

State of New Mexico
Energy, Minerals and Natural Resources Department

Michelle Lujan Grisham
Governor

Sarah Cottrell Propst
Cabinet Secretary

Todd E. Leahy, JD, PhD
Deputy Secretary

Adrienne Sandoval, Director
Oil Conservation Division



December 19, 2019

Chisholm Energy Operating, LLC (OGRID 372137)
c/o Kaitlyn A. Luck, Agent
kaluck@hollandhart.com
P.O. Box 2208
Santa Fe, NM 87504

RE: Request for Time Extension to Commence drilling
Case No. 16406, R-20305 approved date December 31, 2018
Deadline to commence drilling December 31, 2019
Applicant/Operator: Chisholm Energy Operating, LLC
Proposed Well:
Jade 34 3 Federal Com 1BS Well No. 7H, API No. 30-025-PENDING

Dear Sir or Madam:

The following pertains to your request received by the Division on December 17, 2019 and to the requirements in the captioned hearing order.

You have requested an extension of the deadline to commence drilling given by the Division in the captioned order.

As stated, you are requesting an extension to spud this well due to Lesser Prairie Chicken restriction period that interfered with planning and drilling in order to commence drilling of this well. There was no opposition in the captioned case. You are requesting an additional year in which to spud this well. The spud date is now extended to, **December 31, 2020**.

Ordering Paragraph No. (7) and No. (8) of the captioned order is hereby amended, changing "December 31, 2019" to "December 31, 2020". The requested additional year in which to commence drilling is hereby granted.

All other provisions of this order remain in full force and effect.

Sincerely,


ADRIENNE SANDOVAL
Director
AS/lrl

CC: Oil Conservation Division – Hobbs District Office; Case No. 16406

Lowe, Leonard, EMNRD

From: Lowe, Leonard, EMNRD
Sent: Friday, December 20, 2019 8:14 AM
To: 'Kaitlyn A. Luck'
Cc: Goetze, Phillip, EMNRD; Rose-Coss, Dylan H, EMNRD; Murphy, Kathleen A, EMNRD; McClure, Dean, EMNRD; Kautz, Paul, EMNRD; Mike Bratcher (mike.bratcher@state.nm.us); 'lisa@rwbyram.com'
Subject: Approved Request for Extension to Spud_Jade 34 3 Fed Com 1BS Well No. 7H _R-20305_Chisholm Energy Operating, LLC
Attachments: EXT LETTER_Chisholm_16406.R-20305_EXT REQ. SPUD 12.20.19_.pdf
Importance: High

Ms. Kaitlyn A. Luck,

An extension approval of the Spud date for the following order has been signed as approved by the Director. The extension letter and request will soon be available on the Division's Imaging web site within the referenced Case Number(s).

Hearing Order R-20305 [Case 16406]_Chisholm Energy Operating, LLC_Jade 34 3 Federal Com 1BS Well No. 7H (30-015-PENDING)

The new Spud Date is approved for December 31, 2020.

A copy of the order is attached.

Leonard Lowe

Engineering Bureau

Oil Conservation Division

Energy Minerals and Natural Resources Department

1220 South St. Francis

Santa Fe, New Mexico 87505

Office: 505-476-3492

Cell: 505-930-6717

Fax: 505-476-3462

E-mail: leonard.lowe@state.nm.us

Website: <http://www.emnrd.state.nm.us/ocd/>



Kaitlyn A. Luck
Phone (505) 954-7286
Fax (505) 819-5579
kaluck@hollandhart.com

December 17, 2019

VIA E-MAIL

Adrienne Sandoval
Director, Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505
OCD.Engineer@State.NM.US

**Re: Division Order No. R-20305
Request for extension of deadline for drilling of initial wells.
Jade 34-3 Fed Com 1BS No. 7H Well**

Dear Ms. Sandoval,

Order No. R-20305 in Case No. 16406, attached as **Exhibit A**, created a 319.95 acre, more or less, standard horizontal spacing unit in the Bone Spring formation (Teas; Bone Spring Pool [58960]) underlying the W/2 E/2 of Section 34, Township 19 South, Range 33 East, NMPM, Lea County, New Mexico, and authorized compulsory pooling of uncommitted interest owners to the subject unit. The Order named Chisholm Energy Operating, LLC (“Chisholm”) (OGRID 372137) as the operator of the spacing unit and the dedicated the unit to the initial **Jade 34-3 Fed Com 1BS No. 7H Well** (API No. 30-025-pending).

Ordering paragraphs 7 and 8 of Order R-20305 require that the proposed Jade 34-3 Fed Com 1BS No. 7H Well be drilled on or before **December 31, 2019**, or that an extension be obtained from the Division Director. Chisholm was delayed drilling the Jade 34-3 Fed Com 1BS No. 7H Well due to the Lesser Prairie Chicken restriction period that began on March 1, 2019, which interfered with Chisholm’s ability to plan, coordinate, and drill the well prior to that time. After the restriction period ended, Chisholm had other wells that required priority drilling to perpetuate leases and term assignments. Due to the Lesser Prairie Chicken restriction period, Chisholm is unable to drill the Jade 34-3 Fed Com 1BS No. 7H Well prior to the expiration of the pooling order.

As required by Order R-20305, Chisholm has provided each of the pooled working interest owners in the unit with notice of this extension request. **Exhibit B** is copy of the letter sent by certified mail advising the pooled working interest owners of the opportunity to protest before the Division grants this extension request, and proof of mailing.

For these reasons, Chisholm requires additional time to drill the well and respectfully requests an extension of an additional one (1) year under Order R-20305 to allow Chisholm adequate time to commence drilling the well.

Your attention to this request is appreciated. Please let me know if you have any questions or require additional information. Thank you for your time.

Sincerely,


Kaitlyn A. Luck
**ATTORNEY FOR CHISHOLM ENERGY OPERATING,
LLC**

Encl.

OIL CONSERVATION DIVISION

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION TO CONSIDER:**

**CASE NO. 16406
ORDER NO. R-20305**

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 20, 2018, at Santa Fe, New Mexico, before Examiner William V. Jones. This case was again heard on October 18, 2018 and at that date taken under advisement.

NOW, on this 31st day of December, 2018, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT

(1) Due public notice has been given and the Division has jurisdiction of this case and the subject matter.

(2) The Applicant, Chisholm Energy Operating, LLC, seeks to compulsory pool all uncommitted oil and gas interests within a spacing unit ("the Unit") described as follows:

A Horizontal Spacing Unit comprising 319.95 acres (more or less) within the Teas; Bone Spring Pool (Pool code 58960) and all other pools hereafter defined within the Bone Spring formation in the W/2 E/2 of Section 34, Township 19 South, Range 33 East and W/2 E/2 of Section 3, Township 20 South, Range 33 East, NMPM, Lea County, New Mexico.

(3) Applicant also seeks approval of the above described lands as a non-standard Horizontal Spacing Unit and asks for approval of an unorthodox well location.

(4) The Unit will be dedicated to the following well(s):



(Unit A) of Section 34, Township 19 South, Range 33 East, NMPM.
BHL: 100 feet from the South line and 1700 feet from the East line,
(Unit O) of Section 3, Township 20 South, Range 33 East, NMPM.

(5) The Teas; Bone Spring Pool is governed by Division Rule 19.15.15.9(A) NMAC, which specifies 40-acre spacing and proration units [vertical wells], each comprising a governmental quarter-quarter section.

(6) Pursuant to Paragraph (1) of Subsection C of 19.15.16.15 NMAC effective June 26, 2018, for the proposed horizontal Oil well(s) the setback footage distance for the first or last take points to be no closer than 100 feet to the nearest unit boundary, and the setbacks measured perpendicular to the well path to be a minimum of 330 feet from the outer boundary of the horizontal spacing unit.

(7) No other party entered an appearance in this case or otherwise opposed this application.

(8) Applicant appeared at the hearing through counsel and presented evidence to the effect that:

- (a) The Bone Spring formation in this area is suitable for development by horizontal drilling.
- (b) The orientation of the horizontal well(s) is appropriate for the Unit.
- (c) The target drilling depth will be within the 1st Bone Spring Sand member of the Bone Spring formation.
- (d) The well's proposed location is no longer unorthodox and therefore this portion of the application can be dismissed.
- (e) Notice by certified mail was provided to all uncommitted interest owners in the proposed Unit whose interests were evidenced by a conveyance instrument, either of record or known to Applicant when the Application was filed, and to heirs known to Applicant of deceased persons who appear as owners in such instruments.
- (f) All affected parties were successfully contacted and provided with notice.
- (g) Notice to affected parties was posted in a newspaper of general circulation in the county as provided in Rule 19.15.4.12.B NMAC.

The Division finds and concludes that

(prescribing new spacing rules for horizontal wells) became effective (see Order No. R-14689). The Well(s) must be spaced, permitted and drilled pursuant 19.15.16.15 NMAC, as amended effective June 26, 2018.

(10) Provided that the Unit constitutes a standard horizontal spacing unit for each of the Well(s) under now effective rules, no non-standard spacing unit approval is needed. If, however, the Unit is not a standard horizontal spacing unit for any of the Well(s), the operator must obtain approval of a non-standard horizontal spacing unit pursuant to 19.15.16.15.B(5) prior to producing such well.

(11) The portions of the case asking for a non-standard spacing and proration unit and for approval of the unorthodox well location are no longer needed and should be dismissed.

(12) If the location of any of the Well(s) is unorthodox when the well is completed under the spacing rules then in effect and applicable to the well, the operator must obtain a non-standard location approval prior to producing the well.

(13) Chisholm Energy Operating, LLC (OGRID 372137) should be designated the operator of the Well(s) and of the Unit.

(14) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(15) Applicant is owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill the Well(s) to a common source of supply within the Unit at the described depths and location(s). Applicant should be allowed a one year period to complete at least one of the Well(s) after commencing drilling of the Well(s).

(16) There are interest owners in the Unit that have not agreed to pool their interests.

(17) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense a just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas in the Bone Spring formation within the Unit.

(18) To ensure protection of correlative rights, any pooled working interest owner whose address is known, and who has elected to participate under the terms of this order should be notified before the Division grants any extension of the time provided herein for commencing drilling. Any such owner may file an application, with notice to the operator, requesting that the extension be denied.

(20) Any pooled working interest owner who does not pay its share of estimated well costs of any well should have withheld from production from such well its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the Well(s).

(21) Reasonable charges for supervision (combined fixed rates) should be fixed at \$7500 per month, per well, while drilling and \$750 per month, per well, while producing, provided that these rates should be adjusted annually pursuant to the COPAS form titled "Accounting Procedure-Joint Operations."

IT IS THEREFORE ORDERED THAT

(1) All uncommitted interests, whatever they may be, in the oil and gas within the following described spacing unit ("the Unit") are hereby pooled:

A Horizontal Spacing Unit comprising 319.95 acres (more or less) within the Teas; Bone Spring Pool (Pool code 58960) and all other pools hereafter defined within the Bone Spring formation in the W/2 E/2 of Section 34, Township 19 South, Range 33 East and W/2 E/2 of Section 3, Township 20 South, Range 33 East, NMPM, Lea County, New Mexico.

(2) The portion of the application in this case asking for approval of a non-standard spacing and proration unit, and, unless otherwise indicated below, asking for approval of a non-standard location, are dismissed.

(3) The Unit shall be dedicated to the following "Well(s)":

Jade 34 3 Federal Com IBS Well No. 7H, API No. 30-025-Pending

SHL: 150 feet from the North line and 810 feet from the East line,
(Unit A) of Section 34, Township 19 South, Range 33 East, NMPM.
BHL: 100 feet from the South line and 1700 feet from the East line,
(Unit O) of Section 3, Township 20 South, Range 33 East, NMPM.

(4) The Well(s) will be drilled horizontally and will target the 1st Bone Spring Sand formation at a proposed true vertical depth of 9230 feet and a measured depth of 19293 feet.

(5) Chisholm Energy Operating, LLC (OGRID 372137) is hereby designated the operator of the Well(s) and of the Unit.

(6) If any of the Well(s) is completed at an unorthodox location under applicable rules in effect at the time such well is completed, the operator shall provide notice and apply administratively for a location exception prior to producing the well.

test the Bone Spring formation at or about the proposed true vertical and measured depths.

(8) In the event the operator does not commence drilling the Well(s) on or before the date provided in the foregoing paragraph, the compulsory pooling provision of this order shall be of no effect, unless the operator obtains a written time extension from the Division Director pursuant to a written request stating its reasons for such extension and attaching satisfactory evidence.

(9) In the event the operator does not commence completion operations within one year after commencement of drilling operations pursuant to this order, then the compulsory pooling provisions of this order shall be of no effect unless operator obtains a written time extension from the Division Director pursuant to a written request stating its reasons for such extension and attaching satisfactory evidence.

(10) The operator shall provide a copy of any request for extension of time to drill or complete any well filed with the Director pursuant to this order to each pooled working interest owner who has elected to participate in the drilling of any well that is the subject of the request. Such copy shall be sent at the same time the request is sent to the Director.

(11) Upon final plugging and abandonment of the Well(s) and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled unit created by this order shall terminate unless this order has been amended to authorize further operations.

(12) Infill wells within the Unit shall be subject to Division Rule 19.15.13.9 NMAC and to the terms and conditions of this order.

(13) After pooling, uncommitted working interest owners are referred to as pooled working interest owners. ("Pooled working interest owners" are owners of working interests in the Unit, including unleased mineral interests, who are not parties to an operating agreement governing the Unit.) After the effective date of this order, the operator shall furnish the Division and each known pooled working interest owner in the Unit separate itemized schedules of estimated costs of drilling, completing and equipping each of the Well(s) ("well costs").

(14) Within 30 days from the date the schedule of estimated well costs for any well is furnished, any pooled working interest owner shall have the right to elect to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided. Payment shall be rendered within 90 days after expiration of the 30-day election period and any such owner who pays its share of estimated well costs as provided above for any well shall remain liable for operating costs but shall not be liable for risk charges to the extent computed based on costs of such well. Pooled working interest owners who do not elect to pay their share of estimated well costs,

(15) The operator shall furnish the Division and each known pooled working interest owner (including non-consenting working interest owners) an itemized schedule of actual well costs of each well within 180 days following completion of the proposed well. If no objection to the actual well costs for any well is received by the Division, and the Division has not objected, within 45 days following receipt of the schedule for such well, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs for such well after public notice and hearing.

(16) Within 60 days following determination of reasonable well costs for any well, any pooled working interest owner who has paid its share of estimated costs of such well in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator the amount, if any, that the estimated well costs it has paid for such well exceed its share of reasonable well costs.

(17) The operator is hereby authorized to withhold the following costs and charges from each non-consenting working interest owner's share of production from each well:

(a) the proportionate share of reasonable well costs attributable to the non-consenting working interest owner; and

(b) as a charge for the risk involved in drilling the well, 200% of the above costs.

(18) During the cost recovery period, the operator shall furnish to the Division and to each known non-consenting pooled working interest owner, annually, and within 90 days after payout occurs, a schedule of all revenues attributable to each proposed well, and all charges for supervision and operating costs charged against such revenues. Operating costs shall include all reasonable costs actually incurred for the maintenance and operation of the well, except for "well costs" reported pursuant to prior ordering paragraphs, that are properly chargeable to the joint account pursuant to COPAS procedures. If no objection to the operating costs is received by the Division, and the Division has not objected, within 45 days following receipt of any schedule, the costs shall be deemed to be the reasonable operating costs. If there is an objection to the accuracy or reasonableness of operating costs reported within the 45-day period, the Division will determine reasonable operating costs after public notice and hearing.

(19) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs for such well.

provided that these rates shall be adjusted annually pursuant to the COPAS form titled "Accounting Procedure-Joint Operations." The operator is authorized to withhold from production from each well the proportionate share of both the supervision charges and the actual expenditures required for operating of such well, not more than what are reasonable, attributable to pooled working interest owners.

(21) Except as provided in the foregoing paragraphs, all proceeds from production from the Well(s) that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not sooner disbursed, such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 70-8A-31, as amended).

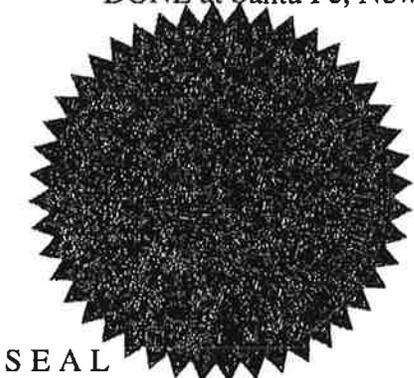
(22) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for allocating costs and charges under this order. Any costs that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(23) Should all the parties to this compulsory pooling order reach voluntary agreement after entry of this order, this order shall thereafter be of no further effect.

(24) The operator of the wells and Unit shall notify the Division in writing of the subsequent voluntary agreement of any party subject to the compulsory pooling provisions of this order.

(25) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


HEATHER RILEY
Director



Kaitlyn A. Luck
Phone (505) 954-7286
Fax (505) 819-5579
kaluck@hollandhart.com

December 17, 2019

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

WPX Energy Permian
3500 One Williams Center MD 95
Tulsa, OK 74172

Re: Division Order No. R-20305
Request for extension of deadline for drilling of initial wells.
Jade 34-3 Fed Com 1BS No. 7H Well

Dear Sir or Madam:

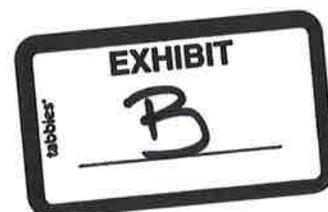
Enclosed is a copy of the above-referenced extension request, which was submitted to the New Mexico Oil Conservation Division on this date. Any protest to this application must be filed at the Division's Santa Fe office located at 1220 South St. Francis Drive, Santa Fe, New Mexico, 87505. As permitted by Division Order R-20247, if no protest is received by the Division, this extension request may be approved administratively by the Division.

If you have any questions about this application, please contact the following:

Jacob Daniels
Chisholm Energy Operating, LLC
817-953-0737
jdaniels@chisholmenergy.com

Sincerely,

Kaitlyn A. Luck
ATTORNEY FOR CHISHOLM ENERGY OPERATING,
LLC





Shipment Confirmation Acceptance Notice

A. Mailer Action

Note to Mailer: The labels and volume associated to this form online, **must** match the labeled packages being presented to the USPS® employee with this form.

Chisholm - Jade 7H
CM# 93684.0001

Shipment Date: 12/17/2019

Shipped From:

Name: HOLLAND & HART LLP (1)

Address: 110 N GUADALUPE ST # 1

City: SANTA FE

State: NM ZIP+4® 87501

Type of Mail	Volume
Priority Mail Express®*	
Priority Mail®	0
First-Class Package Service®	
Returns	
International*	
Other	7
Total	7

*Start time for products with service guarantees will begin when mail arrives at the local Post Office™ and items receive individual processing and acceptance scans.

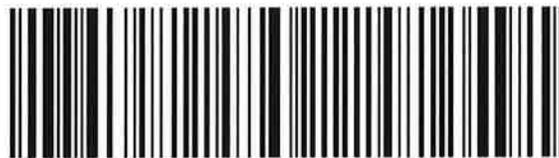
B. USPS Action

Note to RSS Clerk:

1. Home screen > Mailing/Shipping > More
2. Select Shipment Confirm
3. Scan or enter the barcode/label number from PS Form 5630
4. Confirm the volume count message by selecting Yes or No
5. Select Pay and End Visit to complete transaction

USPS EMPLOYEE: Please scan upon pickup or receipt of mail.
Leave form with customer or in customer's mail receptacle.

USPS SCAN AT ACCEPTANCE



9275 0901 1935 6200 0019 0430 80

Lowe, Leonard, EMNRD

From: Carla S. Garcia <CSGarcia@hollandhart.com>
Sent: Tuesday, December 17, 2019 1:55 PM
To: Engineer, OCD, EMNRD; Lowe, Leonard, EMNRD
Cc: Kaitlyn A. Luck; Carla S. Garcia
Subject: [EXT] Request for Extension of Deadline for Drilling of Initial Wells
Attachments: Chisholm - Jade 7H Extension Request.pdf

To Whom It May Concern,

Please see the attached Request for Extension on behalf of Chisholm Energy Operating, LLC re Jade 34-3 Fed Com 1BS No. 7H Well in Case No. 16406, Order No. R-20305.

Thank you,
Carla S. Garcia

Carla S. Garcia

Administrative Assistant, Holland & Hart LLP
110 North Guadalupe, Suite 1, Santa Fe, NM 87501
T 505.988.4421 F 505.216.2218



CONFIDENTIALITY NOTICE: This message is confidential and may be privileged. If you believe that this email has been sent to you in error, please reply to the sender that you received the message in error; then please delete this e-mail.