

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

**APPLICATION OF CHISHOLM ENERGY OPERATING, LLC  
FOR APPROVAL OF A 892.20-ACRE NON-STANDARD  
PROJECT AREA AND NON-STANDARD SPACING UNIT  
IN THE WOLFCAMP FORMATION COMPRISED  
OF ACREAGE SUBJECT TO A PROPOSED  
COMMUNITIZATION AGREEMENT,  
EDDY COUNTY, NEW MEXICO.**

CASE NO. 15953

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**APPLICATION**

Chisholm Energy Operating, LLC ("Chisholm") through its undersigned attorneys, files this application with the Oil Conservation Division for an order approving an approximately 892.20-acre non-standard project area and non-standard spacing unit in the Wolfcamp formation comprised of acreage subject to a proposed Communitization Agreement covering all of Section 29 and all of Irregular Section 32, Township 26 South, Range 26 East, NMPM Eddy County, New Mexico. In support of this application, Chisholm states:

1. Chisholm (OGRID No. 372137) is the only working interest owner in federal and state leases covering all of Section 29 and all of Irregular Section 32, Township 26 South, Range 26 East, NMPM Eddy County, New Mexico. Irregular Section 32 borders Texas.

2. Chisholm has drilled or permitted the following horizontal wells in the Purple Sage; Wolfcamp Pool (Pool Code 98220) underlying the subject acreage:

- The Cottonwood 29-32 Fed Com WCA 3H (API No. 30-015-43703) and the Cottonwood 29-32 Fed Com WCA 3H (API No. 30-015-43705) in the E/2 E/2 of Section 29 and the W/2 W/2 of Irregular Section 32;
- The Cottonwood 29-32 Fed Com WCA 5H (API No. Pending) in the W/2 E/2 of 29 and the W/2 E/2 of Irregular Section 32;

- The Cottonwood 29-32 Fed Com WCA 9H (API No. Pending) in the E/2 W/2 of 29 and the E/2 W/2 of Irregular Section 32;
- The Cottonwood 29-32 Fed Com WCA 6H (API No. Pending) in the W/2 W/2 of 29 and the W/2 W/2 of Irregular Section 32.

3. The Purple Sage; Wolfcamp (Pool Code 98220) is subject to the Special Rules for the Purple Sage; Wolfcamp Gas Pool pursuant to Order No. R-14262. Chisholm's drilling program for the subject acreage will develop each of the tracts comprising the proposed non-standard project area.

4. Chisholm seeks to minimize surface disturbance by consolidating facilities and commingling production from existing and future wells in the subject area. The New Mexico State Land Office and the Bureau of Land Management have informed Chisholm that they will approve a Communitization Agreement covering all of the subject acreage.

5. In order to dedicate the existing wells to the acreage subject to the proposed Communitization Agreement, Chisholm requires approval from the Division to treat the subject acreage as a single project area.

6. Division Rule 19.15.16.7.L recognizes a state exploratory unit and a participating area within a federal unit as an approved "project area" for purposes of efficient horizontal well development. However, this rule currently does not expressly recognize a communitized area as a "project area" for horizontal well development.

7. Approval a 892.20-acre project area comprised of the subject acreage will allow Chisholm to efficiently locate surface facilities and minimize surface disturbances in a manner similar to that currently allowed for state exploratory units and participating areas within federal units.

8. Approval of a 892.20-acre project area comprised of the subject acreage is consistent with the intent of a "project area" expressed in Rule 19.15.16.7.L(2).

9. In addition, Chisholm seeks approval of this acreage as a non-standard spacing unit.

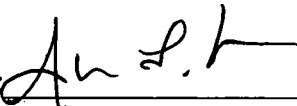
10. Pursuant to Rule 19.15.16.15.E, Chisholm will provide notice of this application to the affected persons in the offsetting spacing units located in the State of New Mexico that adjoin the proposed 892.20-acre project area. Chisholm will also provide notice to overriding royalty interest owners within the project area.

11. Approval of this application is in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Chisholm requests that this application be set for hearing before an Examiner of the Oil Conservation Division on January 25, 2018, and that after notice and hearing as required by law, the Division enter an order granting this application.

Respectfully submitted,

HOLLAND & HART LLP

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**ATTORNEYS FOR CHISHOLM ENERGY OPERATING,  
LLC**

CASE 15953

**Application Of Chisholm Energy Operating, LLC For Approval Of A 892.20-Acre Non-Standard Project Area and Non-Standard Spacing Unit in the Wolfcamp formation Comprised Of Acreage Subject To A Proposed Communitization Agreement, Eddy County, New Mexico.**

Applicant in the above-styled cause seeks an order approving an approximately 892.20-acre non-standard project area and non-standard spacing unit in the Wolfcamp formation comprised of acreage subject to a proposed communitization agreement covering Section 29 and all of Irregular Section 32, Township 26 South, Range 26 East, NMPM Eddy County, New Mexico. This acreage has been placed in the Purple Sage; Wolfcamp Gas Pool and is subject to the Special Rules set forth in Order No. R-14262. This subject area is located approximately 20 miles southwest of Jal, New Mexico.