

**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, AND FOR APPROVAL OF A 892.20-ACRE
NON-STANDARD PROJECT AREA AND SPACING UNIT
IN THE BONE SPRING FORMATION COMPRISED OF
ACREAGE SUBJECT TO A PROPOSED COMMUNITIZATION
AGREEMENT, EDDY COUNTY, NEW MEXICO.**

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CASE NO. 15953

CHISHOLM'S PRE-HEARING STATEMENT

Chisholm Energy Operating, LLC, the applicant in the above referenced matters, submits this Pre-Hearing Statement pursuant to the rules of the Oil Conservation Division.

APPEARANCES

APPLICANT

Chisholm Energy Operating, LLC

ATTORNEY

Michael H. Feldewert, Esq.
Jordan L. Kessler, Esq.
Holland & Hart, LLP
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
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APPLICANT'S STATEMENT OF CASE

Chisholm Energy Operating, LLC ("Chisholm") seeks orders 1) 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; and 2) approving an approximately 892.20-acre non-standard

project area and non-standard spacing unit in the Bone Spring 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.

Chisholm is the only working interest owner in the Bone Spring and Wolfcamp formations for 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. The acreage in the Bone Spring formation has been placed in the Welch; Bone Spring Pool (Pool Code 64010), which is subject to the Division's statewide rule providing for 40-acre spacing units. Chisholm's drilling program for the subject acreage will develop each of the 40-acre tracts comprising the proposed non-standard project area.

The acreage in the Wolfcamp formation has been placed in the Purple Sage; Wolfcamp (Pool Code 98220), which 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.

Approval of a non-standard project area or non-standard spacing unit will allow Chisholm to most efficiently space the proposed wells and to consolidate surface facilities, thereby preventing waste.

APPLICANT'S PROPOSED EVIDENCE

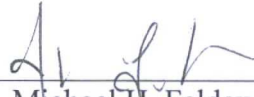
WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Linda Slone– Land Manager	Approx. 15	Approx. 10
Martin Emery, Senior VP of Geosciences	Approx. 10	Approx. 4
James Huling, Reservoir Engineer	Approx. 10	Approx. 2

PROCEDURAL MATTERS

None at this time.

Respectfully submitted,

HOLLAND & HART LLP

A handwritten signature in black ink, appearing to read "M. Feldewert", is written over a horizontal line.

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