

**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.

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APPLICATION

Chisholm Energy Operating, LLC, ("Chisholm") through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order (1) authorizing a non-standard, 160-acre spacing unit in the Purple Sage Wolfcamp Gas Pool (98220); (2) creating a 480-acre non-standard spacing and proration unit comprised of the W/2 of Section 15 and the NW/4 of Section 22, Township 23 South, Range 26 East, NMPM, Eddy County, New Mexico; (3) pooling all uncommitted interests in the Wolfcamp formation underlying this acreage. In support of its application, Chisholm states:

1. Chisholm Energy Operating, LLC (OGRID No. 327137) is a working interest owner in the proposed non-standard spacing unit and has the right to drill thereon.

2. Chisholm proposes to dedicate the above-referenced spacing and proration unit as the project area for two initial wells, the **Dark Canyon 15-22 State Com WCB No. 2H Well** and the **Dark Canyon 15-22 State Com WCA No. 3H Well**. These wells are stacked laterals and will be pad-drilled and batch completed. Both proposed wells will be horizontally drilled from a surface location in the NW/4 NW/4 (Unit D) of Section 15 to a standard bottom hole location in the SW/4 NW/4 (Unit E) of Section 22.

3. The Division's district office has placed these wells in the Purple Sage Wolfcamp Gas Pool (Pool Code 98220), which is subject to Special Rules pursuant to Order R-14262. The Special Rules for the Purple Sage Pool require 320-acre standard spacing for all wells. Chisholm requests approval of a non-standard 160-acre spacing unit to be combined with a 320-acre standard spacing unit for the purposes of drilling 1.5 mile wells. The completed interval for each well will remain within the 330-foot standard offset required by the Special Rules.

4. Chisholm has sought and been unable to obtain voluntary agreement for the development of these lands from all of the working interest owners in the subject spacing unit.

5. The pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

6. In order to permit Chisholm to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests in this non-standard spacing unit should be pooled and Chisholm Energy Operating, LLC should be designated the operator of each proposed horizontal well and spacing unit.

WHEREFORE, Chisholm requests that this application be set for hearing before an Examiner of the Oil Conservation Division on February 22, 2018, and, after notice and hearing as required by law, the Division enter an order:

- A. Authorizing a non-standard, 160-acre spacing unit in the Purple Sage Wolfcamp Gas Pool (98220) comprised of the NW/4 of Section 22, Township 23 South, Range 26 East, NMPM, Eddy County, New Mexico;
- B. Creating a non-standard 480-acre non-standard spacing and proration unit comprised of the W/2 of Section 15 and the NW/4 of Section 22, Township 23 South, Range 26 East, NMPM, Eddy County, New Mexico for compulsory pooling;

- C. Pooling all uncommitted interests in the non-standard spacing and proration unit;
- D. Dedicating two initial wells to the non-standard spacing and proration unit;
- D. Designating Chisholm Energy Operating, LLC operator of this non-standard spacing unit and the horizontal wells to be drilled thereon;
- E. Authorizing Chisholm to recover its costs of drilling, equipping and completing each well;
- F. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- G. Imposing a 200% penalty for the risk assumed by Chisholm in drilling and completing each well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

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**ATTORNEYS FOR
CHISHOLM ENERGY OPERATING, LLC**

CASE ~~15190~~ ¹⁵¹⁹⁰ **Application of Chisholm Energy Operating, LLC for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico.** Applicant in the above-styled cause seeks an order (1) authorizing a non-standard, 160-acre spacing unit in the Purple Sage Wolfcamp Gas Pool (98220); (2) creating a 480-acre non-standard spacing and proration unit comprised of the 1/2 of Section 15 and the NW/4 of Section 22, Township 23 South, Range 26 East, NMPM, Eddy County, New Mexico; (3) pooling all uncommitted interests in the Wolfcamp formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's two proposed initial wells: the **Dark Canyon 15-22 State Com WCB No. 2H Well** and the **Dark Canyon 15-22 State Com WCA No. 3H Well**. These wells are stacked laterals and will be pad-drilled and batch completed. Both proposed wells will be horizontally drilled from a surface location in the NW/4 NW/4 (Unit D) of Section 15 to a standard bottom hole location in the SW/4 NW/4 (Unit E) of Section 22. The completed interval for each well will remain within the 330-foot standard offset required by the Special Rules for the Purple Sage Pool. Also to be considered will be the cost of drilling and completing each 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 each well. Said area is located approximately 10 miles southwest of Carlsbad, New Mexico.