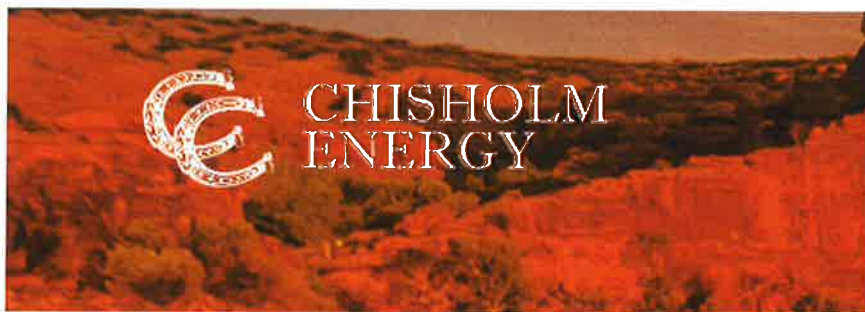


**BEFORE THE OIL CONSERVATION DIVISION
EXAMINER HEARING SEPTEMBER 6, 2018**

CASE NOS. 16396 & 16397

*BODACIOUS 5-32 FED COM 4H WELL
BODACIOUS 5-32 FED COM 6H WELL*

EDDY 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
AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.**

CASE NOS. 16396 & 16397

AFFIDAVIT OF BEAU SULLIVAN

Beau Sullivan, of lawful age and being first duly sworn, declares as follows:

1. My name is Beau Sullivan. 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 applications filed by Chisholm in these matters and familiar with the status of the lands in the subject areas.
4. Chisholm seeks to pool WPX Energy Permian, LLC, which has been located and indicated no opposition to this application.
5. As reflected in Chisholm’s prehearing statement, since the amendments to the Horizontal Well rules are in effect Chisholm has dismissed the portion of the application seeking to create non-standard spacing and proration units.
6. In **Case No. 16396**, Chisholm seeks an Order pooling all uncommitted interests in the Bone Spring formation underlying a 320-acre, more or less, standard spacing and proration unit comprised of the E/2 E/2 of Section 32, Township 22 South, Range 26 East, NMPM, and Lot 1, SE/4 NE/4, E/2 SE/4 [E/2 E/2 equivalent] of Section 5, Township 23 South, Range 26

East, NMPM, Eddy County, New Mexico. This standard spacing and proration unit will be dedicated to applicant's proposed **Bodacious 5-32 Fed Com 3BS No. 4H Well**, which will be horizontally drilled from a surface location in the SW/4 SE/4 (Unit O) of Section 5 to a bottom hole location in the NE/4 NE/4 (Unit A) of Section 32. The completed interval for this well will remain within the standard offset required by the statewide rules.

7. **Chisholm Exhibit No. 1A** contains a draft Form C-102 for the proposed well. This well will be within a wildcat Bone Spring pool (Pool Code 98056).

8. In **Case No. 16397**, Chisholm seeks an Order pooling all uncommitted interests in the Wolfcamp formation underlying a 640-acre, more or less, standard spacing and proration unit comprised of the E/2 of Section 32, Township 22 South, Range 26 East, NMPM, and Lots 1 and 2, the S/2 NE/4, and the SE/4 [E/2 equivalent] of Section 5, Township 23 South, Range 26 East, NMPM, Eddy County, New Mexico. This standard spacing and proration unit will be dedicated to applicant's proposed **Bodacious 5-32 Fed Com WCB No. 6H Well**, which will be horizontally drilled from a surface location in the SW/4 SE/4 (Unit O) of Section 5 to a bottom hole location in the NE/4 NE/4 (Unit A) of Section 32. The completed interval for this well will remain within the standard offset required by the Special Rules for the Purple Sage Wolfcamp Pool.

9. **Chisholm Exhibit No. 1B** contains a draft Form C-102 for the proposed 6H well. This well will be placed in the Purple Sage; Wolfcamp Gas Pool (Pool Code 98220).

10. **Chisholm Exhibit No. 1C** identifies the four tracts of land comprising the proposed spacing and proration units. This exhibit confirms that that subject acreage is comprised of State and Federal lands, and further identifies the interest ownership by tract and

ultimately by spacing unit. Chisholm is seeking to pool the interests held by WPX Energy Permian, LLC.

11. **Chisholm Exhibit Nos. 1D and 1E** contain the well proposal letters along with an AFE provided to WPX Energy Permian LLC. I have been in contact with WPX and have been informed that the company intends to elect under the pooling orders.

12. The costs reflected in the Statement of Estimated Well Costs are consistent with what other operators have incurred for drilling similar horizontal wells in the area in each of these formations.

13. No ownership depth severances exist within these proposed spacing and proration units, and there are no overriding royalty interests that require pooling or unleased mineral interests in the subject acreage.

14. Chisholm has estimated the overhead and administrative costs for drilling and producing the proposed wells at \$7,500 per month while drilling and \$750 per month while producing. These costs are consistent with what other operators are charging in this area for similar wells.

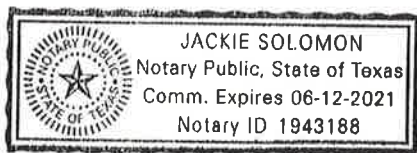
15. Chisholm Exhibit Nos. 1A through 1E were either prepared by me or compiled under my direction and supervision.

FURTHER AFFIANT SAYETH NOT

Beau Sullivan
BEAU SULLIVAN

STATE OF TEXAS)
)
COUNTY OF TARRANT)

SUBSCRIBED and SWORN to before me this 4th day of September 2018 by Beau Sullivan.



Jackie Solomon
NOTARY PUBLIC

My Commission Expires:

6-12-21

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720
District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number	² Pool Code 98056	³ Pool Name WC-015-G04 S232628M; BONE SPRING
⁴ Property Code	⁵ Property Name BODACIOUS 5-32 FED COM 3BS	⁶ Well Number 4H
⁷ OGRID No. 372137	⁸ Operator Name CHISHOLM ENERGY OPERATING, LLC	⁹ Elevation 3364.0

¹⁰ Surface Location

UL or lot no. O	Section 5	Township 23 S	Range 26 E	Lot Idn	Feet from the 230	North/South line SOUTH	Feet from the 1780	East/West line EAST	County EDDY
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¹¹ Bottom Hole Location If Different From Surface

UL or lot no. A	Section 32	Township 22 S	Range 26 E	Lot Idn	Feet from the 330	North/South line NORTH	Feet from the 500	East/West line EAST	County EDDY
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¹² Dedicated Acres 320.89	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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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.

	<p>¹⁷ OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Jennifer Elrod</i> 7/17/18 Signature Date</p> <p>Jennifer Elrod Printed Name</p> <p>jelrod@chisholmenergy.com E-mail Address</p>
	<p>¹⁸ SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>MAY 22, 2018 Date of Survey</p> <p><i>[Signature]</i> Signature and Seal of Professional Surveyor</p> <p>Certificate Number: FILIMON F. JARAMILLO, PLS 12797 SURVEY NO. 6283</p>

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. 1-A

Submitted by: **Chisholm Energy Operating LLC**

Hearing Date: September 6, 2018

Case No. 13696 & 16397

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720

District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720

District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number	² Pool Code 98220	³ Pool Name PURPLE SAGE; WOLFCAMP
⁴ Property Code	⁵ Property Name BODACIOUS 5-32 FED COM WCB	⁶ Well Number 6H
⁷ OGRID No. 372137	⁸ Operator Name CHISHOLM ENERGY OPERATING, LLC	⁹ Elevation 3364.5

¹⁰ Surface Location									
UL or lot no. O	Section 5	Township 23 S	Range 26 E	Lot Idn	Feet from the 230	North/South line SOUTH	Feet from the 1840	East/West line EAST	County EDDY

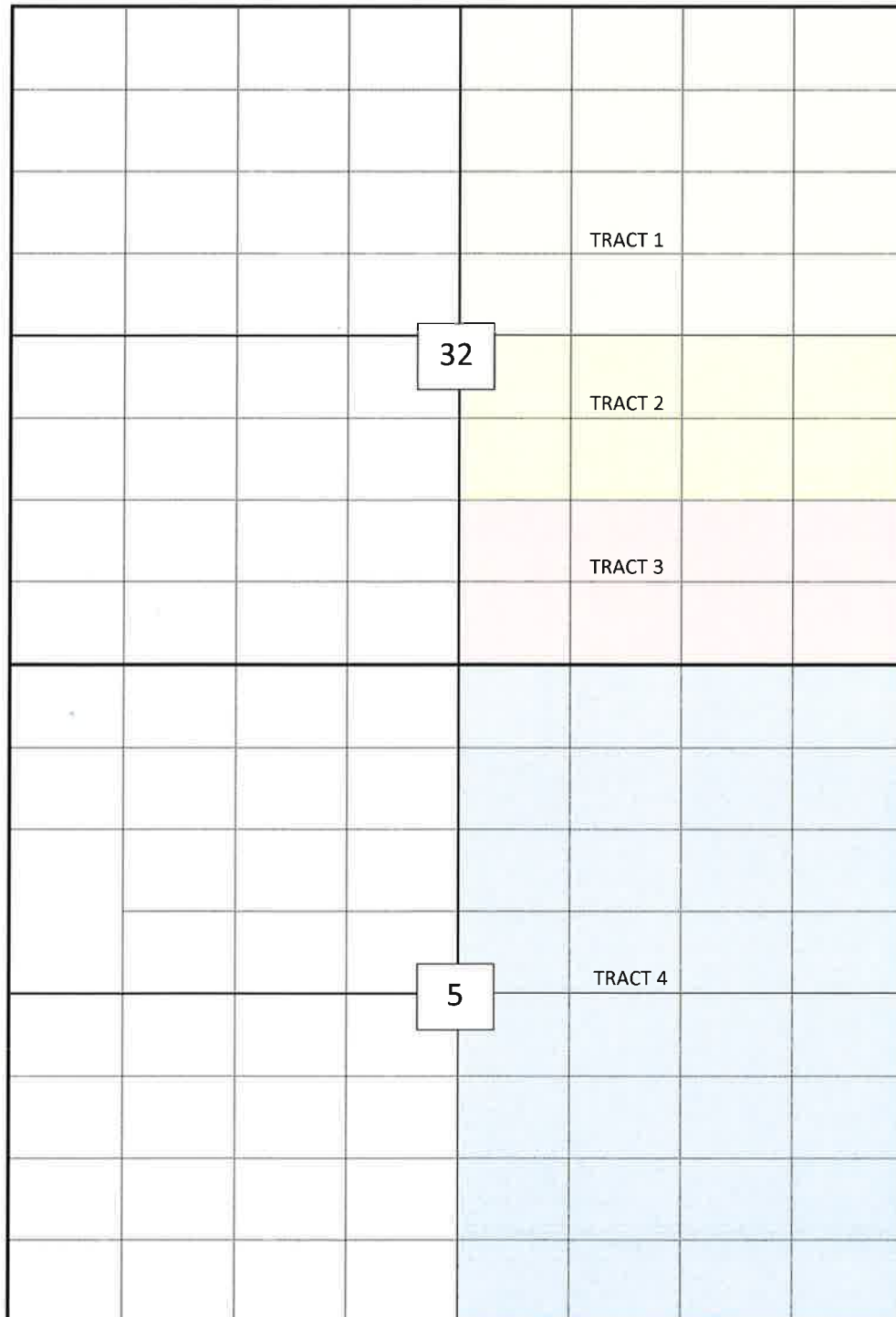
¹¹ Bottom Hole Location If Different From Surface									
UL or lot no. A	Section 32	Township 22 S	Range 26 E	Lot Idn	Feet from the 330	North/South line NORTH	Feet from the 400	East/West line EAST	County EDDY

¹² Dedicated Acres 641.579	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ 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.

	<p>¹⁷ OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Jennifer Elrod</i> 7/17/18 Signature Date</p> <p>Jennifer Elrod Printed Name</p> <p>jelrod@chisholmenergy.com E-mail Address</p>
	<p>¹⁸ SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>MAY 22, 2018 Date of Survey</p> <p><i>[Signature]</i> Signature and Seal of Professional Surveyor</p> <p>Certificate Number: FILIMON F. JARAMILLO, PLS 12797 SURVEY NO. 6285</p>
	<p>BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Exhibit No. 1-B Submitted by: Chisholm Energy Operating LLC Hearing Date: September 6, 2018 Case No. 13696 & 16397</p>

Bodacious 5-32 Fed Com WCB 6H (Case No. 16397)
E/2 of Section 32-22S-26E & E/2 of Section 5-T23S-R26E
Eddy County, NM



BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

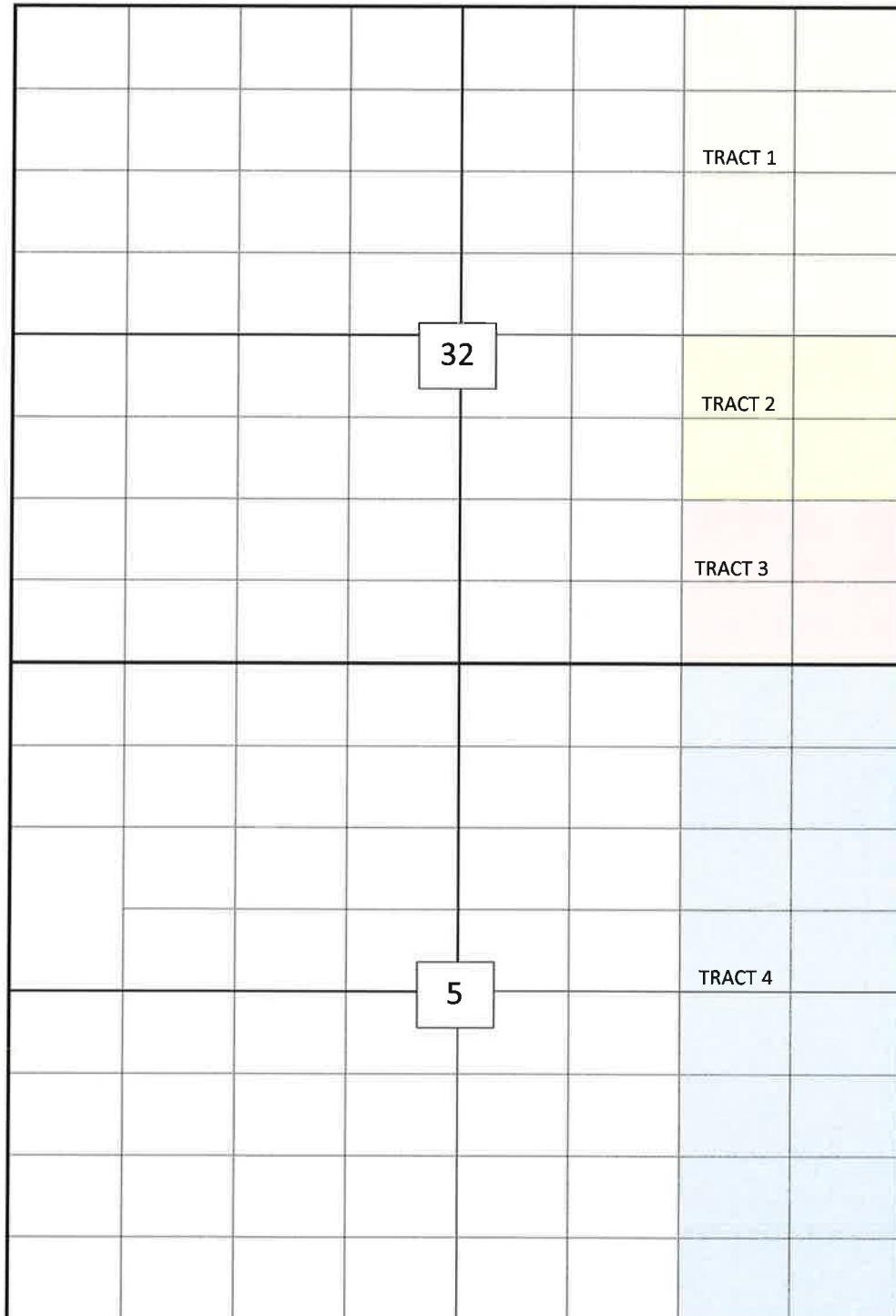
Exhibit No. 1-C

Submitted by: **Chisholm Energy Operating LLC**

Hearing Date: September 6, 2018

Case No. 13696 & 16397

Bodacious 5-32 Fed Com 3BS 4H (Case No. 16396)
E/2 E/2 of Section 32-22S-26E & E/2 E/2 of Section 5-T23S-R26E
Eddy County, NM



OWNERSHIP

Tract 1: NE/4 of Section 32-22S-26E
State of New Mexico Lease No. VC-0246

Owner	Interest
Chisholm Energy Operating, LLC	100.00%
Total:	100.00%

Tract 2: N/2 SE/4 of Section 32-22S-26E
State of New Mexico Lease No. LG-8291

Owner	Interest
Chisholm Energy Operating, LLC	100.00%
Total:	100.00%

Tract 3: S/2 SE/4 of Section 32-22S-26E
State of New Mexico Lease No. VC-0248

Owner	Interest
Chisholm Energy Operating, LLC	100.00%
Total:	100.00%

Tract 4: Lots 1, 2, S/2 NE/4 and SE/4; a/d/a the E/2 of Section 5-23S-26E
Federal Lease No. NMNM 097120

Owner	Interest
Chisholm Energy Agent, Inc.	75.00%
WPX Energy Permian, LLC	25.00%
Total:	100.00%

UNIT RECAPITULATION

Bodacious 5-32 Fed Com WCB 6H (Case No. 16397)
E/2 of Section 32-22S-26E & E/2 of Section 5-T23S-R26E

Owner	Interest
Chisholm Energy Operating, LLC	50.00%
Chisholm Energy Agent, Inc.	37.50%
WPX Energy Permian, LLC	12.50%
Total:	100.00%

UNIT RECAPITULATION

Bodacious 5-32 Fed Com 3BS 4H (Case No. 16396)
E/2 E/2 of Section 32-22S-26E & E/2 E/2 of Section 5-T23S-R26E

Owner	Interest
Chisholm Energy Operating, LLC	50.00%
Chisholm Energy Agent, Inc.	37.50%
WPX Energy Permian, LLC	12.50%
Total:	100.00%

Interest in bold font is party we are seeking to Compulsory Pool.



May 15, 2018

VIA CERTIFIED MAIL: 7016 1370 0000 2562 1702

WPX Energy Permian, LLC
RKI Exploration & Production, LLC
Attn: Justin Hall
3500 One Williams Center, MD 35
Tulsa, OK 74172

RE: Bodacious 5-32 Fed Com 3BS 4H
Sections 5-T23S-R26E & 32-22S-26E
Eddy County, New Mexico

To whom it may concern,

Chisholm Energy Operating, LLC ("Chisholm") hereby proposes the drilling of a horizontal Bone Spring test to a Measured Depth of approximately 18,500'. The expected surface location for this well is approximately 230' FSL & 1780' FEL of Section 5-T23S-R26E with a bottom hole location of 330' FNL & 500' FEL of Section 32-T22S-R26E. Enclosed is our Authority for Expenditure ("AFE") reflecting estimated costs of \$6,154,696 for a completed well.

Chisholm hereby proposes the creation of a 1282.36 acre Working Interest Unit ("WIU") consisting of all of Section 5, Township 23 South, Range 26E and all of Section 32, Township 22 South, Range 26 East to be governed by a modified 1989 AAPL form Operating, 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, WPX Energy Permian, LLC/RKI Exploration & Production, LLC, owns an undivided 12.5386% interest in the above captioned WIU. Chisholm respectfully requests that you select one of the following options:

1. Participate with your interest in the drilling of the proposed well and execute the enclosed Operating Agreement.
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, signature pages to the Operating Agreement and Memorandum of Operating Agreement. 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

Beau Sullivan
Landman
(817) 953-0812

Enclosures

_____ Elect to participate in the drilling of the Bodacious 5-32 Fed Com 3BS 4H.

_____ Elect to farmout/assign our interest on the Bodacious 5-32 Fed Com 3BS 4H.

WPX Energy Permian, LLC
RKI Exploration & Production, LLC

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. 1-D

Submitted by: **Chisholm Energy Operating LLC**

Hearing Date: September 6, 2018

Case No. 13696 & 16397



**CHISHOLM
ENERGY**


Statement of Estimated Well Cost (100%)

Well _____ Bodacious 5-32 Fed Com 3BS 4H
Field _____ 3rd Bone Spring
County, State: _____ Eddy, NM
BHL: _____ Horizontal
Proposed TD: 18,500 MD 8,497 TVD

		BCP	ACP	TOTAL
COSTS TO CASING POINT: TANGIBLES				
8510-400	Conductor Casing or Drive Pipe	\$15,000		\$15,000
8510-405	Surface Casing	\$10,647		\$10,647
8510-410	Intermediate Casing/Drilg Liner	\$38,722		\$38,722
8510-415	Wellhead Equipment - Surface & MLS	\$15,000		\$15,000
8510-420	Other Sub-Surface Equipment	\$0		
8510-425	Cementing Equipment	\$8,000		\$8,000
8510-600	Nonoperated	\$0		
8510-700	Impairment	\$0		
8510-999	Accruals	\$0		
	TOTAL COST TO CASING POINT - TANGIBLES	\$87,369		\$87,369
COSTS TO CASING POINT: INTANGIBLES				
8500-100	Roads/Location	\$40,000		\$40,000
8500-105	Drilling Turnkey	\$0		
8500-110	Drilling Daywork	\$412,500		\$412,500
8500-115	Fuel/Power	\$100,000		\$100,000
8500-125	Equipment Rental	\$139,550		\$139,550
8500-130	Legal Fees	\$20,000		\$20,000
8500-135	Bonds, Permits and Inspection	\$30,000		\$30,000
8500-155	Mud and Chemicals	\$100,000		\$100,000
8500-160	Cementing Services	\$35,000		\$35,000
8500-170	Supervision/Consulting	\$54,000		\$54,000
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	\$305,500		\$305,500
8500-200	Drill Bits	\$51,000		\$51,000
8500-210	Surface Damages/ROW	\$0		
8500-215	Contract Labor and Services	\$10,000		\$10,000
8500-220	Mud Logging	\$0		
8500-235	Reclamation	\$0		
8500-240	Rig Mobilization/Demob	\$60,000		\$60,000
8500-245	Fishing Tools and Services	\$0		
8500-250	Testing-Drill Stem/Production	\$0		
8500-260	Wireline Services	\$0		
8500-265	Water	\$17,000		\$17,000
8500-270	Camp Expenses	\$44,850		\$44,850
8500-285	Contingencies	\$82,838		\$82,838
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	\$1,652,238		\$1,652,238
COMPLETION COSTS: TANGIBLES				
8530-415	Wellhead		\$25,000	\$25,000
8530-420	Subsurface Equipment		\$15,000	\$15,000
8530-500	Production Casing		\$258,630	\$258,630
8530-510	Tubing		\$38,916	\$38,916
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		\$59,000	\$59,000
8530-560	Vapor Recovery Unit		\$0	
8530-590	Other Misc Equipment		\$11,500	\$11,500
8530-600	Nonoperated		\$0	
8530-700	Impairment		\$0	

8530-999	Accruals			\$0	
	TOTAL COMPLETION COST - TANGIBLES			\$676,046	\$676,046
	COMPLETION COSTS: INTANGIBLES				
8520-100	Roads/Location			\$5,000	\$5,000
8520-120	Perforating Services			\$206,800	\$206,800
8520-125	Equipment Rental			\$193,000	\$193,000
8520-135	Bonds, Permits and Inspection			\$0	
8520-145	Completion Unit			\$62,500	\$62,500
8520-150	Frac Plugs			\$70,500	\$70,500
8520-155	Mud and Chemicals			\$15,000	\$15,000
8520-160	Cementing Services			\$100,000	\$100,000
8520-165	Acidizing and Fracturing			\$2,115,000	\$2,115,000
8520-170	Supervision/Consulting			\$42,000	\$42,000
8520-175	Casing and Other Tangible Crew			\$15,000	\$15,000
8520-190	Cuttings/Fluids Disposal			\$80,000	\$80,000
8520-200	Drill Bits			\$3,000	\$3,000
8520-210	Surface Damages/ROW			\$0	
8520-215	Contract Labor and Services			\$5,000	\$5,000
8520-230	Pump/Vacuum Trucks			\$30,000	\$30,000
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			\$10,000	\$10,000
8520-275	Coiled Tubing Services			\$0	
8520-280	Frac Water			\$487,000	\$487,000
8520-285	Contingencies			\$210,242	\$210,242
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			\$3,739,042	\$3,739,042
	TOTAL WELL COST		\$1,739,607	\$4,415,089	\$6,154,696

CHISHOLM ENERGY OPERATING, LLC

By: 
Name: Mike Middlebrook
Title: COO
Date: 5/16/18

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



May 15, 2018

VIA CERTIFIED MAIL: 7016 1370 0000 2562 1702

WPX Energy Permian, LLC
RKI Exploration & Production, LLC
Attn: Justin Hall
3500 One Williams Center, MD 35
Tulsa, OK 74172

RE: Bodacious 5-32 Fed Com WCB 6H
Sections 5-T23S-R26E & 32-22S-26E
Eddy County, New Mexico

To whom it may concern,

Chisholm Energy Operating, LLC ("Chisholm") hereby proposes the drilling of a horizontal Wolfcamp "B" test to a Measured Depth of approximately 19,500'. The expected surface location for this well is approximately 230' FSL & 1840' FEL of Section 5-T23S-R26E with a bottom hole location of 330' FNL & 400' FEL of Section 32-T22S-R26E. Enclosed is our Authority for Expenditure ("AFE") reflecting estimated costs of \$6,667,303 for a completed well.

Chisholm hereby proposes the creation of a 1282.36 acre Working Interest Unit ("WIU") consisting of all of Section 5, Township 23 South, Range 26E and all of Section 32, Township 22 South, Range 26 East to be governed by a modified 1989 AAPL form Operating, 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, WPX Energy Permian, LLC/RKI Exploration & Production, LLC, owns an undivided 12.5386% interest in the above captioned WIU. Chisholm respectfully requests that you select one of the following options:

1. Participate with your interest in the drilling of the proposed well and execute the enclosed Operating Agreement.
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, signature pages to the Operating Agreement and Memorandum of Operating Agreement. 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

Beau Sullivan
Landman
(817) 953-0812

Enclosures

_____ Elect to participate in the drilling of the Bodacious 5-32 Fed Com WCB 6H.

_____ Elect to farmout/assign our interest on the Bodacious 5-32 Fed Com WCB 6H.

WPX Energy Permian, LLC
RKI Exploration & Production, LLC

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. 1-E

Submitted by: **Chisholm Energy Operating LLC**

Hearing Date: September 6, 2018

Case No. 13696 & 16397



**CHISHOLM
ENERGY**

Statement of Estimated Well Cost (100%)

Well _____ Bodacious 5-32 Fed Com WCB 6H
Field _____ Wolfcamp B
County, State: _____ Eddy, NM
BHL: _____ Horizontal
Proposed TD: 19,500 MD 9,527 TVD

		BCP	ACP	TOTAL
COSTS TO CASING POINT: TANGIBLES				
8510-400	Conductor Casing or Drive Pipe	\$15,000		\$15,000
8510-405	Surface Casing	\$10,647		\$10,647
8510-410	Intermediate Casing/Drilg Liner	\$188,440		\$188,440
8510-415	Wellhead Equipment - Surface & MLS	\$15,000		\$15,000
8510-420	Other Sub-Surface Equipment	\$0		
8510-425	Cementing Equipment	\$8,000		\$8,000
8510-600	Nonoperated	\$0		
8510-700	Impairment	\$0		
8510-999	Accruals	\$0		
	TOTAL COST TO CASING POINT - TANGIBLES	\$237,087		\$237,087
COSTS TO CASING POINT: INTANGIBLES				
8500-100	Roads/Location	\$50,000		\$50,000
8500-105	Drilling Turnkey	\$0		
8500-110	Drilling Daywork	\$495,000		\$495,000
8500-115	Fuel/Power	\$120,000		\$120,000
8500-125	Equipment Rental	\$165,000		\$165,000
8500-130	Legal Fees	\$20,000		\$20,000
8500-135	Bonds, Permits and Inspection	\$30,000		\$30,000
8500-155	Mud and Chemicals	\$150,000		\$150,000
8500-160	Cementing Services	\$45,000		\$45,000
8500-170	Supervision/Consulting	\$68,000		\$68,000
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	\$150,000		\$150,000
8500-195	Directional Drilling Services	\$443,500		\$443,500
8500-200	Drill Bits	\$42,000		\$42,000
8500-210	Surface Damages/ROW	\$0		
8500-215	Contract Labor and Services	\$10,000		\$10,000
8500-220	Mud Logging	\$0		
8500-235	Reclamation	\$0		
8500-240	Rig Mobilization/Demob	\$60,000		\$60,000
8500-245	Fishing Tools and Services	\$0		
8500-250	Testing-Drill Stem/Production	\$0		
8500-260	Wireline Services	\$0		
8500-265	Water	\$18,250		\$18,250
8500-270	Camp Expenses	\$52,600		\$52,600
8500-285	Contingencies	\$109,322		\$109,322
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	\$2,058,672		\$2,058,672
COMPLETION COSTS: TANGIBLES				
8530-415	Wellhead		\$25,000	\$25,000
8530-420	Subsurface Equipment		\$15,000	\$15,000
8530-500	Production Casing		\$272,610	\$272,610
8530-510	Tubing		\$43,634	\$43,634
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		\$59,000	\$59,000
8530-560	Vapor Recovery Unit		\$0	
8530-590	Other Misc Equipment		\$11,500	\$11,500
8530-600	Nonoperated		\$0	
8530-700	Impairment		\$0	

8530-999	Accruals			\$0	
	TOTAL COMPLETION COST - TANGIBLES			\$694,744	\$694,744
	COMPLETION COSTS: INTANGIBLES				
8520-100	Roads/Location			\$0	
8520-120	Perforating Services			\$206,800	\$206,800
8520-125	Equipment Rental			\$193,000	\$193,000
8520-135	Bonds, Permits and Inspection			\$0	
8520-145	Completion Unit			\$62,500	\$62,500
8520-150	Frac Plugs			\$70,500	\$70,500
8520-155	Mud and Chemicals			\$15,000	\$15,000
8520-160	Cementing Services			\$120,000	\$120,000
8520-165	Acidizing and Fracturing			\$2,115,000	\$2,115,000
8520-170	Supervision/Consulting			\$42,000	\$42,000
8520-175	Casing and Other Tangible Crew			\$15,000	\$15,000
8520-190	Cuttings/Fluids Disposal			\$80,000	\$80,000
8520-200	Drill Bits			\$3,000	\$3,000
8520-210	Surface Damages/ROW			\$0	
8520-215	Contract Labor and Services			\$5,000	\$5,000
8520-230	Pump/Vacuum Trucks			\$30,000	\$30,000
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			\$10,000	\$10,000
8520-275	Coiled Tubing Services			\$0	
8520-280	Frac Water			\$620,000	\$620,000
8520-285	Contingencies			\$0	
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			\$3,676,800	\$3,676,800
	TOTAL WELL COST		\$2,295,759	\$4,371,544	\$6,667,303

CHISHOLM ENERGY OPERATING, LLC

By:

Mike Middlebrook

Name:

Mike Middlebrook

Title:

COO

Date:

5/16/18

Company:

By:

Name:

Title:

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
AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.**

CASE NOS. 16396 & 16397

AFFIDAVIT OF GEORGE W. ROTH

George W. Roth, of lawful age and being first duly sworn, declares as follows:

1. My name is George W. Roth. 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 applications filed by Chisholm Energy Operating, LLC in these cases and I have conducted a geologic study of the Bone Spring and Wolfcamp formations underlying the subject acreage.
4. Chisholm is targeting the Bone Spring formation (Third Bone Spring interval) with the proposed **Bodacious 5-32 Fed Com 3BS No. 4H well**.
5. **Chisholm Exhibit No. 2A** is a subsea structure map that I prepared for the top of the 3rd Bone Spring Sandstone formation. The contour interval is 25 feet and the proposed wellbore path for the 4H well is depicted by a red dashed line. The structure map shows that the area is gently dipping to the east. I do not observe any faulting, pinchouts, or other geologic impediments to developing this targeted interval with a horizontal well.

6. Chisholm Exhibit No. 2A shows four wells penetrating the 3rd Bone Spring formation that I used to construct a cross-section from A to A'. I consider these wells to be representative of the geology of the area.

7. **Chisholm Exhibit No. 2B** is a cross section using the representative wells depicted on Exhibit 2A. Each well in the cross-section contains gamma ray, resistivity, and or porosity logs. The proposed target interval is labeled and depicted in yellow. The cross-section demonstrates that the targeted interval extends across the proposed spacing and proration unit.

8. Chisholm is targeting the Wolfcamp formation (the Wolfcamp B interval) with the proposed **Bodacious 5-32 Fed Com WCB No. 6H well**.

9. **Chisholm Exhibit No. 2C** is a subsea structure map that I prepared for the top of the Wolfcamp formation. The contour interval is 25 feet and the proposed wellbore path for the 6H well is depicted by a red dashed line. The structure map shows that the area is gently dipping to the east. I do not observe any faulting, pinchouts, or other geologic hazards to developing the targeted interval with a horizontal well.

10. Chisholm Exhibit No. 2C shows four wells penetrating the Wolfcamp formation that I used to construct a cross-section from A to A'. I consider these wells to be representative of the geology of the area.


11. **Chisholm Exhibit No. 2D** is a cross section using the representative wells shown on Exhibit 2C. Each well in the cross-section contains gamma ray, resistivity, and or porosity logs. The proposed target interval is labeled and depicted in yellow. The cross-section demonstrates that the targeted interval extends across the proposed spacing and proration unit.

12. In my opinion the south to north orientation of the proposed wells in the Bone Spring and Wolfcamp formations is appropriate in order to effectively drain the targeted reservoirs and be perpendicular to the maximum stress regime observed in the area.

13. Based on my geologic study of the area, both the Bone Spring and Wolfcamp formations underlying the subject area are suitable for development by horizontal wells and the acreage comprising the proposed spacing and proration units will contribute more-or-less equally to the production from the wellbores.

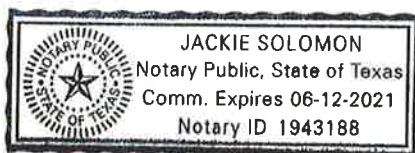
14. In my opinion, the granting of Chisholm's application will be in the best interest of conservation, the prevention of waste, and protection of correlative rights.

FURTHER AFFIANT SAYETH NOT.


GEORGE W. ROTH

STATE OF TEXAS)
)
COUNTY OF Tarrant)

SUBSCRIBED and SWORN to before me this 5th day of September 2018 by George W. Roth.

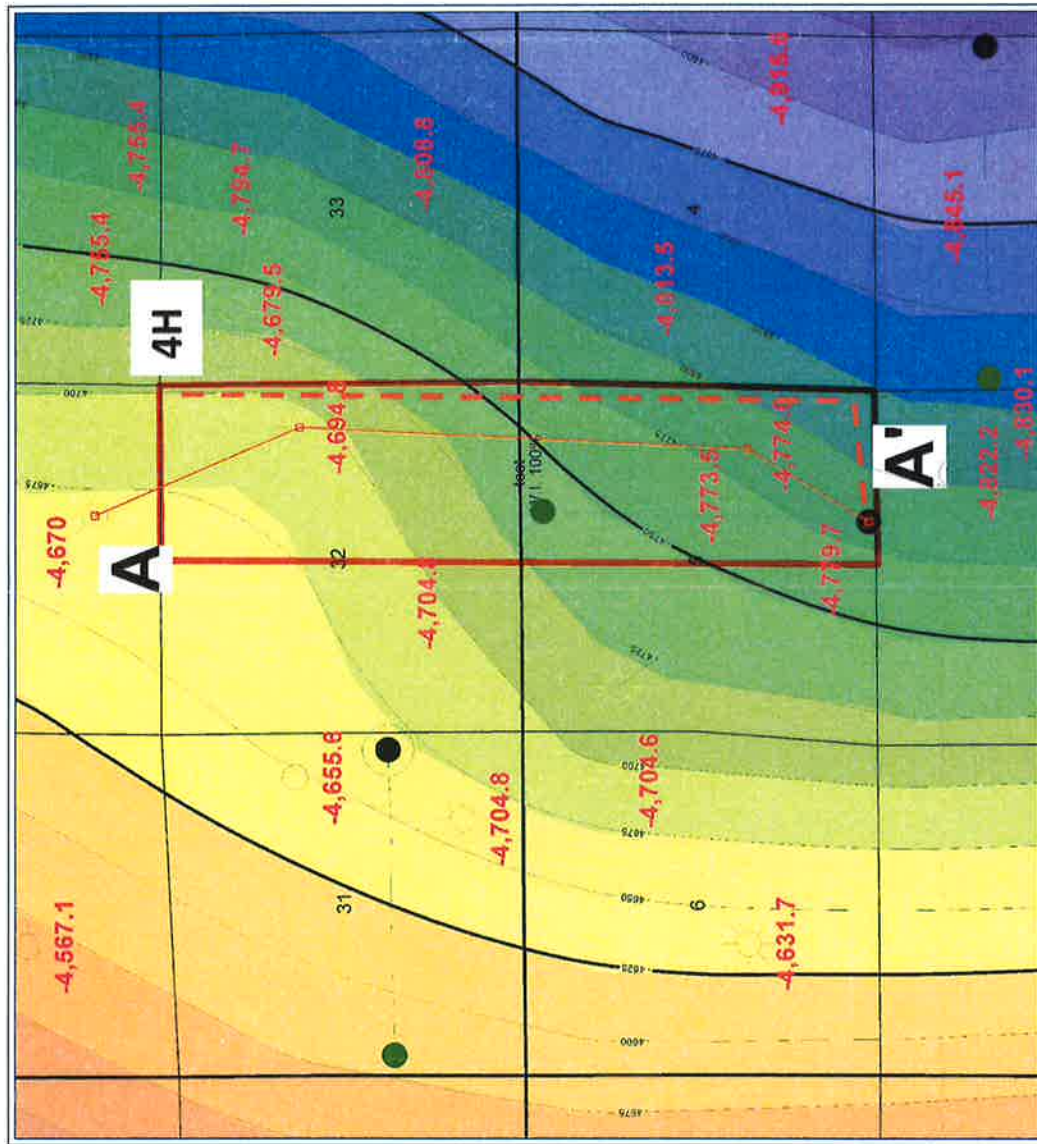



NOTARY PUBLIC

My Commission Expires:

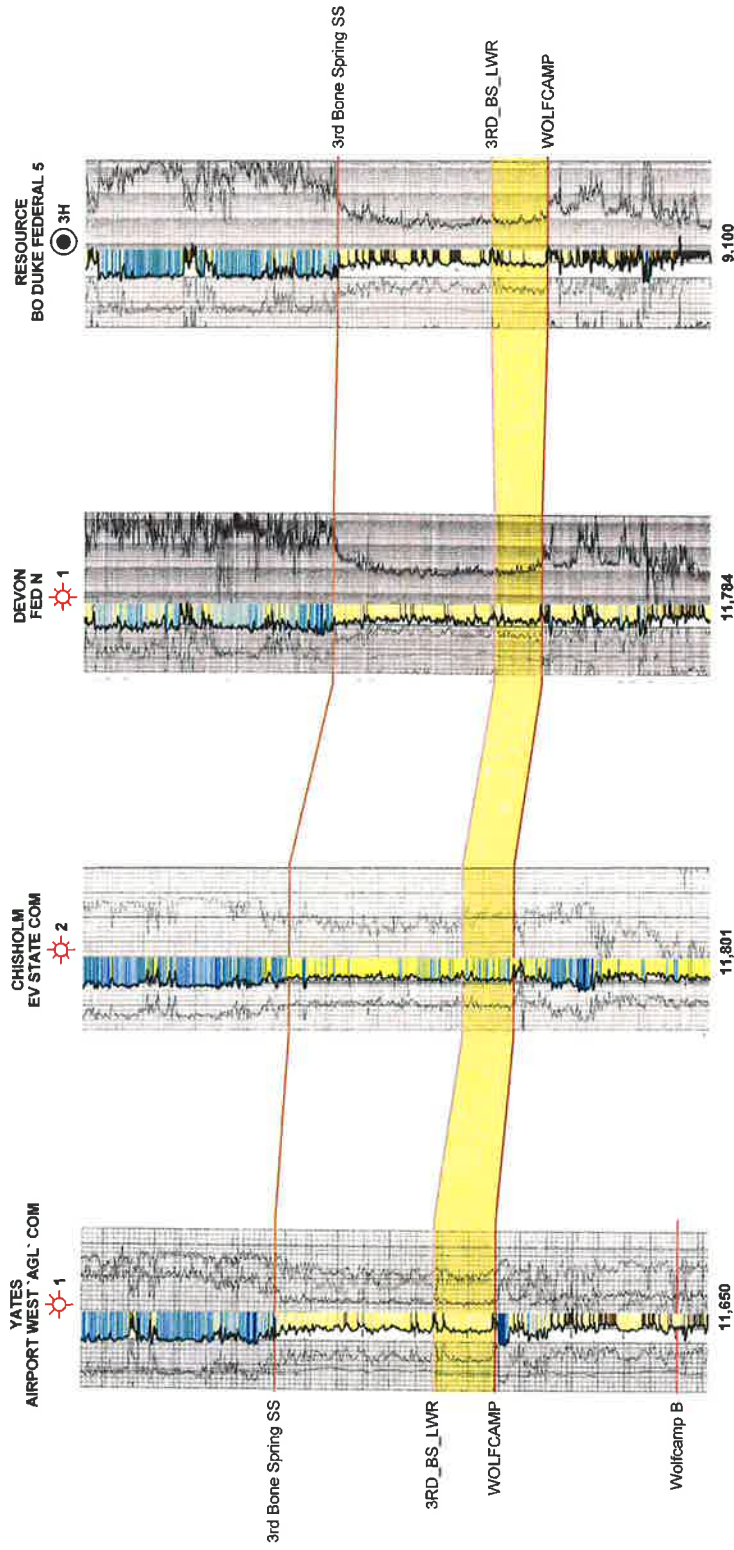
6-12-2021

STRUCTURE MAP TOP 3RD BONE SPRING SS
C.I. = 25 FT.



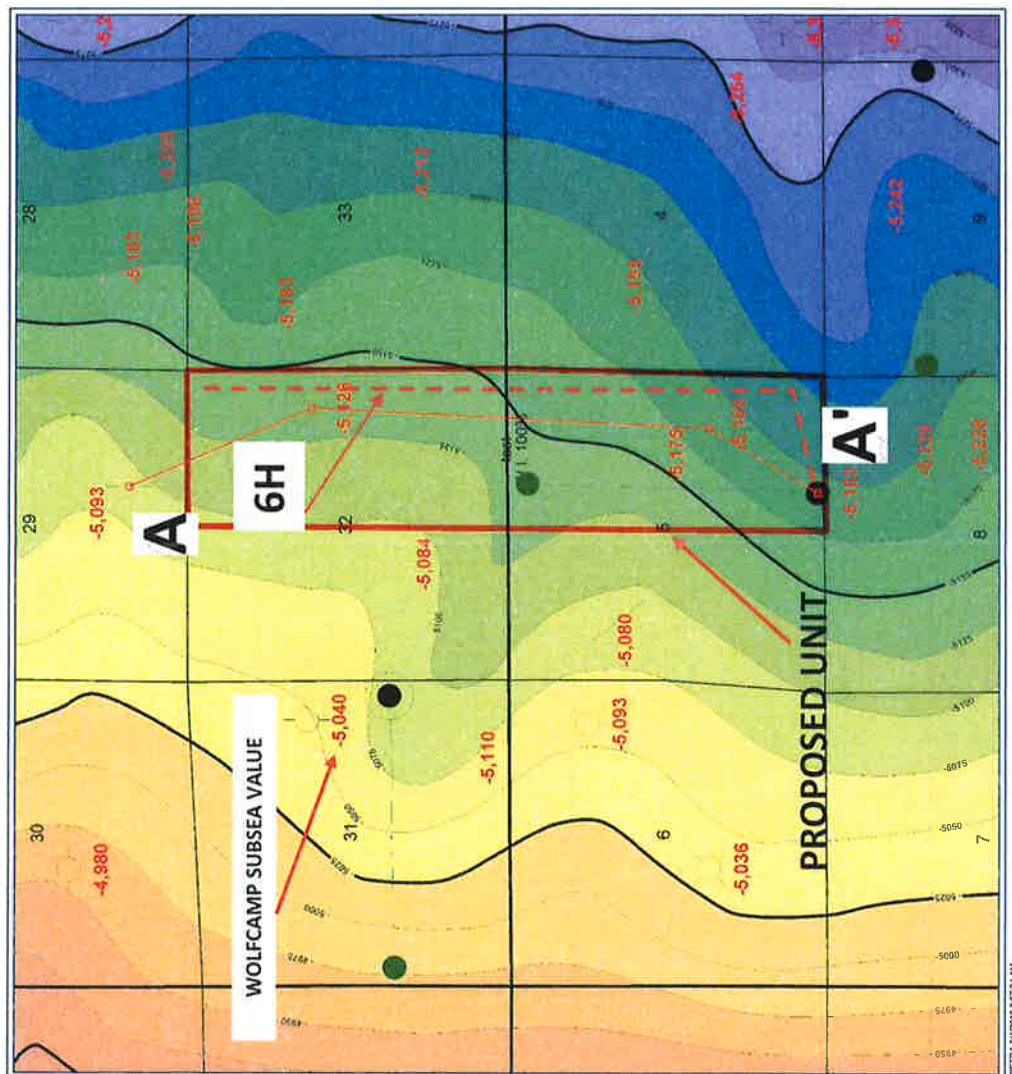
A

A'



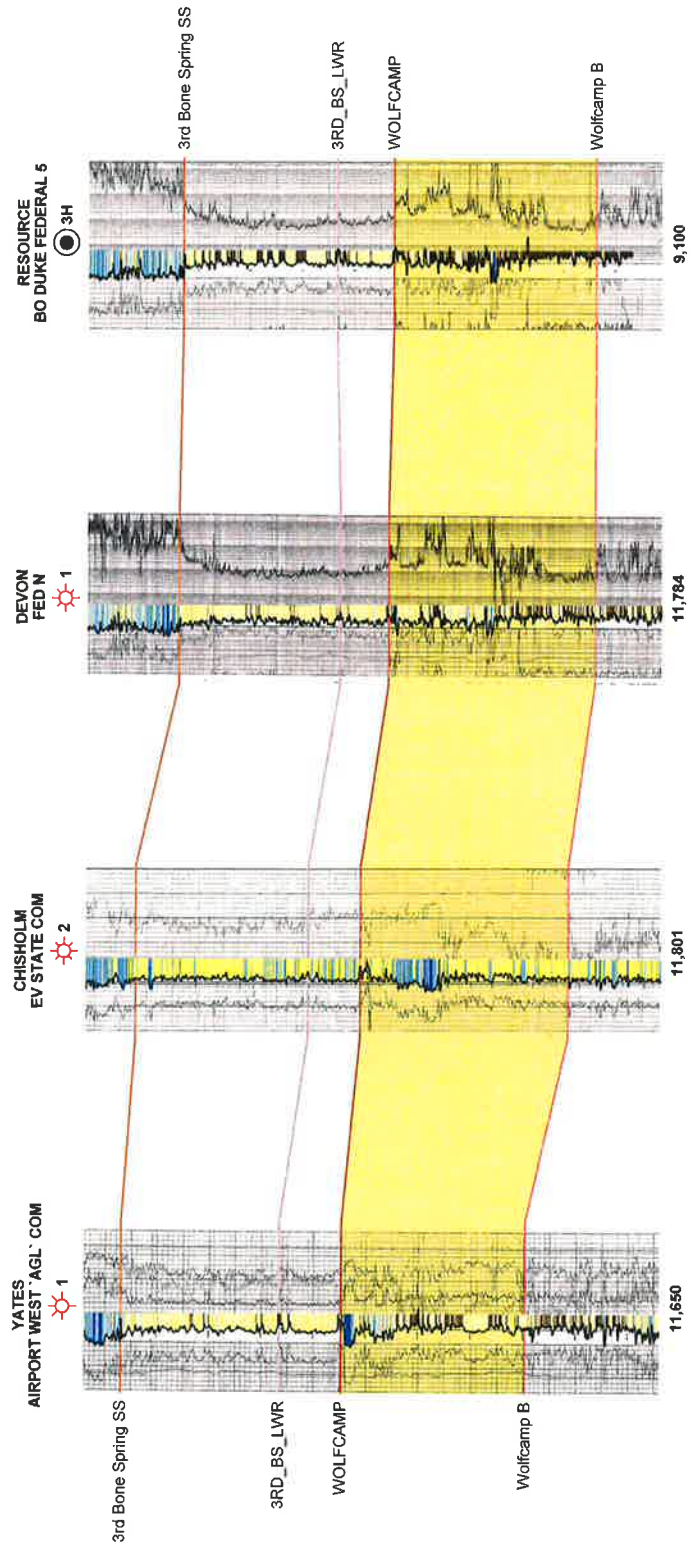
STRUCTURE MAP TOP WOLFCAMP C.I. = 25 FEET

2C



A

A'



**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 AND
COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO.**

CASE NO. 16396

**APPLICATION OF CHISHOLM ENERGY
OPERATING, LLC FOR A NON-STANDARD
SPACING AND PRORATION UNIT AND
COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO.**

CASE NO. 16397


AFFIDAVIT

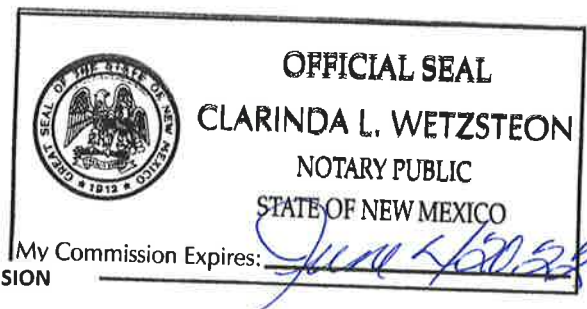
STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

Michael Feldewert, attorney in fact and authorized representative of Chisholm Energy Operating, LLC, the Applicant herein, being first duly sworn, upon oath, states that the above-referenced Applications have been provided under the notice letters and proof of receipts attached hereto.


Michael H. Feldewert

SUBSCRIBED AND SWORN to before me this 5th day of September 2018 by Michael H. Feldewert.


Notary Public
My Commission Expires: June 4 2022



**BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. 3**

Submitted by: **Chisholm Energy Operating LLC**
Hearing Date: September 6, 2018
Case No. 13696 & 16397



August 17, 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 and compulsory pooling, Eddy County, New Mexico.
Bodacious 5-32 Fed Com 3BS No. 4H 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 6, 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 Beau Sullivan at (817) 953-0812 or bsullivan@chisholmenergy.com.

Sincerely,

Adam G. Rankin

**ATTORNEY FOR CHISHOLM ENERGY OPERATING,
LLC**



August 17, 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 and compulsory pooling, Eddy County, New Mexico.
Bodacious 5-32 Fed Com WCA No. 6H 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 6, 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.

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If you have any questions about this matter please contact Beau Sullivan at (817) 953-0812 or bsullivan@chisholmenergy.com.

Sincerely,

Adam G. Rankin

**ATTORNEY FOR CHISHOLM ENERGY OPERATING,
LLC**

	A	B		F	G	I	J	K
1	MailClass		TrackingNo	ToName	DeliveryAddress	City	State	Zip
2	Certified with Return Receipt (Signature)		9414810898765016632006	WPX Energy Permian, LLC	3500 One Williams Center, MD 35	Tulsa	OK	74172

	N	R	U
1	MailDate	ERR_SigDate	USPS_Status
2	08/17/2018	08/21/2018	Your item was delivered to an individual at the address at 10:09 am on August 20, 2018 in TULSA, OK 74172.

Bodacious 6H (003)

	A	B	F	G	I	J	K
1	MailClass	TrackingNo	ToName	DeliveryAddress	City	State	Zip
2	Certified with Return Receipt (Signature)	9414810898765016632259	WPX Energy Permian, LLC	3500 One Williams Center, MD 35	Tulsa	OK	74172

	N	R	U
1	MailDate	ERR_SigDate	USPS_Status
2	08/17/2018	08/21/2018	Your item was delivered to an individual at the address at 10:09 am on August 20, 2018 in TULSA, OK 74172.