICT II
811 S. First St., Artesia, NM 88210
Phone (505) 748-1269 Fax: (505) 748-0720

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410
Phone (505) 334-5176 Fax: (505) 334-5170

DISTRICT IV
1225 S. St. Francis Dr., Santa Fe, NM 87505
Phone (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised August 1, 2011

Submit one copy to appropriate
District Office

OIL CONSERVATION DIVISION
1226 South St. Francis Dr.
Santa Fe, New Mexico 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
Property Code	Property Name	Well Number
	JADE 34-3 FEDERAL COM 1BS	7H
OGRID No.	Operator Name	Elevation
	CHISHOLM ENERGY OPERATING, LLC	3578

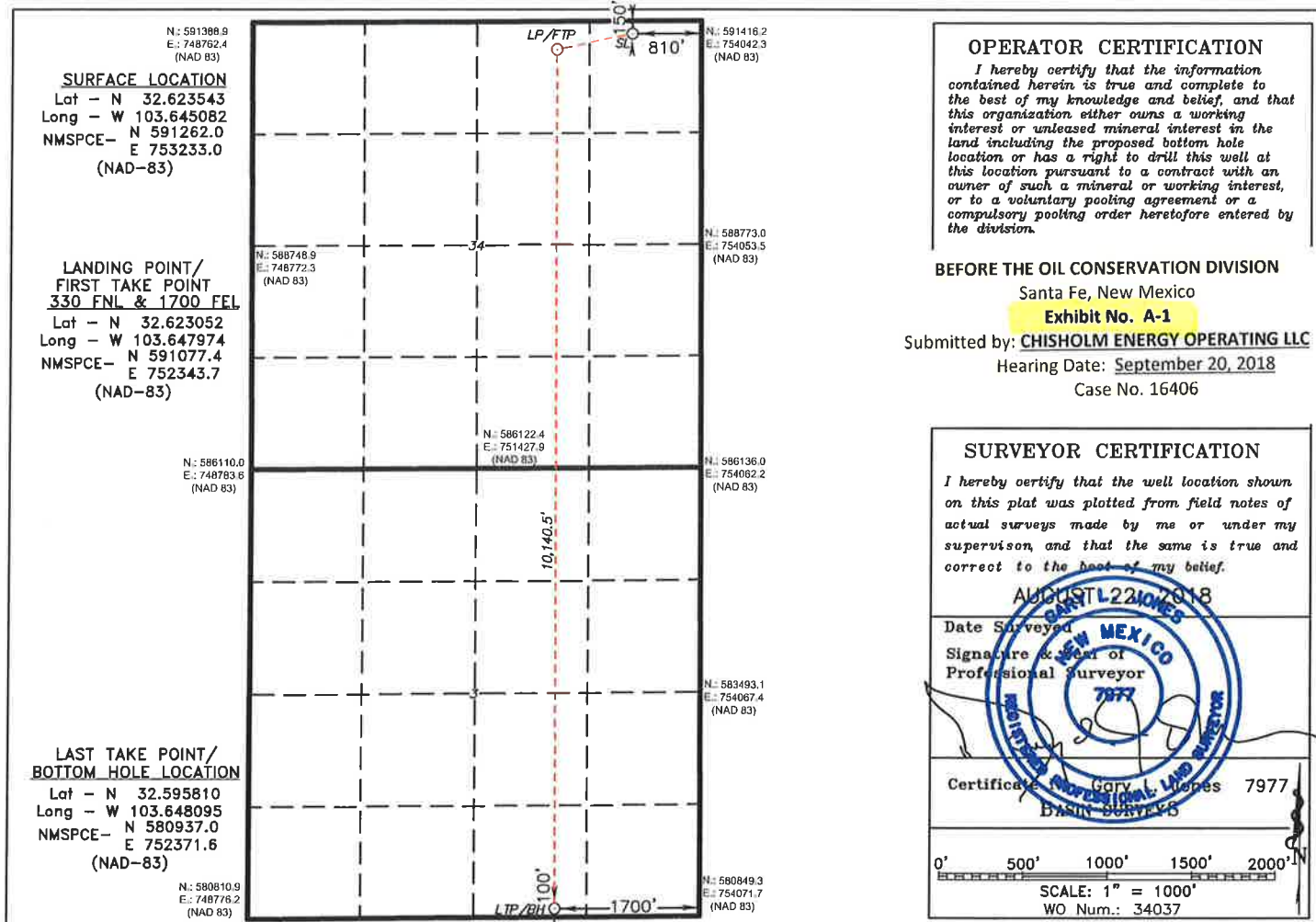
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	FEET from the	North/South line	FEET from the	East/West line	County
A	34	19 S	33 E		150	NORTH	810	EAST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	FEET from the	North/South line	FEET from the	East/West line	County
O	3	20 S	33 E		100	SOUTH	1700	EAST	LEA
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



Section 34, T19S-R33E, Lea County, NM
&
Section 3, T20S-R33E, Lea County, NM



BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. A-2

Submitted by: CHISHOLM ENERGY OPERATING LLC

Hearing Date: September 20, 2018

Case No. 16406

Working Interest Ownership by Tract

TRACT	WI OWNER	WORKING
1	CHISHOLM ENERGY OPERATING, LLC	0.58304444
	DEVON ENERGY PRODUCTION, L.P.	0.12000000
	MCANSO, LLC	0.11000000
	BURSAKE, LLC	0.11000000
	TIMOTHY R. MACDONALD	0.00146667
	MAVERICK OIL & GAS CORPORATION	0.00048889
	MARATHON OIL PERMIAN, LLC	0.07500000
		1.00000000
2	CHISHOLM ENERGY OPERATING, LLC	0.29051111
	LEGACY RESERVES OPERATING, LP	0.29250000
	DEVON ENERGY PRODUCTION, L.P.	0.12000000
	MCANSO, LLC	0.11000000
	BURSAKE, LLC	0.11000000
	TIMOTHY R. MACDONALD	0.00149167
	MAVERICK OIL & GAS CORPORATION	0.00049722
	MARATHON OIL PERMIAN, LLC	0.07500000
		1.00000000
3	CHISHOLM ENERGY OPERATING, LLC	0.69979115
	COG OPERATING, LLC	0.30000000
	TIMOTHY R. MACDONALD	0.00012531
	MAVERICK OIL & GAS CORPORATION	0.00008354
		1.00000000
4	CHISHOLM ENERGY OPERATING, LLC	0.69979115
	COG OPERATING, LLC	0.30000000
	TIMOTHY R. MACDONALD	0.00012531
	MAVERICK OIL & GAS CORPORATION	0.00008354
		1.00000000
5	CHISHOLM ENERGY OPERATING, LLC	0.69979115
	COG OPERATING, LLC	0.30000000
	TIMOTHY R. MACDONALD	0.00012531
	MAVERICK OIL & GAS CORPORATION	0.00008354
		1.00000000

Proposed Unit Working Interest Ownership

W/2 E/2 of Section 34, T19S-R33E, Lea County, NM

&

W/2 E/2 of Section 3, T20S-R33E, Lea County, NM

WI OWNER	WORKING INTEREST
CHISHOLM ENERGY OPERATING, LLC	0.56826391
DEVON ENERGY PRODUCTION, L.P.	0.06000938
MCANSO, LLC	0.05500860
BURSAKE, LLC	0.05500860
TIMOTHY R. MACDONALD	0.00080235
MAVERICK OIL & GAS CORPORATION	0.00028833
MARATHON OIL PERMIAN, LLC	0.03750586
LEGACY RESERVES OPERATING, LP	0.07313643
COG OPERATING, LLC	0.14997656
	1.00000000

*Parties highlighted in yellow are the Working Interest Owners to be

Working Interest and Overriding Royalty Owners by Tract		
Tract	Owner	Ownership Type
1	PENWELL EMPLOYEE ROYALTY POOL	ORRI
	PAUL R. BARWIS	ORRI
	JAREED PARTNER, LTD.	ORRI
	CORNERSTONE FAMILY TRUST DATED JUNE 9, 2006: JOHN KYLE THOMA, TRUSTEE	ORRI
	CROWNROCK MINERALS, LP	ORRI
	KINGDOM INVESTMENTS, LIMITED	ORRI
	RAVE ENERGY, INC.	ORRI
	GEORGE VAUGHT, JR.	ORRI
	RUSK CAPITAL MANAGEMENT, LLC	ORRI
	THE TAURUS ROYALTY, LLC	ORRI
	KIMBELL ROYALTY HOLDINGS, LLC	ORRI
	RAVE ENERGY, INC. D/B/A/GEP III	ORRI
	DEVON ENERGY PRODUCTION, L.P.	ORRI
	NEARBURG EXPLORATION COMPANY, LLC	ORRI
	NEARBURG PRODUCING COMPANY FBO NEARBURG PRODUCING COMPANY EMPLOYEE FUND	ORRI
	MAP2004-OK	ORRI
	EGL HOLDINGS, INC.	ORRI
	CHISHOLM ENERGY OPERATING, LLC	WI
	DEVON ENERGY PRODUCTION, L.P.	WI
	MCANSO, LLC	WI
	BURSAKE, LLC	WI
	TIMOTHY R. MACDONALD	WI
	MAVERICK OIL & GAS CORPORATION	WI
	MARATHON OIL PERMIAN, LLC	WI
Tract	Owner	Ownership Type
2	PENWELL EMPLOYEE ROYALTY POOL	ORRI
	PAUL R. BARWIS	ORRI
	JAREED PARTNER, LTD.	ORRI
	CORNERSTONE FAMILY TRUST DATED JUNE 9, 2006: JOHN KYLE THOMA, TRUSTEE	ORRI
	CROWNROCK MINERALS, LP	ORRI
	KINGDOM INVESTMENTS, LIMITED	ORRI
	RAVE ENERGY, INC.	ORRI
	GEORGE VAUGHT, JR.	ORRI
	RUSK CAPITAL MANAGEMENT, LLC	ORRI
	THE TAURUS ROYALTY, LLC	ORRI
	KIMBELL ROYALTY HOLDINGS, LLC	ORRI
	RAVE ENERGY, INC. D/B/A/GEP III	ORRI
	DEVON ENERGY PRODUCTION, L.P.	ORRI
	NEARBURG EXPLORATION COMPANY, LLC	ORRI
	NEARBURG PRODUCING COMPANY FBO NEARBURG PRODUCING COMPANY EMPLOYEE FUND	ORRI
	MAP2004-OK	ORRI
	EGL HOLDINGS, INC.	ORRI
	CHISHOLM ENERGY OPERATING, LLC	WI
	LEGACY RESERVES OPERATING, LP	WI
	DEVON ENERGY PRODUCTION, L.P.	WI
	MCANSO, LLC	WI
	BURSAKE, LLC	WI
	TIMOTHY R. MACDONALD	WI
	MAVERICK OIL & GAS CORPORATION	WI
	MARATHON OIL PERMIAN, LLC	WI

Tract	Owner	Ownership Type
3	JOHN C. MANNING AND EVA G. MANNING, TRUSTEES OF THE JOHN C. MANNING TRUST NO. 1, ESTABLISHED ON APRIL 10, 1979	ORRI
	CHARLES E. STRANGE TRUST, ESTABLISHED ON MAY 6, 1974, CHARLES E. STRANGE, TRUSTEE	ORRI
	CHARLES E. STRANGE 1976 TRUST #1, W.B. STRANGE, SUCCESSOR TRUSTEE	ORRI
	NEARBURG PRODUCING COMPANY FBO NEARBURG PRODUCING COMPANY EMPLOYEE FUND	ORRI
	SHACKELFORD OIL COMPANY	ORRI
	BURLINGTON RESOURCES OIL & GAS COMPANY, LP	ORRI
	COG OPERATING, LLC	ORRI
	MAP2004-OK	ORRI
	CHISHOLM ENERGY OPERATING, LLC	WI
	COG OPERATING, LLC	WI
	TIMOTHY R. MACDONALD	WI
	MAVERICK OIL & GAS CORPORATION	WI
Tract	Owner	Ownership Type
4	JOHN C. MANNING AND EVA G. MANNING, TRUSTEES OF THE JOHN C. MANNING TRUST NO. 1, ESTABLISHED ON APRIL 10, 1979	ORRI
	CHARLES E. STRANGE TRUST, ESTABLISHED ON MAY 6, 1974, CHARLES E. STRANGE, TRUSTEE	ORRI
	CHARLES E. STRANGE 1976 TRUST #1, W.B. STRANGE, SUCCESSOR TRUSTEE	ORRI
	NEARBURG PRODUCING COMPANY FBO NEARBURG PRODUCING COMPANY EMPLOYEE FUND	ORRI
	SHACKELFORD OIL COMPANY	ORRI
	BURLINGTON RESOURCES OIL & GAS COMPANY, LP	ORRI
	COG OPERATING, LLC	ORRI
	MAP2004-OK	ORRI
	CHISHOLM ENERGY OPERATING, LLC	WI
	COG OPERATING, LLC	WI
	TIMOTHY R. MACDONALD	WI
	MAVERICK OIL & GAS CORPORATION	WI
Tract	Owner	Ownership Type
5	CHARLES E. STRANGE 1976 TRUST #1, W.B. STRANGE, SUCCESSOR TRUSTEE	ORRI
	BURLINGTON RESOURCES OIL & GAS COMPANY, LP	ORRI
	MARK T. MANNING	ORRI
	JOHN K. MANNING	ORRI
	TECKLA OIL CO., LLC	ORRI
	SHACKELFORD OIL COMPANY	ORRI
	COG OPERATING, LLC	ORRI
	CHISHOLM ENERGY OPERATING, LLC	WI
	COG OPERATING, LLC	WI
	TIMOTHY R. MACDONALD	WI
	MAVERICK OIL & GAS CORPORATION	WI



July 10, 2018

VIA CERTIFIED MAIL:

Devon Energy Production, L.P.
333 West Sheridan Avenue
Oklahoma City, OK 73102

RE: Jade 34-3 Fed Com 2BS #7H
W/2 E/2 of Section 34-T19S-R33E &
W/2 E/2 of Section 3-T20S-R33E
Lea County, New Mexico

To whom it may concern,

Chisholm Energy Operating, LLC ("Chisholm") hereby proposes the drilling of a horizontal Bone Spring well to a Measured Depth of approximately 19,293'. The expected surface location for this well is approximately 150' FNL & 810' FEL of Section 34-T19S-R33E with a bottom hole location of 330' FSL & 1,584' FEL of Section 3-T20S-R33E. Enclosed is our Authority for Expenditure ("AFE") reflecting estimated costs of \$8,102,773 for a completed well.

Chisholm is proposing to drill this well under the terms of a modified 1989 AAPL form Operating Agreement covering the W/2 E/2 of Section 34, Township 19 South, Range 33 East and the W/2 E/2 of Section 3, Township 20 South, Range 33 East, which is enclosed for your review and approval. Said Operating Agreement contains the following general provisions:

- 100/300 Non-consenting penalty
- \$7,500/\$750 Drilling and Production rate
- Chisholm Energy Operating, LLC named as Operator

According to our ownership, Devon Energy Production, L.P., owns an undivided 0.060009376 interest in the above captioned unit. Chisholm respectfully requests that you select one of the following options:

1. Participate with your interest in the drilling of the proposed well, execute and return the enclosed Operating Agreement signature pages.
2. Farmout/Assign your interest in the above captioned project area, subject to mutually agreeable terms.

Please indicate your election in the space provided below and return one copy of this letter to the undersigned. If you elect to participate under this well proposal, please sign and return one copy of the AFE, and the signature pages to the Operating Agreement and Memorandum of Operating Agreement. A final Exhibit "A" to the JOA will be circulated once all WI owners have made their election. In the event all parties do not enter into an agreement to develop the proposed project area(s), Chisholm intends to file application(s) for compulsory pooling with the New Mexico Oil Conservation Division.

Please call at your earliest convenience to discuss our proposal.

Chisholm Energy Operating, LLC

Jacob Daniels
Landman
817-953-0737

Enclosures

_____ Elect to participate in the drilling of the Jade 34-3 Fed Com 2BS #7H.

_____ Elect to farmout/assign our interest on the Jade 34-3 Fed Com 2BS #7H.

Devon Energy Production, L.P.

By: _____
Name: _____
Title: _____
Date: _____

Address: Chisholm Energy Operating, LLC 801 Cherry Street Suite 1200 Unit 20 Fort Worth, TX 76102

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. A-3

Submitted by: CHISHOLM ENERGY OPERATING LLC

Hearing Date: September 20, 2018

Case No. 16406



Statement of Estimated Well Cost (100%)

Well: Jade 34-3 Fed Com 1BS 7H
 Field: 1st Bone Spring
 County, State: Lea, NM
 BHL: Horizontal
 Proposed TD: 19,293 MD 9,230 TVD
 Normal Pressure? Yes

AFE:

		BCP	ACP	TOTAL
COSTS TO CASING POINT: TANGIBLES				
8510-400	Conductor Casing or Drive Pipe	\$15,000		\$15,000
8510-405	Surface Casing	\$49,760		\$49,760
8510-410	Intermediate Casing/Drig Liner	\$179,308		\$179,308
8510-415	Wellhead Equipment - Surface & MLS	\$35,000		\$35,000
8510-420	Other Sub-Surface Equipment	\$120,000		\$120,000
8510-425	Cementing Equipment	\$22,100		\$22,100
8510-600	Nonoperated	\$0		
8510-700	Impairment	\$0		
8510-999	Accruals	\$0		
	TOTAL COST TO CASING POINT - TANGIBLES	\$421,168		\$421,168
COSTS TO CASING POINT: INTANGIBLES				
8500-100	Roads/Location	\$150,000		\$150,000
8500-105	Drilling Turnkey	\$0		
8500-110	Drilling Daywork	\$525,000		\$525,000
8500-115	Fuel/Power	\$120,000		\$120,000
8500-125	Equipment Rental	\$169,100		\$169,100
8500-130	Legal Fees	\$50,000		\$50,000
8500-135	Bonds, Permits and Inspection	\$20,000		\$20,000
8500-155	Mud and Chemicals	\$100,000		\$100,000
8500-160	Cementing Services	\$45,000		\$45,000
8500-170	Supervision/Consulting	\$70,400		\$70,400
8500-175	Casing and Other Tangible Crew	\$24,000		\$24,000
8500-180	Damages/Penalties	\$0		
8500-185	Coring and Analysis	\$0		
8500-190	Cuttings/Fluids Disposal	\$120,000		\$120,000
8500-195	Directional Drilling Services	\$378,500		\$378,500
8500-200	Drill Bits	\$69,000		\$69,000
8500-210	Surface Damages/ROW	\$0		
8500-215	Contract Labor and Services	\$4,000		\$4,000
8500-220	Mud Logging	\$18,000		\$18,000
8500-235	Reclamation	\$0		
8500-240	Rig Mobilization/Demob	\$230,000		\$230,000
8500-245	Fishing Tools and Services	\$0		
8500-250	Testing-Drill Stem/Production	\$0		
8500-260	Wireline Services	\$20,000		\$20,000
8500-265	Water	\$29,000		\$29,000
8500-270	Camp Expenses	\$52,600		\$52,600
8500-285	Contingencies	\$131,088		\$131,088
8500-290	Environmental	\$0		
8500-300	Overhead	\$6,000		\$6,000
8500-350	Insurance	\$0		
8500-600	Nonoperated	\$0		
8500-700	Impairment	\$0		
8500-999	Accruals	\$0		
	TOTAL COST TO CASING POINT - INTANGIBLES	\$2,331,688		\$2,331,688
COMPLETION COSTS: TANGIBLES				
8530-415	Wellhead		\$30,000	\$30,000
8530-420	Subsurface Equipment		\$15,000	\$15,000
8530-500	Production Casing		\$288,623	\$288,623
8530-510	Tubing		\$41,535	\$41,535
8530-515	Rods		\$0	
8530-525	Artificial Lift Equipment		\$25,000	\$25,000
8530-530	Gas Metering Equipment		\$48,000	\$48,000
8530-535	LACT Unit		\$0	
8530-540	Production Facilities and Flowlines		\$120,000	\$120,000
8530-545	Pumping Unit		\$0	
8530-550	Separator, Heater, Treater		\$75,000	\$75,000
8530-555	Tank Battery		\$60,000	\$60,000
8530-560	Vapor Recovery Unit		\$0	
8530-590	Other Misc Equipment		\$25,000	\$25,000

8530-600	Nonoperated			\$0	
8530-700	Impairment			\$0	
8530-999	Accruals			\$0	
	TOTAL COMPLETION COST - TANGIBLES			\$728,158	\$728,158
	COMPLETION COSTS: INTANGIBLES				
8520-100	Roads/Location			\$10,000	\$10,000
8520-120	Perforating Services			\$211,500	\$211,500
8520-125	Equipment Rental			\$193,000	\$193,000
8520-135	Bonds, Permits and Inspection			\$0	
8520-145	Completion Unit			\$150,500	\$150,500
8520-150	Frac Plugs			\$47,000	\$47,000
8520-155	Mud and Chemicals			\$10,000	\$10,000
8520-160	Cementing Services			\$100,000	\$100,000
8520-165	Acidizing and Fracturing			\$2,585,000	\$2,585,000
8520-170	Supervision/Consulting			\$42,000	\$42,000
8520-175	Casing and Other Tangible Crew			\$25,000	\$25,000
8520-190	Cuttings/Fluids Disposal			\$0	
8520-200	Drill Bits			\$3,000	\$3,000
8520-210	Surface Damages/ROW			\$0	
8520-215	Contract Labor and Services			\$15,000	\$15,000
8520-230	Pump/Vacuum Trucks			\$20,000	\$20,000
8520-235	Reclamation			\$0	
8520-245	Fishing Tools and Services			\$0	
8520-250	Well Testing			\$84,000	\$84,000
8520-255	Trucking and Hauling			\$0	
8520-260	Wireline Services			\$5,000	\$5,000
8520-270	Camp Expenses			\$6,000	\$6,000
8520-275	Coiled Tubing Services			\$0	
8520-280	Frac Water			\$860,000	\$860,000
8520-285	Contingencies			\$254,758	\$254,758
8520-290	Environmental			\$0	
8520-300	Overhead			\$0	
8520-350	Insurance			\$0	
8520-600	Nonoperated			\$0	
8520-700	Impairment			\$0	
8520-999	Accruals			\$0	
	TOTAL COMPLETION COST - INTANGIBLES			\$4,621,758	\$4,621,758
	TOTAL WELL COST		\$2,752,856	\$5,349,916	\$8,102,773

Approved by: _____

Date: _____

Approved by: _____

Date: _____

Approved by: _____

Date: _____

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

**APPLICATION OF CHISHOLM ENERGY OPERATING, LLC
FOR A NON-STANDARD SPACING AND PRORATION UNIT,
COMPULSORY POOLING, AND UNORTHODOX WELL LOCATION
LEA COUNTY, NEW MEXICO**

CASE NO. 16406

AFFIDAVIT OF JOSH KUHN IN SUPPORT OF CASE NO. 16406

Josh Kuhn, of lawful age and being first duly sworn, declares as follows:

1. My name is Josh Kuhn. I work for Chisholm Energy Operating, LLC
("Chisholm") as a Geologist.
2. I have previously testified before the New Mexico Oil Conservation Division as
an expert witness in petroleum geology. My credentials as a petroleum geologist have been
accepted by the Division and made a matter of record.
3. I am familiar with the application filed by Chisholm in this case, and I have
conducted a geologic study of the lands in the subject area.
4. Chisholm is targeting the 1st Bone Spring Sandstone.
5. **Chisholm Exhibit B-1** is a subsea structure map that I prepared for the top of the
1st Bone Spring Sandstone. The contour interval is 50 feet. Chisholm's acreage is highlighted in
yellow. The proposed wellbore path for the proposed **Jade 34-3 Fed Com 1BS No. 7H Well** is
depicted by the gray dashed line.
6. The structure map shows the 1st Bone Spring gently dipping to the southeast. The
map also identifies wells used to create this 1st Bone Spring structure map and nearby wells that
have produced from the 1st Bone Spring. The structure appears consistent across the proposed

wellbore path. I do not observe any faulting, pinchouts, or other geologic impediments to horizontal drilling.

7. The structure map also shows the location of wells used to create the stratigraphic cross-section from A to A'. These four wells are representative of the geology in the area.

8. **Chisholm Exhibit B-2** is a stratigraphic cross-section that I prepared displaying open-hole logs run over 1st Bone Spring from the four representative wells denoted from A to A' on the structure map. For each well in the cross-section, Exhibit B-2 shows the following logs: gamma ray, resistivity, and porosity. The proposed target interval is marked and denoted in green. The logs in the cross-section demonstrate that the target interval, within the 1st Bone Spring, is consistent in thickness across the entire proposed spacing unit.

9. Based on my geologic study of the area in this case, I have not identified any geologic impediments to drilling horizontal wells in the area.

10. In my opinion, each quarter-quarter section will be productive and contribute more-or-less equally to each 40-acre unit comprising the spacing and proration units.

11. In my opinion, horizontal drilling will be the most efficient method to develop this acreage, to prevent the drilling of unnecessary wells, and to result in the greatest ultimate recovery.

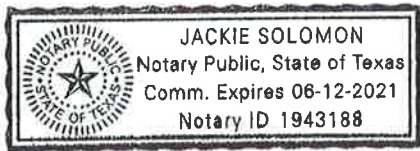
12. In my opinion, the granting of Chisholm's application in this case will be in the best interest of conservation, the prevention of waste, and protection of correlative rights.



JOSH KUHN

STATE OF TEXAS)
)
COUNTY OF Tarrant)

SUBSCRIBED and SWORN to before me this 14th day of September 2018 by
Josh Kuhn.



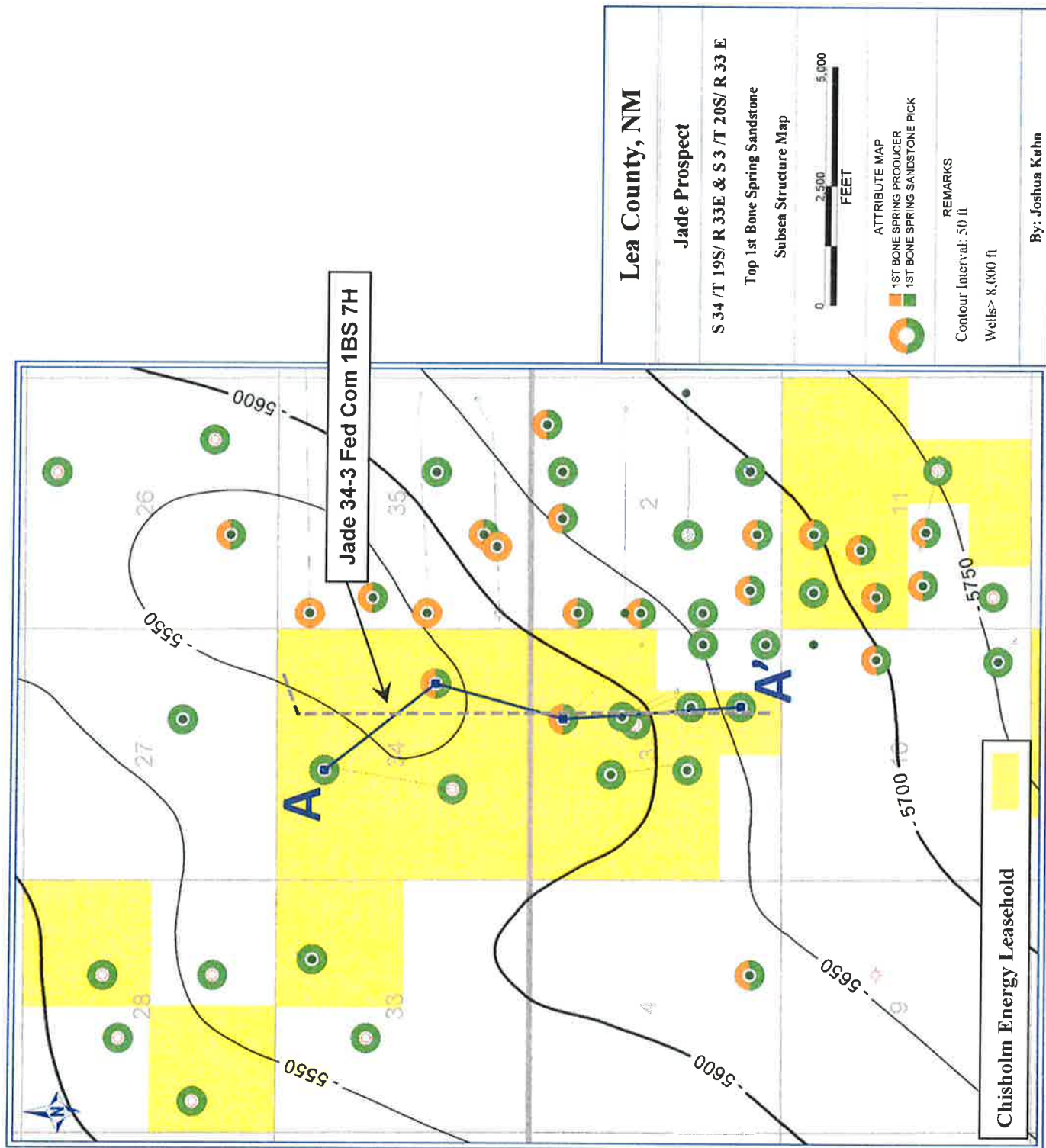


NOTARY PUBLIC

My Commission Expires:

6-12-21

11416182_1



N

CHISHOLM
JADE '34' FEDERAL C



CHISHOLM
JADE '34' FEDERAL C



CHISHOLM
PYTHON '3' FEDERAL

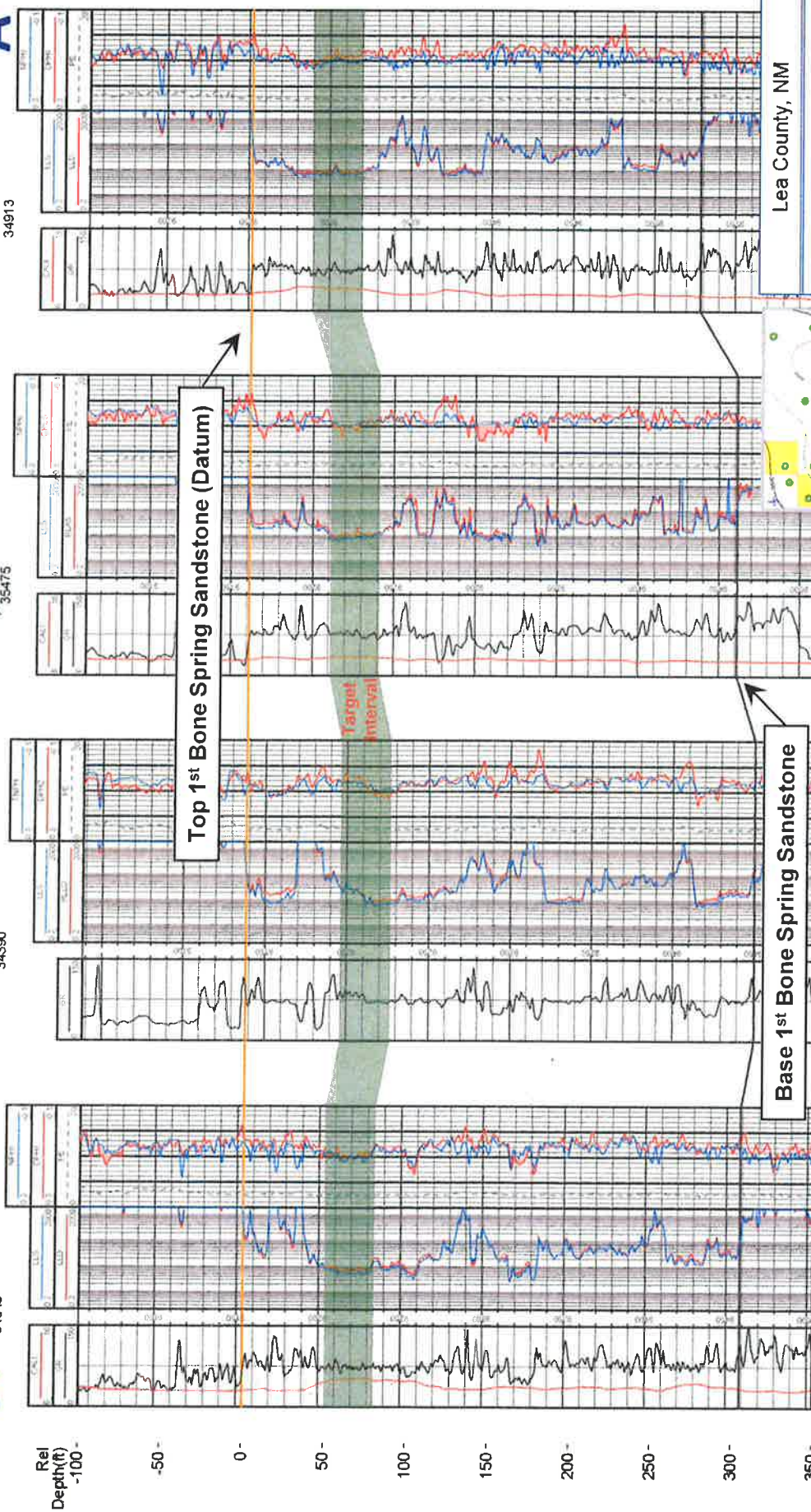


CHISHOLM
PYTHON '3' FEDERAL



A

A'



Base 1st Bone Spring Sandstone

Top 1st Bone Spring Sandstone (Datum)

Lea County, NM

Jade Prospect

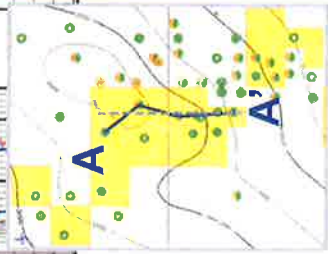
S 34 T 19S/ R 33E & S 3 T 20S/ R 33 E

1st Bone Spring Sandstone

Stratigraphic Cross Section (A-A')

Operator
Well Name
Well Number
API Series

By Joshua Kuhn



BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. B-2

Submitted by: CHISHOLM ENERGY OPERATING LLC

Hearing Date: September 20, 2018

Case No. 16406

Case No. 16406



Jordan L. Kessler
Associate
Phone (505) 954-7286
Fax (505) 983-6043
JLKessler@hollandhart.com

August 31, 2018

VIA CERTIFIED MAIL
CERTIFIED RECEIPT REQUESTED

TO: ALL INTEREST OWNERS SUBJECT TO POOLING PROCEEDINGS

Re: Application of Chisholm Energy Operating, LLC for a non-standard spacing and proration unit, compulsory pooling, and unorthodox well location, Lea County, New Mexico.
Jade 34-3 Fed Com 1BS No. 7H Well

Ladies & Gentlemen:

This letter is to advise you that Chisholm Energy Operating, LLC has filed the enclosed application with the New Mexico Oil Conservation Division. This application will be set for hearing before a Division Examiner at 8:15 a.m. on September 20, 2018. The hearing will be held in Porter Hall in the Oil Conservation Division's Santa Fe Offices, located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 19.15.4.13.B to file a Pre-hearing Statement four business days in advance of a scheduled hearing. This statement must be filed at the Division's Santa Fe office at the above specified address and should include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

If you have any questions about this matter please contact Jacob Daniels at (817) 953-0737 or jdaniels@chisholmenergy.com.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Kessler".

Jordan L. Kessler
ATTORNEY FOR CHISHOLM ENERGY OPERATING, LLC

Holland & Hart LLP

Phone (505) 988-4421 Fax (505) 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, New Mexico 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Boulder Carson City Colorado Springs Denver Denver Tech Center Billings Boise Cheyenne Jackson Hole Las Vegas Reno Salt Lake City Santa Fe Washington, D.C.

#	WI Owner Name	Address	Attention	City, State Zip	Contact
1	Devon Energy Production, L.P.	333 West Sheridan Avenue		Oklahoma City, OK 73102	Cari Allen
2	McAnSo, LLC	PO Box 51407		Midland, TX 79710	
3	Bursake, LLC	PO Box 51407		Midland, TX 79710	
4	Legacy Reserves Operating, LP	PO Box 207418		Dallas, TX 75320-7418	Clay Roberts
5	Marathon Oil Permian, LLC	5555 San Felipe Street		Houston, TX 77056	
6	COG Operating, LLC	One Concho Center 600 W. Illinois Ave	Attn: Outside Operated Properties	Midland, TX 79701	Mollie McAuliffe
7	Timothy R. MacDonald	3017 Avenue O		Galveston, TX 77550	

#	Name	Address	City, State Zip
1	Penwell Employee Royalty Pool	200 N. Loraine, Suite 1550	Midland, TX 79701
2	Paul R. Barwis	c/o Dutton, Harris & Co. PO Box 230	Midland, TX 79702
3	Jareed Partner, Ltd.	PO Box 51451	Midland, TX 79710
4	Cornerstone Family Trust Dated June 9, 2006: John Kyle Thoma, Trustee	PO Box 558	Peyton, CO 80831-0558
5	Crownrock Minerals, LP	PO Box 51933	Midland, TX 79710
6	Kingdom Investments, Limited	2101 Cedar Springs Road #600	Dallas, TX 75201
7	Rave Energy, Inc.	PO Box 3087	Houston, TX 77253
8	George Vaught, Jr.	1225 17th Street	Denver, CO 80202
9	Rusk Capital Management, LLC	7600 W. Tidwell Road, Suite 800	Houston, TX 77040-6718
10	Taurus Royalty, LLC	PO Box 1477	Little Elm, TX
11	Kimbell Royalty Holdings, LLC	777 Taylor Street, Suite 810	Fort Worth, TX 76102
12	Rave Energy, Inc. D/B/A/ GEP III	PO Box 3087	Houston, TX 77253
13	Nearburg Exploration Company, LLC	PO Box 823085	Dallas, TX 75382
14	Nearburg Producing Company FBO Nearburg Producing Company Employee Fund	PO Box 823085	Dallas, TX 75382
15	Map2004-OK	101 North Robinson, Suite 1000	Oklahoma City, OK 73102
16	EGL Holdings, Inc.	223 W. Wall Street, Suite 900	Midland, TX 79701
17	Devon Energy Production, L.P.	333 West Sheridan Avenue	Oklahoma City, OK 73102
18	COG Operating, LLC	One Concho Center 600 W. Illinois Ave	Midland, TX 79701

**Jordan L. Kessler****Associate****Phone** (505) 954-7286**Fax** (505) 983-6043

JLKessler@hollandhart.com

August 31, 2018

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED**TO: OFFSETTING LESSEES AND OPERATORS**

Re: Application of Chisholm Energy Operating, LLC for a non-standard spacing and proration unit, compulsory pooling, and unorthodox well location, Lea County, New Mexico.
Jade 34-3 Fed Com 1BS No. 7H Well

This letter is to advise you that Chisholm Energy Operating, LLC has filed the enclosed application with the New Mexico Oil Conservation Division. *Your interests are not being pooled under this application*, but as a lessee or operator in an offsetting tract, you are entitled to notice of this application.

This application has been set for hearing before a Division Examiner at 8:15 AM on September 20, 2018. The hearing will be held in Porter Hall in the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 19.15.4.13.B to file a Pre-Hearing Statement with the Oil Conservation Division's Santa Fe office, four business days in advance of a scheduled hearing, but at least on the Thursday preceding the hearing. This statement must include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

If you have any questions about this matter please contact Jacob Daniels at (817) 953-0737 or jdaniels@chisholmenergy.com.

Sincerely,

Jordan L. Kessler

**ATTORNEY FOR CHISHOLM ENERGY OPERATING,
LLC**

#	Operator Name	Street Address	City, State Zip
1	Occidental Permian, LP	5 E. Greenway Plaza #110	Houston, TX 77046
2	Burlington Resources Oil and Gas Company, LP	PO Box 51810	Midland, TX 79710
3	COG Operating LLC	One Concho Center 600 W. Illinois Ave	Midland, TX 79701
4	Shackelford Oil Company	3510 North A Street, Building B #100	Midland, TX 79705
5	Tap Rock Resources, LLC	602 Park Point Drive	Golden, CO 80401
6	Marshall & Winston, Inc.	PO Box 50880	Nidland, TX 79710
7	Murchison Oil and Gas, Inc.	7250 Dallas Parkway, Suite 1400	Plano, Texas 75024
8	MEC Petroleum Corp.	PO Box 11265	Midland, TX 79702
9	Magnum Hunter Production, Inc.	508 W. Wall Street, Suite 600	Midland, TX 79701
10	SGH Enterprises, Inc.	Two W. 2nd Street	Tulsa, OK 741033
11	Murchison Bone Springs Drilling Program 1 LLC	1100 Mira Vista Blvd.	Plano, Texas 75093

	A	B	E	F	G	I	J	K
	Mail/Class	TrackingNo	ToCompany/Name		DeliveryAddress	City	State	Zip
1	Certified with Return Receipt (Signature)	9414810898765017539403	Devon Energy Production, L.P.		333 West Sheridan Avenue	Okahoma	OK	73102
2	Certified with Return Receipt (Signature)	9414810898765017539496	Burlington Resources Oil and Gas Company, LP		PO Box 51810	Midland	TX	79710
3	Certified with Return Receipt (Signature)	9414810898765017539502	COG Operating LLC		600 W. Illinois Ave	Midland	TX	79701
4	Certified with Return Receipt (Signature)	9414810898765017539519	Shackelford Oil Company		3510 North A Street, Building B #100	Midland	TX	79705
5	Certified with Return Receipt (Signature)	9414810898765017539526	Tap Rock Resources, LLC		602 Park Point Drive	Golden	CO	80401
6	Certified with Return Receipt (Signature)	9414810898765017539533	Marshall & Winston, Inc.		PO Box 50880	Nidland	TX	79710
7	Certified with Return Receipt (Signature)	9414810898765017539540	Murchison Oil and Gas, Inc.		7250 Dallas Parkway, Suite 1400	Plano	TX	75024
8	Certified with Return Receipt (Signature)	9414810898765017539557	MEC Petroleum Corp.		PO Box 11265	Midland	TX	79702
9	Certified with Return Receipt (Signature)	9414810898765017539564	Magnum Hunter Production, Inc.		508 W. Wall Street, Suite 600	Midland	TX	79701
10	Certified with Return Receipt (Signature)	9414810898765017539571	SGH Enterprises, Inc.		Two W. 2nd Street	Tulsa	OK	74103
11	Certified with Return Receipt (Signature)	9414810898765017539588	Murchison Bone Springs Drilling Program 1 LLC		1100 Mira Vista Blvd.	Plano	TX	75093
12	Certified with Return Receipt (Signature)	9414810898765017539595	McAnSo, LLC		PO Box 51407	Midland	TX	79710
13	Certified with Return Receipt (Signature)	9414810898765017539601	Penwell Employee Royalty Pool		200 N. Loraine, Suite 1550	Midland	TX	79701
14	Certified with Return Receipt (Signature)	9414810898765017539618	c/o Dutton, Harri: Paul R. Barwis		PO Box 230	Midland	TX	79702
15	Certified with Return Receipt (Signature)	9414810898765017539625	Jareed Partner, Ltd.		PO Box 51451	Midland	TX	79710
16	Certified with Return Receipt (Signature)	9414810898765017539632	Cornerstone Fam John Kyle Thoma, Trustee		PO Box 558	Peyton	CO	80831
17	Certified with Return Receipt (Signature)	9414810898765017539639	Crownrock Minerals, LP		PO Box 51933	Midland	TX	79710
18	Certified with Return Receipt (Signature)	9414810898765017539656	Kingdom Investments, Limited		2101 Cedar Springs Road #600	Dallas	TX	75201
19	Certified with Return Receipt (Signature)	9414810898765017539663	Rave Energy, Inc.		PO Box 3087	Houston	TX	77253
20	Certified with Return Receipt (Signature)	9414810898765017539670	George Vaught, Jr.		1225 17th Street	Denver	CO	80202
21	Certified with Return Receipt (Signature)	9414810898765017539687	Rusk Capital Management, LLC		7600 W. Tidwell Road, Suite 800	Houston	TX	77040
22	Certified with Return Receipt (Signature)	9414810898765017539694	Taurus Royalty, LLC		PO Box 1477	Little Elm	TX	75068
23	Certified with Return Receipt (Signature)	9414810898765017539717	Bursake, LLC		PO Box 51407	Midland	TX	79710
24	Certified with Return Receipt (Signature)	9414810898765017539724	Kimbell Royalty Holdings, LLC		777 Taylor Street, Suite 810	Fort Worth	TX	76102
25	Certified with Return Receipt (Signature)	9414810898765017539731	Rave Energy, Inc. D/B/A/ GEP III		PO Box 3087	Houston	TX	77253
26	Certified with Return Receipt (Signature)	9414810898765017539748	Nearburg Exploration Company, LLC		PO Box 823085	Dallas	TX	75382
27	Certified with Return Receipt (Signature)	9414810898765017539755	Nearburg Producing Company Employee Fund		PO Box 823085	Dallas	TX	75382
28	Certified with Return Receipt (Signature)	9414810898765017539779	Map2004-OK		101 North Robinson, Suite 1000	Oklahoma City	OK	73102
29	Certified with Return Receipt (Signature)	9414810898765017539786	EGL Holdings, Inc.		223 W. Wall Street, Suite 900	Midland	TX	79701
30	Certified with Return Receipt (Signature)	9414810898765017539793	Devon Energy Production, L.P.		333 West Sheridan Avenue	Oklahoma City	OK	73102
31	Certified with Return Receipt (Signature)	9414810898765017539841	COG Operating, LLC		600 W. Illinois Ave	Midland	TX	79701
32	Certified with Return Receipt (Signature)	9414810898765017539844	Legacy Reserves Operating, LP		PO Box 207418	Dallas	TX	75320
33	Certified with Return Receipt (Signature)	9414810898765017539848	Marathon Oil Permian, LLC		5555 San Felipe Street	Houston	TX	77056
34	Certified with Return Receipt (Signature)	9414810898765017539855	COG Operating, LLC		One Concho Center 600 W. Illinois Ave	Midland	TX	79701
35	Certified with Return Receipt (Signature)	9414810898765017539865	Timothy R. MacDonald		3017 Avenue O	Galveston	TX	77550
36	Certified with Return Receipt (Signature)	9414810898765017539872	Maverick Oil & Gas Corporation		1004 N. Big Spring Street, #121	Midland	TX	79701
37	Certified with Return Receipt (Signature)	9414810898765017539889	Occidental Permian, LP		5 E. Greenway Plaza #110	Houston	TX	77046
38	Certified with Return Receipt (Signature)							

	N	R	USPS_Status
1	MailDate	ERR_SigDate	USPS_Status
2	08/31/2018		Your package is moving within the USPS network and is on track to be delivered by the expected delivery date. It is currently in transit to the next facility.
3	08/31/2018		Your item departed our MIDLAND TX DISTRIBUTION CENTER destination facility on September 3, 2018 at 10:01 pm. The item is currently in transit to the destination.
4	08/31/2018		Your item departed our MIDLAND TX DISTRIBUTION CENTER destination facility on September 4, 2018 at 12:33 am. The item is currently in transit to the destination.
5	08/31/2018		Your item departed our MIDLAND TX DISTRIBUTION CENTER destination facility on September 3, 2018 at 10:01 pm. The item is currently in transit to the destination.
6	08/31/2018		Your package is moving within the USPS network and is on track to be delivered by the expected delivery date. It is currently in transit to the next facility.
7	08/31/2018		Your item departed our MIDLAND TX DISTRIBUTION CENTER destination facility on September 3, 2018 at 10:01 pm. The item is currently in transit to the destination.
8	08/31/2018		Your package is moving within the USPS network and is on track to be delivered by the expected delivery date. It is currently in transit to the next facility.
9	08/31/2018		Your item departed our MIDLAND TX DISTRIBUTION CENTER destination facility on September 3, 2018 at 10:14 pm. The item is currently in transit to the destination.
10	08/31/2018		Your item departed our MIDLAND TX DISTRIBUTION CENTER destination facility on September 4, 2018 at 12:28 am. The item is currently in transit to the destination.
11	08/31/2018		Your package is moving within the USPS network and is on track to be delivered by the expected delivery date. It is currently in transit to the next facility.
12	08/31/2018		Your package is moving within the USPS network and is on track to be delivered by the expected delivery date. It is currently in transit to the next facility.
13	08/31/2018		Your package is moving within the USPS network and is on track to be delivered by the expected delivery date. It is currently in transit to the next facility.
14	08/31/2018		Your shipment was received at 5:22 pm on August 31, 2018 in DENVER, CO 80217. The acceptance of your package is pending.
15	08/31/2018		Your shipment was received at 5:22 pm on August 31, 2018 in DENVER, CO 80217. The acceptance of your package is pending.
16	08/31/2018		Your shipment was received at 5:22 pm on August 31, 2018 in DENVER, CO 80217. The acceptance of your package is pending.
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33	08/31/2018		Your package is moving within the USPS network and is on track to be delivered by the expected delivery date. It is currently in transit to the next facility.
34	08/31/2018		Your item departed our MIDLAND TX DISTRIBUTION CENTER destination facility on September 4, 2018 at 12:33 am. The item is currently in transit to the destination.
35	08/31/2018		Your package is moving within the USPS network and is on track to be delivered by the expected delivery date. It is currently in transit to the next facility.
36	08/31/2018		Your item departed our USPS facility in COLORADO SPRINGS CO DISTRIBUTION CENTER on September 3, 2018 at 12:47 am. The item is currently in transit to the destination.
37	08/31/2018		Your item departed our NORTH HOUSTON TX DISTRIBUTION CENTER destination facility on September 3, 2018 at 3:42 am. The item is currently in transit to the destination.
38	08/31/2018		

Affidavit of Publication

STATE OF NEW MEXICO
COUNTY OF LEA

I, Daniel Russell, Publisher of the Hobbs News-Sun, a newspaper published at Hobbs, New Mexico, solemnly swear that the clipping attached hereto was published in the regular and entire issue of said newspaper, and not a supplement thereof for a period of 1 issue(s).

Beginning with the issue dated
August 30, 2018
and ending with the issue dated
August 30, 2018.



Publisher

Sworn and subscribed to before me this
30th day of August 2018.

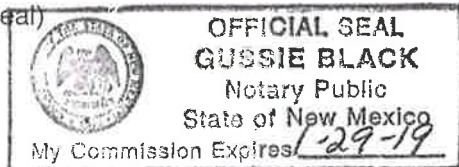


Business Manager

My commission expires

January 29, 2019

(Seal)



This newspaper is duly qualified to publish legal notices or advertisements within the meaning of Section 3, Chapter 167, Laws of 1937 and payment of fees for said

LEGAL

LEGAL

LEGAL

LEGAL NOTICE
August 30, 2018

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

The State of New Mexico through its Oil Conservation Division hereby gives notice pursuant to law and the Rules and Regulations of the Division of the following public hearing to be held at 8:15 A.M. on **September 20, 2018**, in the Oil Conservation Division Hearing Room at 1220 South St. Francis, Santa Fe, New Mexico, before an examiner duly appointed for the hearing. If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing, please contact: Florene Davidson at 505-476-3458 or through the New Mexico Relay Network, 1-800-659-1779 by **September 10, 2018**. Public documents, including the agenda and minutes, can be provided in various accessible forms. Please contact Florene Davidson if a summary or other type of accessible form is needed.

STATE OF NEW MEXICO TO:
All named parties and persons
having any right, title, interest
or claim in the following case
and notice to the public.

(NOTE: All land descriptions herein refer to the New Mexico Principal Meridian whether or not so stated.)

To: All offset owners, overriding royalty interest owners, and pooled parties, including: Devon Energy Production, L.P.; McAnSo, LLC; Bursake, LLC; Legacy Reserves Operating, LP; Marathon Oil Permian, LLC; COG Operating, LLC; Timothy R. MacDonald, his heirs and devisees; Maverick Oil & Gas Corporation; Occidental Permian, LP; Burlington Resources Oil and Gas Company, LP; Shackelford Oil Company; Tap Rock Resources, LLC; Marshall & Winston, Inc.; Murchison Oil and Gas, Inc.; MEC Petroleum Corp.; Magnum Hunter Production, Inc.; SGH Enterprises, Inc.; Murchison Bone Springs Drilling Program 1 LLC; Penwell Employee Royalty Pool; Paul R. Barwis, his heirs and devisees; Jared Partner, Ltd.; Cornerstone Family Trust Dated June 9, 2006; John Kyle Thoma, Trustee; Crownrock Minerals, LP; Kingdom Investments, Limited; Rave Energy, Inc.; George Vaught, Jr., his heirs and devisees; Rusk Capital Management, LLC; Taurus Royalty, LLC; Kimbell Royalty Holdings, LLC; Rave Energy, Inc. D/B/A/ GEP III; Nearburg Exploration Company, LLC; Nearburg Producing Company FBO Nearburg Producing Company Employee Fund; Map2004-OK; EGL Holdings, Inc.

Case No. 16406: Application of Chisholm Energy Operating, LLC for a non-standard spacing and proration unit, compulsory pooling, and unorthodox well location, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating, if necessary, a non-standard 319.95-acre, more or less, spacing and proration unit comprised of the W/2 E/2 Section 34 Township 19 South, Range 33 East, NMPM, Lea County, New Mexico, and W/2 E/2 of Section 3, Township 20 South, Range 33 East, NMPM, Lea County, New Mexico; (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage; and (3) approving the unorthodox well location. Said non-standard unit is to be dedicated to applicant's proposed **Jade 34-3 Fed Com 1BS No. 7H Well**, which will be horizontally drilled from a surface location in the NE/4 NE/4 (Unit A) of Section 34 to a bottom hole location in the SW/4 SE/4 (Unit O) of Section 3. The completed interval for this well will be unorthodox because it will be closer to the eastern boundary of the spacing unit than allowed by the statewide rules. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Chisholm Energy Operating, LLC as operator of the well, and a 200% charge for risk involved in drilling said well. Said area is located approximately 37 miles northeast of Carlsbad, New Mexico. #33178

67100754

00217326

HOLLAND & HART LLC
PO BOX 2208
SANTA FE, NM 87504-2208

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico

Exhibit No. D

Submitted by: **CHISHOLM ENERGY OPERATING LLC**

Hearing Date: **September 20, 2018**

Case No. 16406