

**BEFORE THE OIL CONSERVATION DIVISION
EXAMINER HEARING MAY 3, 2018**

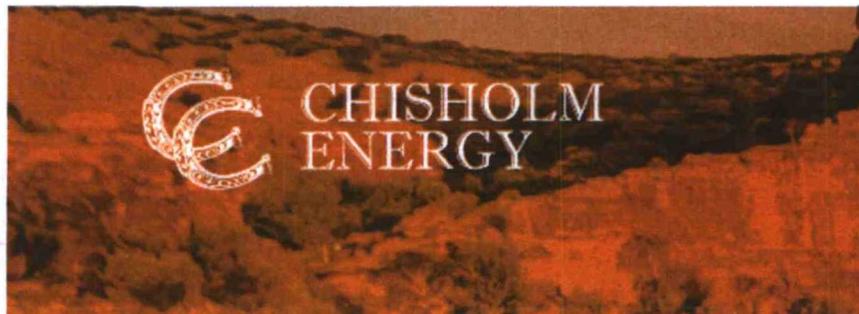
CASE NOS. 16115 & 16116

OCOTILLO 6-31 STATE COM WCB No. 2H WELL

~AND~

OCOTILLO 6-31 STATE COM 3BS NO. 4H

EDDY COUNTY, NEW MEXICO



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 Rd., Aztec, NM 87410
Phone:(505) 334-6178 Fax:(505) 334-6170

District IV
1220 S. St Francis Dr., Santa Fe, NM 87505
Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-101
August 1, 2011
Permit 250242

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

1. Operator Name and Address CHISHOLM ENERGY OPERATING, LLC 801 Cherry Street Fort Worth, TX 76102		2. OGRID Number 372137
		3. API Number 30-015-44835
4. Property Code 321148	5. Property Name OCOTILLO 6 31 STATE COM WCB	6. Well No. 002H

7. Surface Location

UL - Lot P	Section 6	Township 23S	Range 26E	Lot Idn P	Feet From 245	N/S Line S	Feet From 1200	E/W Line E	County Eddy
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8. Proposed Bottom Hole Location

UL - Lot A	Section 31	Township 22S	Range 26E	Lot Idn A	Feet From 330	N/S Line N	Feet From 400	E/W Line E	County Eddy
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9. Pool Information

PURPLE SAGE;WOLFCAMP (GAS)	98220
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Additional Well Information

11. Work Type New Well	12. Well Type GAS	13. Cable/Rotary	14. Lease Type State	15. Ground Level Elevation 3411
16. Multiple N	17. Proposed Depth 19794	18. Formation Wolfcamp	19. Contractor	20. Spud Date 4/15/2018
Depth to Ground water		Distance from nearest fresh water well		Distance to nearest surface water

We will be using a closed-loop system in lieu of lined pits

21. Proposed Casing and Cement Program

Type	Hole Size	Casing Size	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC
Surf	17.5	13.375	48	420	385	0
Int1	12.25	9.625	40	7880	2575	0
Prod	8.75	5.5	20	19794	2785	6860

Casing/Cement Program: Additional Comments

SURFACE CASING WOULD NOT LET ME ENTER GRADE. THE GRADE FOR SURF CASING SHOULD BE J-55

22. Proposed Blowout Prevention Program

Type	Working Pressure	Test Pressure	Manufacturer
Annular	1500	1500	CAMERON
Double Ram	5000	5000	CAMERON
Pipe	5000	5000	CAMERON

23. I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify I have complied with 19.15.14.9 (A) NMAC <input checked="" type="checkbox"/> and/or 19.15.14.9 (B) NMAC <input checked="" type="checkbox"/> , if applicable. Signature:	OIL CONSERVATION DIVISION
Printed Name: Electronically filed by Jennifer Elrod	Approved By: Raymond Podany
Title: Sr. Regulatory Tech	Title: Geologist
Email Address: jelrod@chisholmenergy.com	Approved Date: 3/29/2018
Date: 3/23/2018	Expiration Date: 3/29/2020
Phone: 817-953-3728	Conditions of Approval Attached

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. 1
Submitted by: Chisholm Energy Operating LLC
Hearing Date: May 3, 2018

District I
1635 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II
811 S. Elm St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 741-9720
District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6176 Fax: (505) 334-6170
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87501
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 OCOTILLO 6-31 STATE COM WCB	
⁶ OGRID No. 372137	⁷ Operator Name CHISHOLM ENERGY OPERATING, LLC	⁸ Well Number 2H ⁹ Elevation 3410.9

Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	6	23 S	26 E		245	SOUTH	1200	EAST	EDDY

Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	31	22 S	26 E		330	NORTH	400	EAST	EDDY

¹⁰ Dedicated Acres 640.31	¹¹ Joint or Infill	¹² Consolidation Code	¹³ 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.

OCOTILLO 6-31 STATE COM WCB 2H
245' FSL, 1200' FEL
ELEV. = 3410.9'
LAT. = 32.3269414°N (NAD83)
LONG. = 104.3282638°W
NMSP EAST (FT)
N = 482673.48
E = 542903.39

LANDING POINT
330' FSL, 400' FEL
ELEV. = 3232718.33 N
LONG. = 104.3254437 W
N = 482765.53
E = 543712.70
GRID AZ. TO LP
N83.3010°E
HORIZ. DIST
814.71 FT

BOTTOM OF HOLE
330' FSL, 400' FEL
LAT. = 32.3550161°N
LONG. = 104.3251642°W
NMSP EAST (FT)
N = 492884.78
E = 543853.84

OPERATOR CERTIFICATION

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 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.

Jennifer Elrod 3/13/18
Signature Date

JENNIFER ELROD
Printed Name

jelrod@chisholmenergy.com
E-mail Address

SURVEYOR CERTIFICATION

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.

MARCH 1, 2018
Date of Survey

Filimon F. Jaramillo
Signature and Seal of Professional Surveyor

Certificate Number: FILIMON F. JARAMILLO, PLS 12797
SURVEY NO. 6655

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

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Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-101
August 1, 2011
Permit 250239

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

1. Operator Name and Address CHISHOLM ENERGY OPERATING, LLC 801 Cherry Street Fort Worth, TX 76102		2. OGRID Number 372137
		3. API Number 30-015-44837
4. Property Code 321150	5. Property Name OCOTILLO 6 31 STATE COM 3BS	6. Well No. 004H

7. Surface Location

UL - Lot P	Section 6	Township 23S	Range 26E	Lot Idn P	Feet From 245	N/S Line S	Feet From 1260	E/W Line E	County Eddy
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8. Proposed Bottom Hole Location

UL - Lot A	Section 31	Township 22S	Range 26E	Lot Idn A	Feet From 330	N/S Line N	Feet From 525	E/W Line E	County Eddy
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9. Pool Information

WC-015 G-04 S232628M;BONE SPRING	98056
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Additional Well Information

11. Work Type New Well	12. Well Type OIL	13. Cable/Rotary	14. Lease Type State	15. Ground Level Elevation 3411
16. Multiple N	17. Proposed Depth 19070	18. Formation 3rd Bone Spring Sand	19. Contractor	20. Spud Date 4/15/2018
Depth to Ground water		Distance from nearest fresh water well		Distance to nearest surface water

We will be using a closed-loop system in lieu of lined pits

21. Proposed Casing and Cement Program

Type	Hole Size	Casing Size	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC
Surf	17.5	13.375	48	420	385	0
Int1	12.25	9.625	36	1650	565	0
Prod	8.75	5.5	17	19070	3520	0

Casing/Cement Program: Additional Comments

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22. Proposed Blowout Prevention Program

Type	Working Pressure	Test Pressure	Manufacturer
Annular	1500	1500	CAMERON
Double Ram	5000	5000	CAMERON
Pipe	5000	5000	CAMERON

<p>23. I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify I have complied with 19.15.14.9 (A) NMAC <input checked="" type="checkbox"/> and/or 19.15.14.9 (B) NMAC <input checked="" type="checkbox"/> if applicable.</p> <p>Signature:</p> <p>Printed Name: Electronically filed by Jennifer Elrod</p> <p>Title: Sr. Regulatory Tech</p> <p>Email Address: jelrod@chisholmenergy.com</p> <p>Date: 3/26/2018</p>	<p>OIL CONSERVATION DIVISION</p> <p>Approved By: Raymond Podany</p> <p>Title: Geologist</p> <p>Approved Date: 3/29/2018</p> <p>Expiration Date: 3/29/2020</p> <p>Conditions of Approval Attached</p>
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BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. 2
Submitted by: **Chisholm Energy Operating LLC**
Hearing Date: May 3, 2018

District I
1623 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, Artec, 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		3 Pool Name	
		98056		WC-015-G04 S232628M; BONE SPRING	
4 Property Code		5 Property Name			6 Well Number
		OCOTILLO 6-31 STATE COM 3BS			4H
7 OGRID No.		8 Operator Name			9 Elevation
372137		CHISHOLM ENERGY OPERATING, LLC			3411.2

• Surface Location

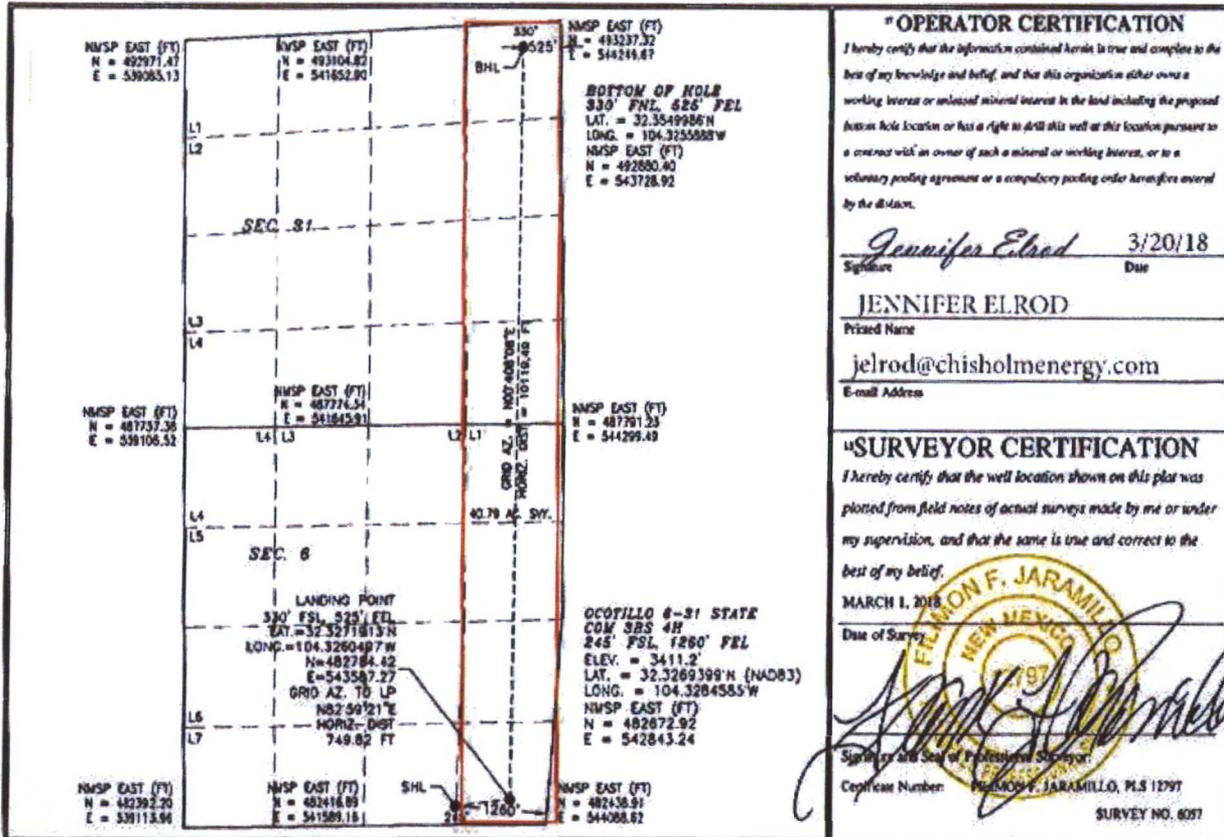
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	6	23 S	26 E		245	SOUTH	1260	EAST	EDDY

• Bottom Hole Location If Different From Surface

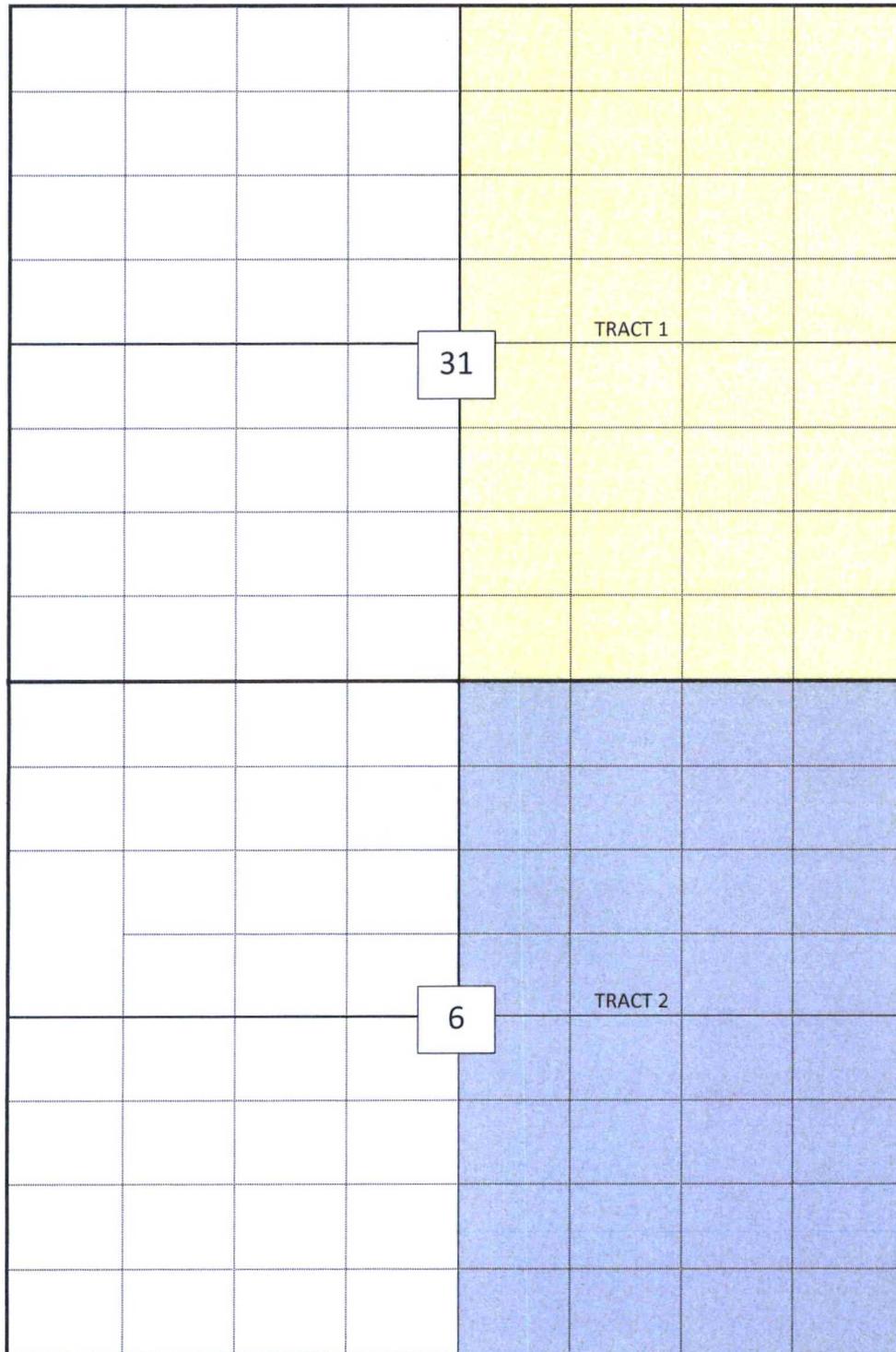
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	31	22 S	26 E		330	NORTH	525	EAST	EDDY

10 Dedicated Acres	11 Joint or Infill	12 Consolidation Code	13 Order No.
320.18			

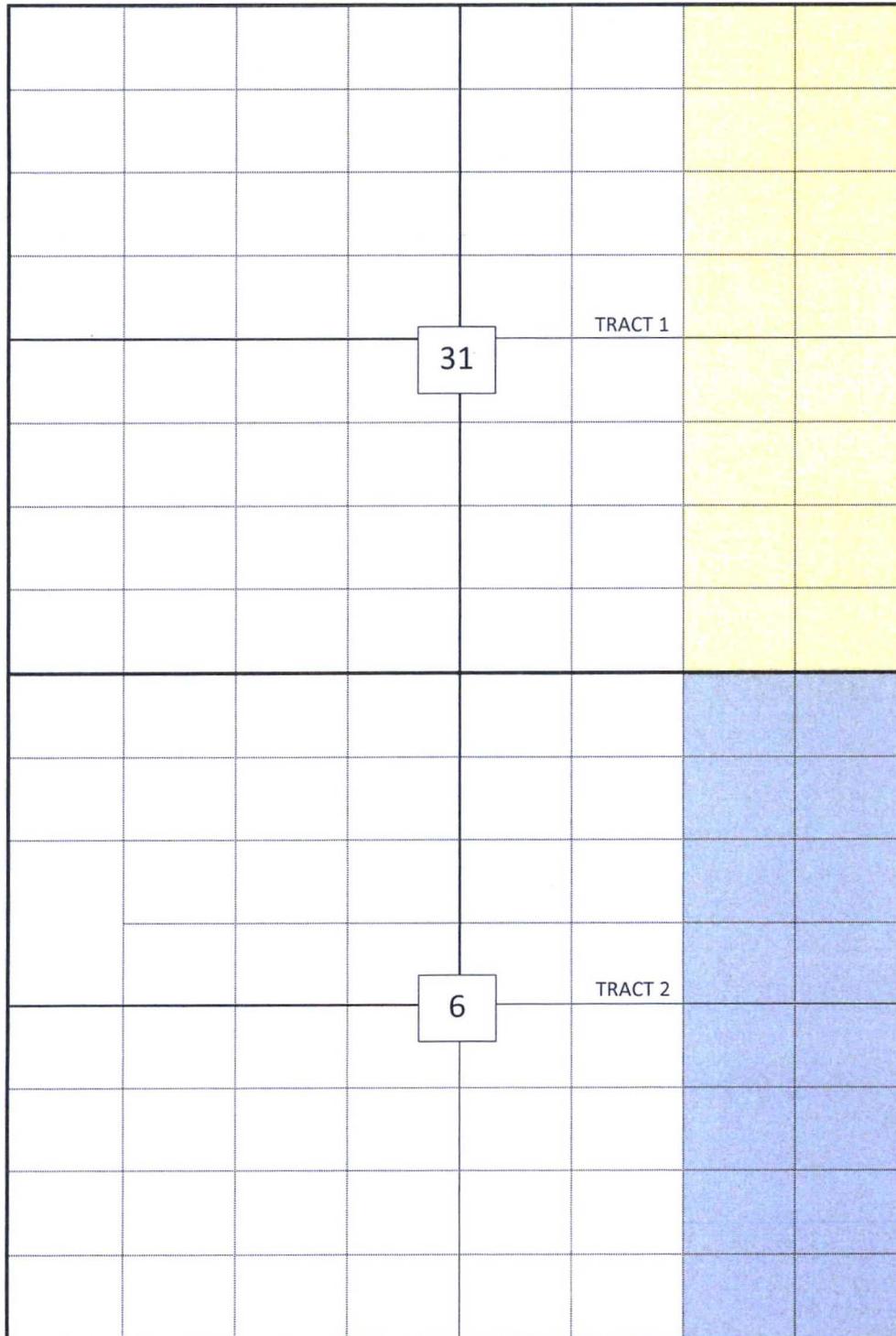
No allowance will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.



Ocotillo 6-31 State Com WCB 2H (Case No. 16115)
E/2 of Section 31-22S-26E & E/2 of Section 6-T23S-R26E
Eddy County, NM



Ocotillo 6-31 State Com 3BS 4H (Case No. 16116)
E/2 E/2 of Section 31-22S-26E & E/2 E/2 of Section 6-T23S-R26E
Eddy County, NM



OWNERSHIP

**Tract 1: E/2, a/d/a the Eastern 320 acres of Section 31-22S-26E
State of New Mexico Lease No. V0-6205**

Owner	Interest
Chisholm Energy Operating, LLC	65.00%
McCombs Energy, Ltd.	15.00%
Premier Oil & Gas, Inc.	20.00%
<hr/>	
Total:	100.00%

**Tract 2: Lots 1 & 2 and the S/2 NE/4 and the SE/4, a/d/a the E/2 of Section 6-23S-26E
State of New Mexico Lease No. V0-7026**

Owner	Interest
Chisholm Energy Operating, LLC	50.00%
POGO Resources, LLC	32.50%
Penroc Oil Corporation	10.00%
Desert Production, Inc.	7.50%
<hr/>	
Total:	100.00%

UNIT RECAPITULATION

**OCOTILLO 6-31 STATE COM WCB 2H (Case No. 16115)
E/2 of Section 31-22S-26E & E/2 of Section 6-T23S-R26E**

Owner	Interest
Chisholm Energy Operating, LLC	57.50%
McCombs Energy, Ltd.	7.50%
Premier Oil & Gas, Inc.	10.00%
POGO Resources, LLC	16.25%
Penroc Oil Corporation	5.00%
Desert Production, Inc.	3.75%
Total:	100.00%

UNIT RECAPITULATION

**OCOTILLO 6-31 STATE COM 3BS 4H (Case No. 16116)
E/2 E/2 of Section 31-22S-26E & E/2 E/2 of Section 6-T23S-R26E**

Owner	Interest
Chisholm Energy Operating, LLC	57.50%
McCombs Energy, Ltd.	7.50%
Premier Oil & Gas, Inc.	10.00%
POGO Resources, LLC	16.25%
Penroc Oil Corporation	5.00%
Desert Production, Inc.	3.75%
Total:	100.00%

Interests seeking to Compulsory Pool



February 14, 2017

VIA CERTIFIED MAIL: 7016 1370 0000 2562 4949

McCombs Energy, Ltd.
Attn: Land Dept - Eddy Co, NM
755 E Mulberry Ave, Ste 600
San Antonio, TX 78212

RE: Ocotillo 6-31 State Com WCB 2H
E/2 of Section 6-T23S-R26E &
E/2 of Section 31-T22S-R26E
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 19,215'. The expected surface location for this well is approximately 245' FSL & 1200' FEL of Section 6-T23S-R26E with a bottom hole location of 330' FNL & 519' FEL of Section 31-T22S-R26E. Enclosed is our Authority for Expenditure ("AFE") reflecting estimated costs of \$7,243,708 for a completed well.

Chisholm is proposing to drill this well under the terms of a modified 1989 AAPL form Operating Agreement covering the E/2 of Section 6, Township 23 South, Range 26 East and the E/2 of Section 31, Township 22 South, Range 26 East, 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, McCombs Energy, Ltd., owns an undivided 7.50% interest in the above captioned unit. 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 (handwritten signature)

Beau Sullivan
Landman
(817) 953-0812

Enclosures

_____ Elect to participate in the drilling of the Ocotillo 6-31 State Com WCB 2H.

_____ Elect to farmout/assign our interest on the Ocotillo 6-31 State Com WCB 2H.

McCombs Energy, Ltd.

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. 4
Submitted by: Chisholm Energy Operating LLC
Hearing Date: May 3, 2018



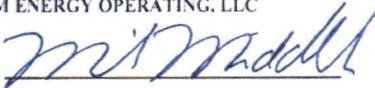
Statement of Estimated Well Cost (100%)

Well _____ Ocotillo 6-31 State Com WCB 211
 Field _____ Wolfcamp B
 County, State: _____ Eddy, NM
 BHL: _____ Horizontal
 Proposed TD: _____ 19,215 MD _____ 9,165 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	\$40,000		\$40,000
8500-105	Drilling Turnkey	\$0		
8500-110	Drilling Daywork	\$544,500		\$544,500
8500-115	Fuel/Power	\$132,000		\$132,000
8500-125	Equipment Rental	\$180,270		\$180,270
8500-130	Legal Fees	\$20,000		\$20,000
8500-135	Bonds, Permits and Inspection	\$30,000		\$30,000
8500-155	Mud and Chemicals	\$160,000		\$160,000
8500-160	Cementing Services	\$45,000		\$45,000
8500-170	Supervision/Consulting	\$74,000		\$74,000
8500-175	Casing and Other Tangible Crew	\$24,000		\$24,000
8500-180	Damages/Penalties	\$0		
8500-185	Coring and Analysis	\$60,000		\$60,000
8500-190	Cuttings/Fluids Disposal	\$150,000		\$150,000
8500-195	Directional Drilling Services	\$476,500		\$476,500
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	\$31,250		\$31,250
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	\$120,000		\$120,000
8500-265	Water	\$19,000		\$19,000
8500-270	Camp Expenses	\$57,250		\$57,250
8500-285	Contingencies	\$0		
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	\$2,281,770		\$2,281,770
COMPLETION COSTS: TANGIBLES				
8530-415	Wellhead		\$25,000	\$25,000
8530-420	Subsurface Equipment		\$15,000	\$15,000
8530-500	Production Casing		\$268,626	\$268,626
8530-510	Tubing		\$41,976	\$41,976
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		\$689,101	\$689,101
	COMPLETION COSTS: INTANGIBLES			
8520-100	Roads/Location		\$0	
8520-120	Perforating Services		\$164,500	\$164,500
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		\$165,000	\$165,000
8520-160	Cementing Services		\$120,000	\$120,000
8520-165	Acidizing and Fracturing		\$2,444,000	\$2,444,000
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		\$542,250	\$542,250
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		\$4,035,750	\$4,035,750
	TOTAL WELL COST		\$2,518,857	\$4,724,851
			\$7,243,708	

CHISHOLM ENERGY OPERATING, LLC

By: 
Name: Mike Middlebrook
Title: COO
Date: 2/13/18

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



February 14, 2017

VIA CERTIFIED MAIL: 7016 1370 0000 2562 4949

McCombs Energy, Ltd.
Attn: Land Dept - Eddy Co, NM
755 E Mulberry Ave, Ste 600
San Antonio, TX 78212

RE: Ocotillo 6-31 State Com 3BS 4H
E/2 of Section 6-T23S-R26E &
E/2 of Section 31-T22S-R26E
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 245' FSL & 1260' FEL of Section 6-T23S-R26E with a bottom hole location of 330' FNL & 579' FEL of Section 31-T22S-R26E. Enclosed is our Authority for Expenditure ("AFE") reflecting estimated costs of \$6,380,776 for a completed well.

Chisholm is proposing to drill this well under the terms of a modified 1989 AAPL form Operating Agreement covering the E/2 of Section 6, Township 23 South, Range 26 East and the E/2 of Section 31, Township 22 South, Range 26 East, 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, McCombs Energy, Ltd., owns an undivided 7.50% interest in the above captioned unit. 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 (handwritten signature)

Beau Sullivan
Landman
(817) 953-0812

Enclosures

_____ Elect to participate in the drilling of the Ocotillo 6-31 State Com 3BS 4H.

_____ Elect to farmout/assign our interest on the Ocotillo 6-31 State Com 3BS 4H.

McCombs Energy, Ltd.

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. 5
Submitted by: Chisholm Energy Operating LLC
Hearing Date: May 3, 2018



CHISHOLM ENERGY

Statement of Estimated Well Cost (100%)

Well Ocotillo 6-31 State Com 3BS 4H
 Field 3rd Bone Spring
 County, State: Eddy, NM
 BHL: Horizontal
 Proposed TD: 18,500 MD 8,450 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/Drig Liner	\$51,148		\$51,148
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	\$99,795		\$99,795
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	\$0		
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	\$1,569,400		\$1,569,400
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		\$38,701	\$38,701
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		\$675,831	\$675,831
	COMPLETION COSTS: INTANGIBLES			
8520-100	Roads/Location		\$0	
8520-120	Perforating Services		\$164,500	\$164,500
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		\$165,000	\$165,000
8520-160	Cementing Services		\$100,000	\$100,000
8520-165	Acidizing and Fracturing		\$2,444,000	\$2,444,000
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		\$562,250	\$562,250
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		\$4,035,750	\$4,035,750
	TOTAL WELL COST		\$1,669,195	\$4,711,581
			\$6,380,776	

CHISHOLM ENERGY OPERATING, LLC

By: 
Name: Mike Middlebrook
Title: COO
Date: 2/13/18

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



CHISHOLM ENERGY HOLDINGS
LEASING POSITION
EDDY CO., NM

				20	21	22	23	24	19	20
				29	28	27	26	25	30	29
				21S 26E				21S 27E		
34	35	36	31	32	33	34	35	36	31	32
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22S 25E			22S 26E				22S 27E			
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27	26	25	30	29	28	27	26	25	30	29
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23S 25E			23S 26E				23S 27E			
22	23	24	19	20	21	22	23	24	19	20
27	26	25	30	29	28	27	26	25	30	29
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10	11	12	07	08	09	10	11	12	07	08
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23S 25E			23S 26E				23S 27E			
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34	35	36	31	32	33	34	35	36	31	32
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24S 25E			24S 26E				24S 27E			
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27	26	25	30	29	28	27	26	25	30	29
34	35	36	31	32	33	34	35	36	31	32
03	02	01	06	05	04	03	02	01	06	05
10	11	12	07	08	09	10	11	12	07	08
15	14	13	18	17	16	15	14	13	18	17
24S 25E			24S 26E				24S 27E			
22	23	24	19	20	21	22	23	24	19	20
27	26	25	30	29	28	27	26	25	30	29

Eddy

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. 6
Submitted by: Chisholm Energy Operating LLC
Hearing Date: May 3, 2018

CHISHOLM INTEREST
 SECTION
 TOWNSHIP

Miles 0 0.25 0.5 1 1.5 2 2.5 3



Adam G. Rankin
Phone (505) 988-4421
Fax (505) 983-6043
agrankin@hollandhart.com

March 30, 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. Ocotillo 6-31 State 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 May 3, 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**

Holland & Hart LLP

Phone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, New Mexico 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Boulder Carson City Colorado Springs Denver Denver Tech Center Billings Boise Cheyenne Jackson Hole Las Vegas Reno Salt Lake City Santa Fe Washington, D.C. ☐



Shipment Confirmation Acceptance Notice

A. Mailer Action

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

2018-03-28 - Chisholm/
Ocotillo 6-31 State Com 3BS
No. 2-4H Wells Offset List CM#
93684.0001

Type	Date	Time	Product Description	Sale Qty	Final Price
Priority Mail Express®	03/30/2018	11:40 AM	Ship Confirm	1	\$0.00
Priority Mail®			Accept		
First-Class Package Service			(Label #: 92750901193562000007772596)		
Returns					
International*					
Other					
Total					\$0.00

*Start time for products with items receive individual price

In a hurry? Self-service kiosks offer quick and easy check-out. Any Retail Associate can show you how.

HART LLP

ALUPE ST # 1

40 87501

at Office™ and

B. USPS Action

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1. Home screen > Mailing/Shipping > More
2. Select Shipment Confirm
3. Scan or enter the barcode/label number from
4. Confirm the volume count message by selecting
5. Select Pay and End Visit to complete transaction

All sales final on stamps and postage
Refunds for guaranteed services only
Thank you for your business

HELP US SERVE YOU BETTER

TELL US ABOUT YOUR RECENT
POSTAL EXPERIENCE

Go to:

<https://postalexperience.com/Pos>

840-5870-0102-005-00021-42052-02

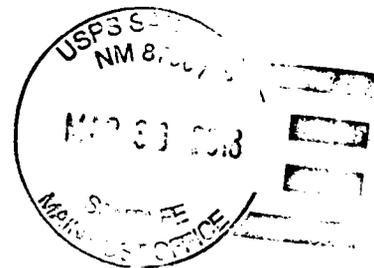
or scan this code with
your mobile device:



or call 1-800-410-7420.

YOUR OPINION COUNTS

scan upon pickup or receipt of mail.
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Holland & Hart LLP 110 N Guadalupe St # 1 Santa Fe NM 87501		<input type="checkbox"/> Adult Signature Required <input type="checkbox"/> Priority Mail Express <input type="checkbox"/> Adult Signature Restricted Delivery <input type="checkbox"/> Registered Mail <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Certified Mail Restricted Delivery <input type="checkbox"/> Signature Confirmation <input type="checkbox"/> Collect on Delivery (COD) <input type="checkbox"/> Signature Confirmation Restricted Delivery <input type="checkbox"/> Insured Mail <input type="checkbox"/> Priority Mail		Postage	(Extra Service) Fee	Handling Charge	Actual Value if Registered	Insured Value	Due Sender if COD	ASR Fee	ASRD Fee	RD Fee	RR Fee	SC Fee	SCRD Fee	SH Fee	
		USPS Tracking/Article Number	Addressee (Name, Street, City, State, & ZIP Code™)														
1. 9214 8901 9403 8305 2055 15	American Heart Association Western States Affiliate 1710 Glibreth Road Burlingame CA 94010	0.49	3.45	Handling Charge - if Registered and over \$50,000 in value									1.50				
2. 9214 8901 9403 8305 2055 22	Bauchman Investment Partnership Ltd 200 N River Street Ste 150 Sequin TX 78155	0.49	3.45											1.50			
3. 9214 8901 9403 8305 2055 39	Carla Ann Blumberg 200 N River Street Ste 202 Sequin TX 78155	0.49	3.45											1.50			
4. 9214 8901 9403 8305 2055 46	Carla Ann Blumberg Trust Frost National Bank Trust Dept PO BOX 1600 San Antonio TX 78298	0.49	3.45								Adult Signature Required	Adult Signature Restricted Delivery	Restricted Delivery	Return Receipt	Signature Confirmation	Signature Confirmation Restricted Delivery	Special Handling
5. 9214 8901 9403 8305 2055 53	Charlotte Susan Baxley 1200 N Thorpe St Hobbs NM 88204	0.49	3.45								Adult Signature Required	Adult Signature Restricted Delivery	Restricted Delivery	Return Receipt	Signature Confirmation	Signature Confirmation Restricted Delivery	Special Handling
6. 9214 8901 9403 8305 2055 60	Cheryl Snyder 920 E 2nd Street Roswell NM 88203	0.49	3.45								Adult Signature Required	Adult Signature Restricted Delivery	Restricted Delivery	Return Receipt	Signature Confirmation	Signature Confirmation Restricted Delivery	Special Handling
7. 9214 8901 9403 8305 2055 77	Cheryl A Wilson 135 Union Ave Unit A Campbell CA 95608	0.49	3.45											1.50			
8. 9214 8901 9403 8305 2055 84	Concho Oil & Gas LP One Concho Center 600 W Illinois Ave Midland TX 79701	0.49	3.45											1.50			
Total Number of Pieces Listed by Sender 41	Total Number of Pieces Received at Post Office	Postmaster, Per (Name of receiving employee)															



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USPS Tracking/Article Number	Addressee (Name, Street, City, State, & ZIP Code™)	Postage	(Extra Service) Fee	Handling Charge	Actual Value if Registered	Insured Value	Due Sender if COD	ASR Fee	ASRD Fee	RD Fee	RR Fee	SC Fee	SCRD Fee	SH Fee	
9. 9214 8901 9403 8305 2055 91	David L Bradshaw 2161 South Russettville Road Franktown CO 80116	0.49	3.45	Handling Charge - if Registered and over \$50,000 in value							1.50				
10. 9214 8901 9403 8305 2056 07	David L Bradshaw 5810 Raindance Trail Littleton CO 80125	0.49	3.45									1.50			
11. 9214 8901 9403 8305 2056 14	EOG Resources Inc PO BOX 4362 Houston TX 78155	0.49	3.45									1.50			
12. 9214 8901 9403 8305 2056 21	Hilmer Daniel Blumberg 200 N River Street Ste 202 San Antonio TX 78296	0.49	3.45						Adult Signature Required	Adult Signature Restricted Delivery	Restricted Delivery	Return Receipt	Signature Confirmation	Signature Confirmation Restricted Delivery	Special Handling
13. 9214 8901 9403 8305 2056 38	Hilmer Daniel Blumberg Trust Frost National Bank Trust Dept PO BOX 1600 San Antonio TX 78296	0.49	3.45						Adult Signature Required	Adult Signature Restricted Delivery	Restricted Delivery	Return Receipt	Signature Confirmation	Signature Confirmation Restricted Delivery	Special Handling
14. 9214 8901 9403 8305 2056 45	Jackie Louise Reid and Johnny L Reid 245 E London Road Loving NM 88256	0.49	3.45						Adult Signature Required	Adult Signature Restricted Delivery	Restricted Delivery	Return Receipt	Signature Confirmation	Signature Confirmation Restricted Delivery	Special Handling
15. 9214 8901 9403 8305 2056 52	James Bauchman Partnership Ltd 200 N River Street Ste 150 Sequin TX 78155	0.49	3.45									1.50		Signature Confirmation Restricted Delivery	
16. 9214 8901 9403 8305 2056 69	Jerry Brown 777 Briar Fork Rd Des Peres MO 61313	0.49	3.45									1.50			

Total Number of Pieces Listed by Sender 41	Total Number of Pieces Received at Post Office	Postmaster, Per (Name of receiving employee)	
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Name and Address of Sender
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 110 N Guadalupe St # 1
 Santa Fe NM 87501

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 Certified Mail Return Receipt for Merchandise
 Certified Mail Restricted Delivery Signature Confirmation
 Collect on Delivery (COD) Signature Confirmation Restricted Delivery
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Postmark with Date of Receipt.

USPS Tracking/Article Number	Addressee (Name, Street, City, State, & ZIP Code™)	Postage	(Extra Service) Fee	Handling Charge	Actual Value if Registered	Insured Value	Due Sender if COD	ASR Fee	ASRD Fee	RD Fee	RR Fee	SC Fee	SCRD Fee	SH Fee	
17. 9214 8901 9403 8305 2056 76	Maeenas Minerals LLP PO BOX 178 Ablelene TX 79801-0178	0.49	3.45	Handling Charge - if Registered and over \$50,000 in value							1.50				
18. 9214 8901 9403 8305 2056 83	Mary Susan Allensworth 831 Victoria Lakes Drive Katy TX 77493	0.49	3.45									1.50			
19. 9214 8901 9403 8305 2056 90	McCombs Energy Ltd 755 E Mulberry Ave Ste 600 San Antonio TX 78212	0.49	3.45						Adult Signature Required	Adult Signature Restricted Delivery		1.50			
20. 9214 8901 9403 8305 2057 06	Montego Capital Fund 3 Ltd PO BOX 2640 Midland TX 79702	0.49	3.45						Adult Signature Required	Adult Signature Restricted Delivery	Restricted Delivery	Return Receipt	Signature Confirmation	Signature Confirmation Restricted Delivery	Special Handling
21. 9214 8901 9403 8305 2057 13	Nancy Katherine Sikes 3214 41st Street Lubbock TX 79413	0.49	3.45						Adult Signature Required	Adult Signature Restricted Delivery	Restricted Delivery	Return Receipt	Signature Confirmation	Signature Confirmation Restricted Delivery	Special Handling
22. 9214 8901 9403 8305 2057 20	OMB Royalties III LLC 410 17th Street Ste 1150 Denver CO 80202	0.49	3.45						Adult Signature Required	Adult Signature Restricted Delivery	Restricted Delivery	Return Receipt	Signature Confirmation	Signature Confirmation Restricted Delivery	Special Handling
23. 9214 8901 9403 8305 2057 37	Patricia A Davis 1736 Valencia Drive Las Cruces NM 88001	0.49	3.45									1.50		Signature Confirmation Restricted Delivery	
24. 9214 8901 9403 8305 2057 44	Patricia Floyd Reynolds a/k/a Patsy Reynolds whose husband is Jerry W Reynolds 660 County Road 788 Cuffman AL 35055	0.49	3.45									1.50			
Total Number of Pieces Listed by Sender 41	Total Number of Pieces Received at Post Office	Postmaster, Per (Name of receiving employee)													



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Name and Address of Sender Holland & Hart LLP 110 N Guadalupe St # 1 Santa Fe NM 87501	Check type of mail or service <input type="checkbox"/> Adult Signature Required <input type="checkbox"/> Priority Mail Express <input type="checkbox"/> Adult Signature Restricted Delivery <input type="checkbox"/> Registered Mail <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Certified Mail Restricted Delivery <input type="checkbox"/> Signature Confirmation <input type="checkbox"/> Collect on Delivery (COD) <input type="checkbox"/> Signature Confirmation <input type="checkbox"/> Insured Mail <input type="checkbox"/> Signature Confirmation Restricted Delivery <input type="checkbox"/> Priority Mail	Affix Stamp Here <i>(if issued as an international certificate of mailing or for additional copies of this receipt).</i> Postmark with Date of Receipt.
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USPS Tracking/Article Number	Addressee (Name, Street, City, State, & ZIP Code™)	Postage	(Extra Service) Fee	Handling Charge	Actual Value if Registered	Insured Value	Due Sender if COD	ASR Fee	ASRD Fee	RD Fee	RR Fee	SC Fee	SCRD Fee	SH Fee	
25. 9214 8901 9403 8305 2057 51	Paulette Burkhart 75 E London Road Loving NM 88256	0.49	3.45	Handling Charge - if Registered and over \$50,000 in value							1.50				
26. 9214 8901 9403 8305 2057 68	Pete Turner 320 W Clearfork Hobbs NM 88240	0.49	3.45									1.50			
27. 9214 8901 9403 8305 2057 75	Phyllis L'Homme 2220 Carlen Drive Placentia CA 92870	0.49	3.45									1.50			
28. 9214 8901 9403 8305 2057 82	Premier Oil & Gas Inc PO BOX 837205 Richardson TX 75083-7205	0.49	3.45						Adult Signature Required	Adult Signature Restricted Delivery	Restricted Delivery	Return Receipt	Signature Confirmation	Signature Confirmation Restricted Delivery	Special Handling
29. 9214 8901 9403 8305 2057 99	Prime Rock Minerals LLC One Radnor Corporate Center 100 Matsonford Road Ste 101 Radnor PA 19087	0.49	3.45									1.50			
30. 9214 8901 9403 8305 2058 05	RAM Foundation 500 West Texas Ste 1160 Midland TX 79701	0.49	3.45									1.50			
31. 9214 8901 9403 8305 2058 12	Republic Royalty Company 3738 Oak Lawn Ave Ste 300 Dallas TX 85219-4379	0.49	3.45									1.50			
32. 9214 8901 9403 8305 2058 29	RKI Exploration & Production LLC 3500 One Williams Center Tulsa OK 74172	0.49	3.45									1.50			

Total Number of Pieces Listed by Sender 41	Total Number of Pieces Received at Post Office	Postmaster, Per (Name of receiving employee)	
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USPS Tracking/Article Number	Addressee (Name, Street, City, State, & ZIP Code™)	Postage	(Extra Service) Fee	Handling Charge	Actual Value if Registered	Insured Value	Due Sender if COD	ASR Fee	ASRD Fee	RD Fee	RR Fee	SC Fee	SCRD Fee	SH Fee	
33. 9214 8901 9403 8305 2058 36	Robert Allen Davis 721 Hopi Road Carlsbad NM 88220	0.49	3.45	Handling Charge - if Registered and over \$50,000 in value							1.50				
34. 9214 8901 9403 8305 2058 43	Roger H Hill 461 Talus Rd Monument CO 80132	0.49	3.45									1.50			
35. 9214 8901 9403 8305 2058 50	RSG Properties Ltd 2700 Racquet Club Drive Midland TX 79705	0.49	3.45						Adult Signature Required	Adult Signature Restricted Delivery		1.50		Signature Confirmation	Signature Confirmation Restricted Delivery
36. 9214 8901 9403 8305 2058 67	State of New Mexico - Land Office 310 Old Santa Fe Trail Santa Fe NM 87501	0.49	3.45						Adult Signature Required	Adult Signature Restricted Delivery	Restricted Delivery	Return Receipt	Signature Confirmation	Signature Confirmation Restricted Delivery	Special Handling
37. 9214 8901 9403 8305 2058 74	State of New Mexico - Land Office PO BOX 1148 Santa Fe NM 87504-1148	0.49	3.45						Adult Signature Required	Adult Signature Restricted Delivery	Restricted Delivery	Return Receipt	Signature Confirmation	Signature Confirmation Restricted Delivery	Special Handling
38. 9214 8901 9403 8305 2058 81	The Edward Austin Blumberg Trust 200 N River Street Ste 202 Sequin TX 78155	0.49	3.45						Adult Signature Required	Adult Signature Restricted Delivery	Restricted Delivery	1.50		Signature Confirmation	Signature Confirmation Restricted Delivery
39. 9214 8901 9403 8305 2058 98	Trena Brown Schjetnan c/o Christian Schjetnan 1312 Concho Trail Mansfield TX 76063	0.49	3.45									1.50		Signature Confirmation	Signature Confirmation Restricted Delivery
40. 9214 8901 9403 8305 2059 04	W Matthew Bradshaw 4503 Whitwind Cove Spicewood TX 78669	0.49	3.45									1.50			
Total Number of Pieces Listed by Sender 41	Total Number of Pieces Received at Post Office	Postmaster, Per (Name of receiving employee)													



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USPS Tracking/Article Number	Addressee (Name, Street, City, State, & ZIP Code™)	Postage	(Extra Service) Fee	Handling Charge	Actual Value if Registered	Insured Value	Due Sender if COD	ASR Fee	ASRD Fee	RD Fee	RR Fee	SC Fee	SCRD Fee	SH Fee	
41. 9214 8901 9403 8305 2059 11	William Benjamin Baldwin 2014 N Rojo Hobbs NM 88204	0.49	3.45	Handling Charge - if Registered and over \$50,000 in value							1.50				

Total Number of Pieces Listed by Sender: **41**

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Clerk: 19

Clear Job Filter: 92750901193562000007772596

Barcode	Recipient	Status	Custom	User / Profile	Location / Dept.	Job ID	Tracking
9214890194038305205911	William Benjamin Baldwin 2014 N Rojo Hobbs NM 86204	Delivered Signature Received	Ref#: C754923.4539249 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11		754923	
9214890194038305205904	W Matthew Bradshaw 4503 Whirlwind Cove Spicewood TX 78669	Delivered Signature Received	Ref#: C754923.4539248 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11		754923	
9214890194038305205898	Trena Brown Schjetnan c/o Christian Schjetnan 1312 Concho Trail Mansfield TX 76063	Delivered Signature Received	Ref#: C754923.4539247 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11		754923	
9214890194038305205881	The Edward Austin Blumberg Trust 200 N River Street Ste 202 Sequin TX 78155	Delivered Signature Received	Ref#: C754923.4539246 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11		754923	
9214890194038305205874	State of New Mexico - Land Office PO BOX 1148 Santa Fe NM 87504-1148	Delivered Signature Received	Ref#: C754923.4539245 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11		754923	
9214890194038305205867	State of New Mexico - Land Office 310 Old Santa Fe Trail Santa Fe NM 87501	Delivered Signature Received	Ref#: C754923.4539244 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11		754923	
9214890194038305205850	RSG Properties Ltd 2700 Racquet Club Drive Midland TX 79705	Delivered Signature Received	Ref#: C754923.4539243 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11		754923	

Support Chat

9214890194038305205843	Roger H Hill 461 Talus Rd Monument CO 80132	Delivered Signature Received	Ref#: C754923.4539242 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11	754923	    
9214890194038305205836	Robert Allen Davis 721 Hopi Road Cartsbad NM 88220	Delivered Signature Received	Ref#: C754923.4539241 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11	754923	    
9214890194038305205829	RKI Exploration & Production LLC 3500 One Williams Center Tulsa OK 74172	Delivered Signature Received	Ref#: C754923.4539240 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11	754923	    
9214890194038305205812	Republic Royalty Company 3738 Oak Lawn Ave Ste 300 Dallas TX 85219-4379	In-Transit	Ref#: C754923.4539239 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11	754923	  
9214890194038305205805	RAM Foundation 500 West Texas Ste 1160 Midland TX 79701	In-Transit	Ref#: C754923.4539238 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11	754923	  
9214890194038305205799	Prime Rock Minerals LLC One Radnor Corporate Center 100 Matsonford Road Ste 101 Radnor PA 19087	Delivered Signature Received	Ref#: C754923.4539237 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11	754923	    
9214890194038305205782	Premier Oil & Gas Inc PO BOX 837205 Richardson TX 75083-7205	Delivered Signature Received	Ref#: C754923.4539236 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11	754923	    
9214890194038305205775	Phyllis L'Hommedieu 2220 Cartien Drive Placentia CA 92670	Delivered Signature Received	Ref#: C754923.4539235 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11	754923	    

9214890194038305205768	Pete Turner 320 W Clearfork Hobbs NM 88240	Delivered Signature Received	Ref#: C754923.4539234 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11	754923	   
9214890194038305205751	Paulette Burkhams 75 E London Road Loving NM 88256	Delivered Signature Received	Ref#: C754923.4539233 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11	754923	   
9214890194038305205744	Patricia Floyd Reynolds a/k/a Patsy Reynolds whose husband is Jerry W Reynolds 860 County Road 786 Cullman AL 35055	In-Transit	Ref#: C754923.4539232 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11	754923	  
9214890194038305205737	Patricia A Davis 1736 Valencia Drive Las Cruces NM 88001	Delivered Signature Received	Ref#: C754923.4539231 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11	754923	   
9214890194038305205720	OMB Royalties III LLC 410 17th Street Ste 1150 Denver CO 80202	Delivered Signature Received	Ref#: C754923.4539230 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11	754923	   

9214890194038305205713	Nancy Katherine Sikes 3214 41st Street Lubbock TX 79413	Delivered Signature Received	Ref#: C754923.4539229 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11	754923		
9214890194038305205706	Montego Capital Fund 3 Ltd PO BOX 2640 Midland TX 79702	Delivered Signature Received	Ref#: C754923.4539228 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11	754923		
9214890194038305205690	McCombs Energy Ltd 755 E Mulberry Ave Ste 600 San Antonio TX 79212	Delivered Signature Received	Ref#: C754923.4539227 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11	754923		
9214890194038305205683	Mary Susan Allensworth 831 Victoria Lakes Drive Katy TX 77493	Delivered Signature Received	Ref#: C754923.4539226 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11	754923		
9214890194038305205676	Maecenas Minerals LLP PO BOX 176 Ablelene TX 79601-0176	Delivered Signature Received	Ref#: C754923.4539225 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11	754923		
9214890194038305205669	Jerry Brown 777 Briar Fork Rd Des Peres MO 61313	Delivered Signature Received	Ref#: C754923.4539224 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11	754923		
9214890194038305205652	James Bauchman Partnership Ltd 200 N River Street Ste 150 Sequin TX 78155	Delivered Signature Received	Ref#: C754923.4539223 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11	754923		
9214890194038305205645	Jackie Louise Reid and Johnny L Reid 245 E London Road Loving NM 88256	Delivered Signature Received	Ref#: C754923.4539222 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11	754923		

9214890194038305205538	Hilmer Daniel Blumberg Trust Frost National Bank Trust Dept PO BOX 1600 San Antonio TX 78296	Delivered Signature Received	Ref#: C754923.4539221 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11	754923			
9214890194038305205621	Hilmer Daniel Blumberg 200 N River Street Ste 202 San Antonio TX 78296	In-Transit	Ref#: C754923.4539220 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11	754923			
9214890194038305205614	EOG Resources Inc PO BOX 4362 Houston TX 78155	Delivered Signature Received	Ref#: C754923.4539219 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11	754923			
9214890194038305205607	David L Bradshaw 5810 Raindance Trail Littleton CO 80125	In-Transit	Ref#: C754923.4539218 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11	754923			
9214890194038305205591	David L Bradshaw 2161 South Russellville Road Franktown CO 80116	Delivered Signature Received	Ref#: C754923.4539217 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11	754923			
9214890194038305205584	Concho Oil & Gas LP One Concho Center 600 W Illinois Ave Midland TX 79701	Delivered Signature Received	Ref#: C754923.4539216 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11	754923			
9214890194038305205577	Cheryl A Wilson 135 Union Ave Unit A Campbell CA 95008	Delivered Signature Received	Ref#: C754923.4539215 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11	754923			
9214890194038305205560	Cherri Snyder 920 E 2nd Street Roswell NM 88203	Delivered Signature Received	Ref#: C754923.4539214 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11	754923			
9214890194038305205553	Charlotte Susan Baxley 1200 N Thorpe St Hobbs NM 88204	Delivered Signature Received	Ref#: C754923.4539213 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11	754923			
9214890194038305205546	Carla Ann Blumberg Trust Frost National Bank Trust Dept PO BOX 1600 San Antonio TX 78296	Delivered Signature Received	Ref#: C754923.4539212 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11	754923			
9214890194038305205539	Carla Ann Blumberg 200 N River Street Ste 202 Sequin TX 78155	Delivered Signature Received	Ref#: C754923.4539211 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11	754923			
9214890194038305205522	Bauchman Investment Partnership Ltd 200 N River Street Ste 150 Sequin TX 78155	Delivered Signature Received	Ref#: C754923.4539210 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11	754923			

9214890194036305205515

American Heart Association Western
States Affiliate
1710 Gilbreth Road
Eurlingame CA 94010

Delivered
Signature Received

Ref#: igarcia@hollandhart.com
C754923.4539209
Label 8.5 x 11
RetRef#:

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Recipient: Republic Royalty Company
3738 Oak Lawn Ave Ste 300
Dallas TX 85219-4379

Date & Time	Event	Event Location
03/28/2018 17:03	PRE-SHIPMENT INFO SENT USPS AWAITS ITEM	SANTA FE,NM, 87501
03/30/2018 11:40	SHIPMENT RECEIVED ACCEPTANCE PENDING	SANTA FE,NM, 87501
04/03/2018 06:12	ARRIVAL AT UNIT	DALLAS,TX, 75219
04/03/2018 06:44	SORTING/PROCESSING COMPLETE	DALLAS,TX, 75219
04/03/2018 06:54	OUT FOR DELIVERY	DALLAS,TX, 75219
04/03/2018 20:54	DELIVERY STATUS NOT UPDATED	DALLAS,TX, 75219
04/11/2018 08:37	PROCESSED THROUGH USPS FACILITY	COPPELL,TX, 75099
04/11/2018 22:24	DEPART USPS FACILITY	COPPELL,TX, 75099
04/14/2018 16:48	PROCESSED THROUGH USPS FACILITY	ALBUQUERQUE,NM, 87101
04/14/2018 21:19	DEPART USPS FACILITY	ALBUQUERQUE,NM, 87101
04/15/2018 16:33	PROCESSED THROUGH USPS FACILITY	ALBUQUERQUE,NM, 87101

Tracking History

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Tracking #: 9214890194038305205805

Recipient: RAM Foundation
500 West Texas Ste 1160
Midland TX 79701

Date & Time	Event	Event Location
03/28/2018 17:03	PRE-SHIPMENT INFO SENT USPS AWAITS ITEM	SANTA FE,NM, 87501
03/30/2018 11:40	SHIPMENT RECEIVED ACCEPTANCE PENDING	SANTA FE,NM, 87501
04/09/2018 09:14	UNABLE TO DELIVER PROBLEM WITH ADDRESS	MIDLAND,TX, 79701
04/10/2018 13:32	PROCESSED THROUGH USPS FACILITY	EL PASO,TX, 79910
04/12/2018 13:13	PROCESSED THROUGH USPS FACILITY	ALBUQUERQUE,NM, 87101
04/12/2018 18:13	DEPART USPS FACILITY	ALBUQUERQUE,NM, 87101

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Tracking #: 9214890194038305205744

Recipient: Patricia Floyd Reynolds a/k/a Patsy Reynolds whose husband is Jerry W Reynolds
860 County Road 786
Cullman AL 35055

Date & Time	Event	Event Location
03/28/2018 17:03	PRE-SHIPMENT INFO SENT USPS AWAITS ITEM	SANTA FE,NM, 87501
03/30/2018 11:40	SHIPMENT RECEIVED ACCEPTANCE PENDING	SANTA FE,NM, 87501
04/02/2018 08:45	UNABLE TO DELIVER PROBLEM WITH ADDRESS	CULLMAN,AL, 35055
04/04/2018 13:16	PROCESSED THROUGH USPS FACILITY	BIRMINGHAM,AL, 35203
04/06/2018 13:16	PROCESSED THROUGH USPS FACILITY	ALBUQUERQUE,NM, 87101
04/06/2018 18:10	DEPART USPS FACILITY	ALBUQUERQUE,NM, 87101

Recipient: Hilmer Daniel Blumberg
200 N River Street Ste 202
San Antonio TX 78296

Date & Time	Event	Event Location
03/28/2018 17:03	PRE-SHIPMENT INFO SENT USPS AWAITS ITEM	SANTA FE,NM, 87501
03/30/2018 11:40	SHIPMENT RECEIVED ACCEPTANCE PENDING	SANTA FE,NM, 87501
04/02/2018 04:33	PROCESSED THROUGH USPS FACILITY	SAN ANTONIO,TX, 78284
04/02/2018 21:35	DEPART USPS FACILITY	SAN ANTONIO,TX, 78284
04/03/2018 07:55	PROCESSED THROUGH USPS FACILITY	SAN ANTONIO,TX, 78284
04/04/2018 06:41	ARRIVAL AT UNIT	SAN ANTONIO,TX, 78246
04/05/2018 07:14	PROCESSED THROUGH USPS FACILITY	SAN ANTONIO,TX, 78284
04/11/2018 06:48	ARRIVAL AT UNIT	SAN ANTONIO,TX, 78205
04/11/2018 06:50	UNABLE TO DELIVER PROBLEM WITH ADDRESS	SAN ANTONIO,TX, 78205
04/11/2018 06:57	INSUFFICIENT ADDRESS	SAN ANTONIO,TX, 78205
04/19/2018 15:45	PROCESSED THROUGH USPS FACILITY	SAN ANTONIO,TX, 78284
04/22/2018 12:35	PROCESSED THROUGH USPS FACILITY	ALBUQUERQUE,NM, 87101

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Tracking #: 9214890194038305205607

Recipient: David L Bradshaw
5810 Raindance Trail
Littleton CO 80125

Date & Time	Event	Event Location
03/28/2018 17:03	PRE-SHIPMENT INFO SENT USPS AWAITS ITEM	SANTA FE,NM, 87501
03/30/2018 11:40	SHIPMENT RECEIVED ACCEPTANCE PENDING	SANTA FE,NM, 87501
03/30/2018 19:38	ORIGIN ACCEPTANCE	SANTA FE,NM, 87501
03/30/2018 20:53	PROCESSED THROUGH USPS FACILITY	ALBUQUERQUE,NM, 87101
03/31/2018 03:06	DEPART USPS FACILITY	ALBUQUERQUE,NM, 87101
03/31/2018 12:49	PROCESSED THROUGH USPS FACILITY	ALBUQUERQUE,NM, 87101
04/01/2018 16:29	PROCESSED THROUGH USPS FACILITY	ALBUQUERQUE,NM, 87101

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Adam G. Rankin
Phone (505) 988-4421
Fax (505) 983-6043
agrarkin@hollandhart.com

March 30, 2018

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO: OFFSETTING LESSEES AND OPERATORS

Re: Application of Chisholm Energy Operating, LLC for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Ocotillo 6-31 State Com 3BS No. 4H Well

This letter is to advise you that Chisholm Energy Operating, LLC has filed the enclosed application with the New Mexico Oil Conservation Division. *Your interests are not being pooled under this application*, but as a lessee or operator in an offsetting tract, you are entitled to notice of this application.

This application has been set for hearing before a Division Examiner at 8:15 AM on May 3, 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 with the Oil Conservation Division's Santa Fe office, four business days in advance of a scheduled hearing, but at least on the Thursday preceding the hearing. This statement must 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**

Holland & Hart LLP

Phone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, New Mexico 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

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USPS Tracking/Article Number	Addressee (Name, Street, City, State, & ZIP Code™)	Postage	(Extra Service) Fee	Handling Charge	Actual Value if Registered	Insured Value	Due Sender if COD	ASR Fee	ASRD Fee	RD Fee	RR Fee	SC Fee	SCRD Fee	SH Fee		
1. 9214 8901 9403 8305 2039 00	Desert Production Inc 200 N Loraine St Ste 330 Midland TX 79701	0.49	3.45	Handling Charge - if Registered and over \$50,000 in value							1.50					
2. 9214 8901 9403 8305 2039 17	Penroc Oil Corporation 1515 W Calle Sur Ste 174 Hobbs NM 88240	0.49	3.45									1.50				
3. 9214 8901 9403 8305 2039 24	POGO Resources LLC 8150 N Central Expy 10th Floor Dallas TX 75208	0.49	3.45						Adult Signature Required	Adult Signature Restricted Delivery		1.50				
4. 9214 8901 9403 8305 2039 31	Premier Oil & Gas Inc PO BOX 837205 Richardson TX 75083-7205	0.49	3.45						Adult Signature Required	Adult Signature Restricted Delivery	Restricted Delivery	Return Receipt	Signature Confirmation	Signature Confirmation Restricted Delivery	Special Handling	
Total Number of Pieces Listed by Sender 4		Total Number of Pieces Received at Post Office		Postmaster, Per (Name of receiving employee)												

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9214890194038305203900	Desert Production Inc 200 N Loraine St Ste 330 Midland TX 79701	Delivered Signature Received	Ref#: C754870.4538933 RetRef#:	jgarcia@hollandhart.com Label 8.5 x 11		754870	

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1 - 4 of 4 items

CARLSBAD
CURRENT-ARGUS

AFFIDAVIT OF PUBLICATION

Ad No.
0001242948

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

HOLLAND & HART
PO BOX 2208

SANTA FE NM 87504

I, a legal clerk of the **Carlsbad Current-Argus**, a newspaper published daily at the City of Carlsbad, in said county of Eddy, state of New Mexico and of general paid circulation in said county; that the same is a duly qualified newspaper under the laws of the State wherein legal notices and advertisements may be published; that the printed notice attached hereto was published in the regular and entire edition of said newspaper and not in supplement thereof on the date as follows, to wit:

04/13/18

The State of New Mexico through its Oil Conservation Division hereby gives notice pursuant to law and the Rules and Regulations of the Division of the following public hearing to be held at 8:15 A.M. on **May 3, 2018**, in the Oil Conservation Division Hearing Room at 1220 South St. Francis, Santa Fe, New Mexico, before an examiner duly appoint for the hearing. If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing, please contact: Florene Davidson at 505-476-3458 or through the New Mexico Relay Network, 1-800-659-1779 by **April 23, 2018**. Public documents, including the agenda and minutes, can be provided in various accessible forms. Please contact Florene Davidson if a summary or other type of accessible form is needed.

**STATE OF NEW MEXICO TO:
All named parties and persons
having any right, title, interest
or claim in the following cases
and notice to the public.**

(NOTE: All land descriptions herein refer to the New Mexico Principal Meridian whether or not so stated.)

To: All offset owners and pooled parties, including: Desert Production, Inc.; Penroc Oil Corporation; POGO Resources, LLC; Premier Oil & Gas, Inc.; American Heart Association Western States Affiliate; Bauchman Investment Partnership, Ltd.; Carla Ann Blumberg, her heirs and devisees; Carla Ann Blumberg Trust, Frost National Bank, Trust Dept.; Charlotte Susan Baxley, her heirs and devisees; Cherrri Snyder, her heirs and devisees; Cheryl A. Wilson, her heirs and devisees; Concho Oil & Gas, LP; David L. Bradshaw, his heirs and devisees; EOG Resources, Inc.; Hilmer Daniel Blumberg, his heirs and devisees; Hilmer Daniel Blumberg Trust, Frost National Bank, Trust Dept.; Jackie Louise Reid and Johnny L. Reid, their heirs and devisees; James Bauchman Partnership, Ltd.; Jerry Brown, his heirs and devisees; Maecenas Minerals, LLP; Mary Susan Allensworth, her heirs and devisees; McCombs Energy, Ltd; Montego Capital Fund 3, Ltd.; Nancy Katherine Sikes, her heirs and devisees; OMB Royalties III, LLC; Patricia A. Davis, her heirs and devisees; Patricia Floyd Reynolds, a/k/a Patsy Reynolds, whose husband is Jerry W. Reynolds, her heirs and devisees; Paulette Burkham, her heirs and devisees; Pete Turner, his heirs and devisees;

Kayma

Legal Clerk

Subscribed and sworn before me this
13th of April 2018.

Vicky Felty

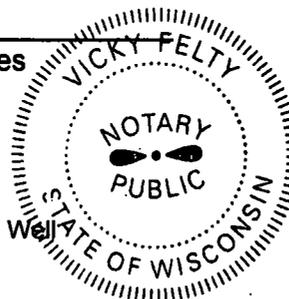
State of WI, County of Brown
NOTARY PUBLIC

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. 8

Submitted by: Chisholm Energy Operating LLC
Hearing Date: May 3, 2018

9-19-21

My Commission Expires



Phyllis L'Hommedieu, her heirs and devisees; Premier Oil & Gas, Inc.; Prime Rock Minerals, LLC; RAM Foundation; Republic Royalty Company; RKI Exploration & Production, LLC; Robert Allen Davis; his heirs and devisees; Roger H. Hill, his heirs and devisees; RSG Properties, Ltd.; State of New Mexico - Land Office; The Edward Austin Blumberg Trust; Trena Brown Schjetnan c/o Christian Schjetnan, her heirs and devisees; W. Matthew Bradshaw, his heirs and devisees; William Benjamin Baldwin, his heirs and devisees.

Case No. 16115: 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) creating a non-standard 640.31-acre, more or less, spacing and proration unit comprised of the E/2 of Section 6, Township 23 South, Range 26 East, NMPM and the E/2 of Section 31, Township 22 South, Range 26 East, NMPM, Eddy County, New Mexico; and (2) pooling all uncommitted interests in the Wolfcamp formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed **Ocotillo 6-31 State Com WCB No. 2H Well**, which will be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 6 to a standard bottom hole location in the NE/4 NE/4 (Unit A) of Section 31. The completed interval for this well will remain within the 330-foot offset as required by the State-wide rules for oil wells. Also to be considered will be the cost of drilling and completing said 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 said well. Said area is located approximately 5 miles southwest of Carlsbad, New Mexico.

CARLSBAD
CURRENT-ARGUS

AFFIDAVIT OF PUBLICATION

Ad No.
0001242947

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

HOLLAND & HART
PO BOX 2208

SANTA FE NM 87504

The State of New Mexico through its Oil Conservation Division hereby gives notice pursuant to law and the Rules and Regulations of the Division of the following public hearing to be held at 8:15 A.M. on **May 3, 2018**, in the Oil Conservation Division Hearing Room at 1220 South St. Francis, Santa Fe, New Mexico, before an examiner duly appoint for the hearing. If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing, please contact: Florene Davidson at 505-476-3458 or through the New Mexico Relay Network, 1-800-659-1779 by **April 23, 2018**. Public documents, including the agenda and minutes, can be provided in various accessible forms. Please contact Florene Davidson if a summary or other type of accessible form is needed.

I, a legal clerk of the **Carlsbad Current-Argus**, a newspaper published daily at the City of Carlsbad, in said county of Eddy, state of New Mexico and of general paid circulation in said county; that the same is a duly qualified newspaper under the laws of the State wherein legal notices and advertisements may be published; that the printed notice attached hereto was published in the regular and entire edition of said newspaper and not in supplement thereof on the date as follows, to wit:

04/13/18

**STATE OF NEW MEXICO TO:
All named parties and persons
having any right, title, interest
or claim in the following cases
and notice to the public.**

(NOTE: All land descriptions herein refer to the New Mexico Principal Meridian whether or not so stated.)

Kayna [Signature]

Legal Clerk

Subscribed and sworn before me the
13th of April 2018.

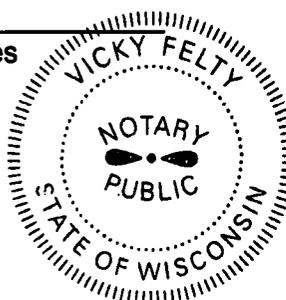
Shelby [Signature]

State of WI County of Brown
NOTARY PUBLIC

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. 9
Submitted by: Chisholm Energy Operating LLC
Hearing Date: May 3, 2018

9-1921

My Commission Expires

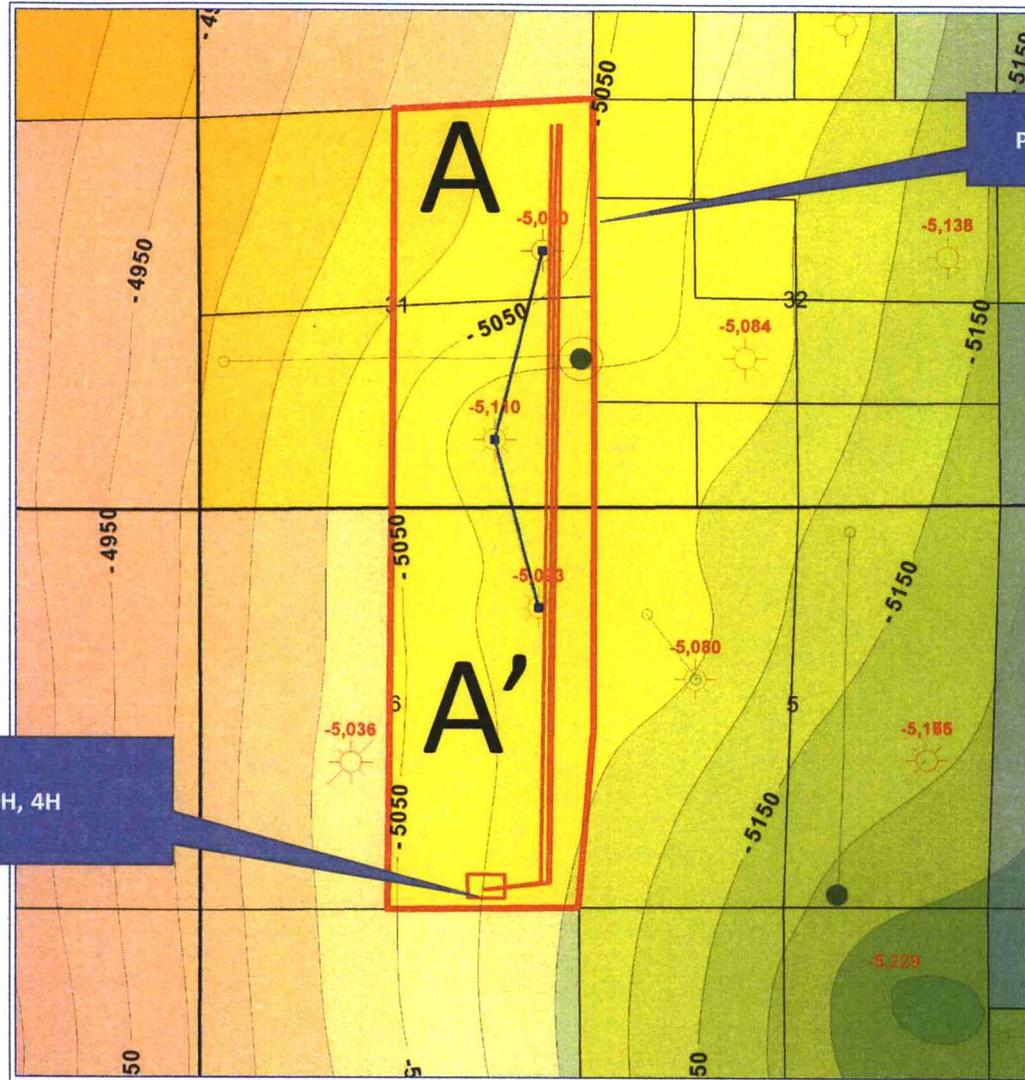


To: All offset owners and pooled parties, including: Desert Production, Inc.; Penroc Oil Corporation; POGO Resources, LLC; Premier Oil & Gas, Inc.; American Heart Association Western States Affiliate; Bauchman Investment Partnership, Ltd.; Carla Ann Blumberg, her heirs and devisees; Carla Ann Blumberg Trust, Frost National Bank, Trust Dept.; Charlotte Susan Baxley, her heirs and devisees; Cherri Snyder, her heirs and devisees; Cheryl A. Wilson, her heirs and devisees; Concho Oil & Gas, LP; David L. Bradshaw, his heirs and devisees; EOG Resources, Inc.; Hilmer Daniel Blumberg, his heirs and devisees; Hilmer Daniel Blumberg Trust, Frost National Bank, Trust Dept.; Jackie Louise Reid and Johnny L. Reid, their heirs and devisees; James Bauchman Partnership, Ltd.; Jerry Brown, his heirs and devisees; Maecenas Minerals, LLP; Mary Susan Allensworth, her heirs and devisees; McCombs Energy, Ltd; Montego Capital Fund 3, Ltd.; Nancy Katherine Sikes, her heirs and devisees; OMB Royalties III, LLC; Patricia A. Davis, her heirs and devisees; Patricia Floyd Reynolds, a/k/a Patsy Reynolds, whose husband is Jerry W. Reynolds, her heirs and devisees; Paulette Burkham, her heirs and devisees; Pete Turner, his heirs and devisees;

Phyllis L'Hommedieu, her heirs and devisees; Premier Oil & Gas, Inc.; Prime Rock Minerals, LLC; RAM Foundation; Republic Royalty Company; RKI Exploration & Production, LLC; Robert Allen Davis; his heirs and devisees; Roger H. Hill, his heirs and devisees; RSG Properties, Ltd.; State of New Mexico - Land Office; The Edward Austin Blumberg Trust; Trena Brown Schjetnan c/o Christian Schjetnan, her heirs and devisees; W. Matthew Bradshaw, his heirs and devisees; William Benjamin Baldwin, his heirs and devisees.

Case No. 16116: 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) creating a non-standard 320.18-acre, more or less, spacing and proration unit comprised of the E/2 E/2 of Section 6, Township 23 South, Range 26 East, NMPM and the E/2 E/2 of Section 31, Township 22 South, Range 26 East, NMPM, Eddy County, New Mexico; and (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed **Ocotillo 6-31 State Com 3BS No. 4H Well**, which will be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 6 to a standard bottom hole location in the NE/4 NE/4 (Unit A) of Section 31. The completed interval for this well will remain within the 330-foot offset as required by the State-wide rules for oil wells. Also to be considered will be the cost of drilling and completing said 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 said well. Said area is located approximately 5 miles southwest of Carlsbad, New Mexico.

STRUCTURE TOP WOLFCAMP FM. OCOTILLO PROPSECT
C.I.= 25 FEET



PROPOSED UNIT OUTLINE

OCOTILLO 6-31 STATE COM 2H,3H, 4H

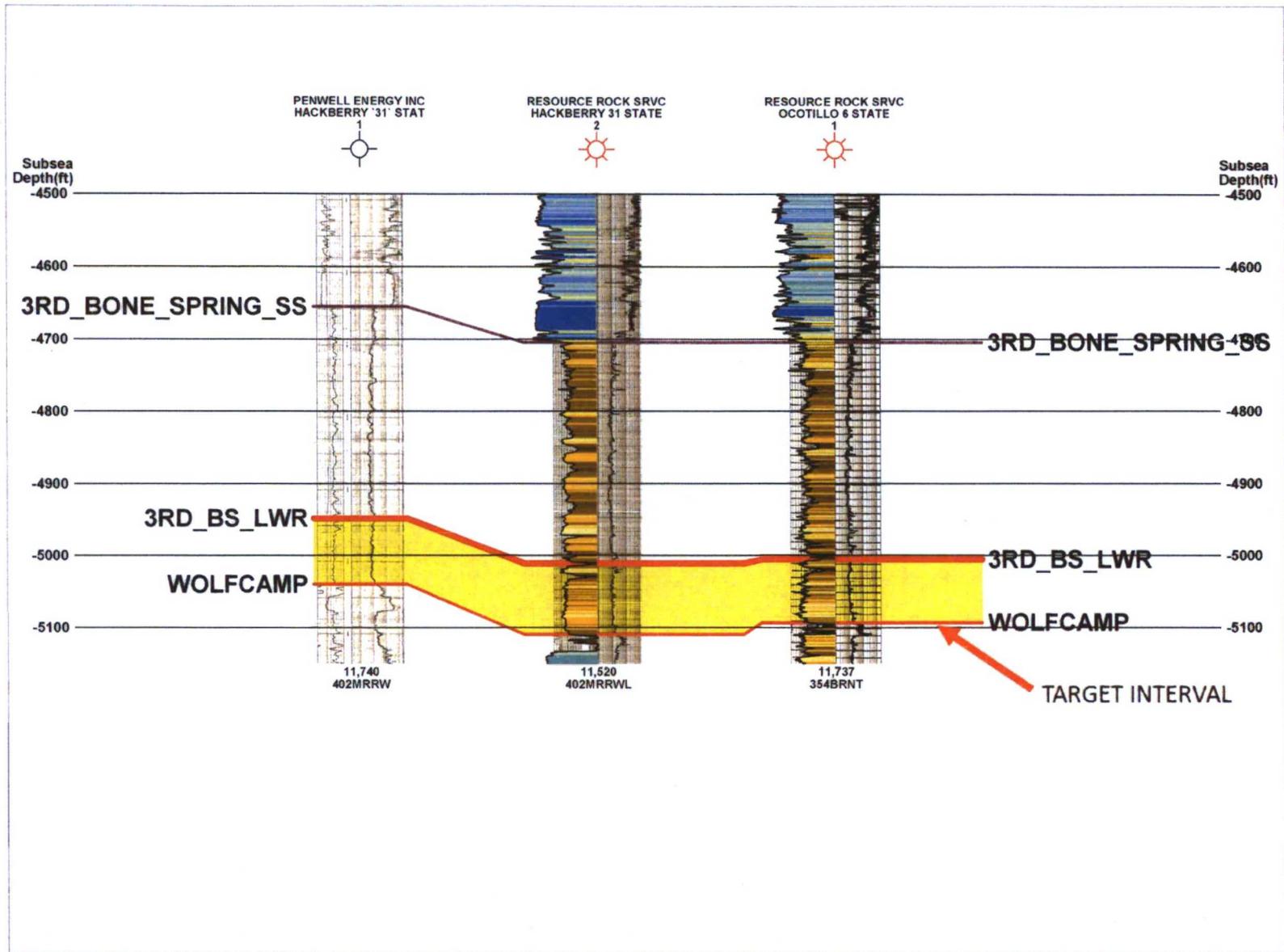
CHISHOLM ENERGY
HOLDINGS, LLC
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STRUCTURAL CROSS-SECTION A-A' 3RD BONE SPRING LOWER TARGET INTERVAL

A'

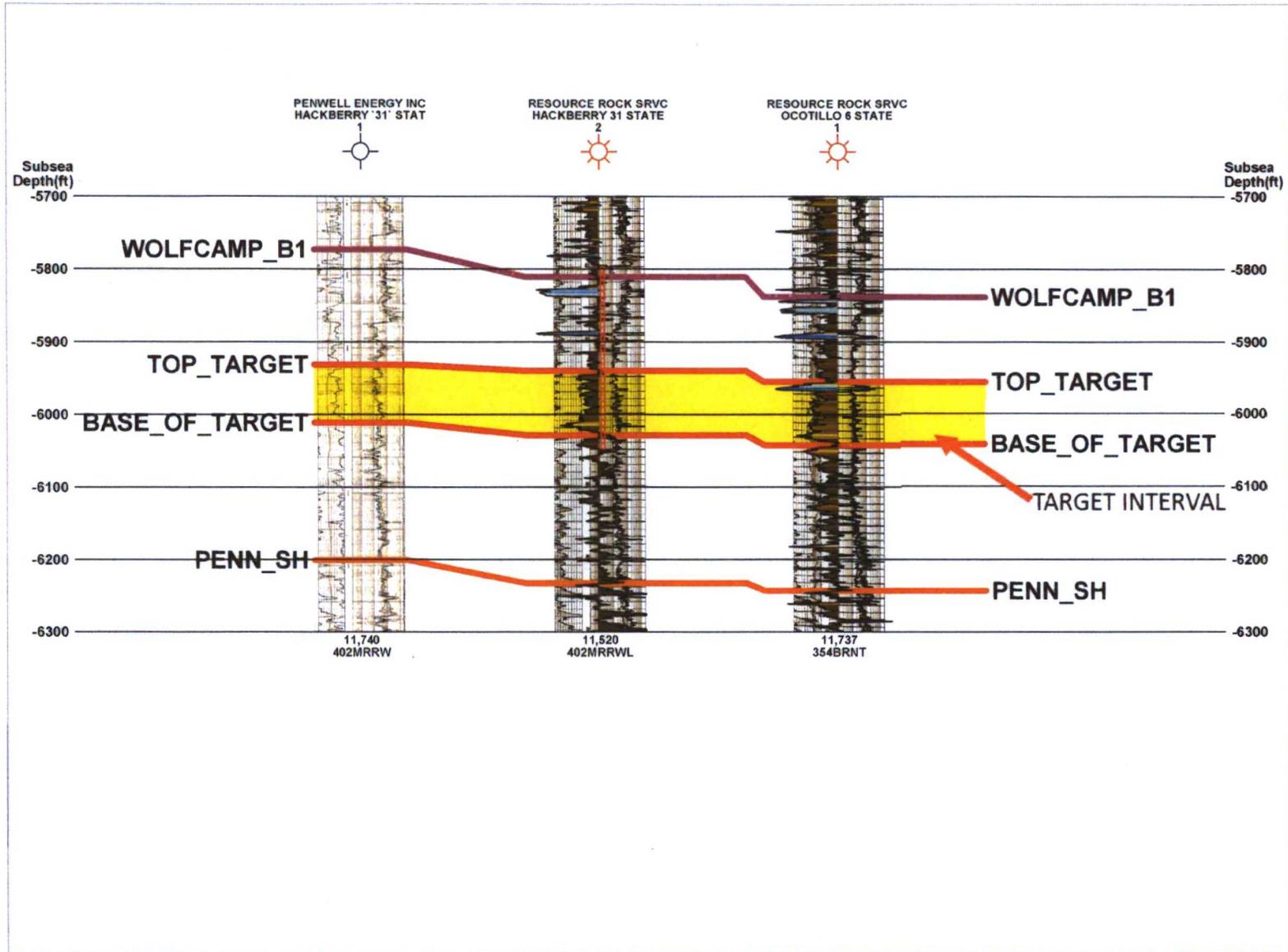


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STRUCTURAL CROSS-SECTION A-A' WC B LOWER TARGET INTERVAL

A'



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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 15433
ORDER NO. R-14140

APPLICATION OF MATADOR PRODUCTION COMPANY FOR A NON-
STANDARD SPACING AND PRORATION UNIT AND COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on January 21, 2016 before Examiner Michael A. McMillan, and again on February 18, 2016 before Examiner William V. Jones.

NOW, on this 30th day of March, 2016, the Division Director, having considered the testimony, the record and the recommendations of Examiner McMillan,

FINDS THAT:

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

(2) Matador Production Company ("Applicant" or "Matador") seeks approval of a non-standard 160-acre oil spacing and proration unit ("Unit") for oil production in the Bone Spring formation Corbin; Bone Spring, South Pool (Pool code 13160), comprising the W/2 E/2 of Section 32, Township 18 South, Range 33 East, NMPM, Lea County, New Mexico. Applicant further seeks the pooling of all uncommitted interests in the Unit.

(3) The Unit will be dedicated to Applicant's Eland State 32 18 33 RN Well No. 123H (API No. 30-025-42977), a horizontal well to be drilled from a surface location 154 feet from the North line and 1859 feet from the East line (Unit B) of Section 32 to a terminus or bottomhole location 240 feet from the South line and 1870 feet from the East line (Unit O) of Section 32. The completed interval will be orthodox.

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13

(4) The proposed well is within the Corbin; Bone Spring, South Pool (pool code 13160). Spacing in this pool is governed by Division Rule 19.15.15.9(A), NMAC, which provides for standard 40-acre units, each comprising a governmental quarter-quarter section, and 330-foot setbacks from the unit boundaries. The proposed Unit and project area consists of four (4) adjacent quarter-quarter sections.

(5) Applicant appeared at the hearing and presented land and geological evidence to the effect that:

- (a) The Bone Spring formation in this area is suitable for development by horizontal drilling;
- (b) The proposed orientation of the horizontal well from North to South or South to North is appropriate for the proposed Unit;
- (c) all quarter-quarter sections within the Unit are expected to be productive in the Bone Spring formation, so that formation of the Unit, as proposed, will not impair correlative rights.
- (d) notice was provided for formation of the non-standard spacing unit to lessees or operators of affected tracts;
- (e) notice was provided for compulsory pooling within the Unit to all interest owners subject to pooling proceedings; and
- (f) Matador has a working interest in the entire Unit; however, the ownership is diverse between the W/2 NE/4 and W/2 SE/4
- (g) W/2 NE/4 of Section 32 is subject to an existing voluntary Joint Operating Agreement ("JOA"), in which Nearburg Exploration Co., L.L.C. and Nearburg Producing Company (Nearburg) are not subject to;
- (h) W/2 SE/4 of Section 32 is subject to a separate JOA, signed in May 28, 1998 which is in effect, which in turn Nearburg is subject to. This particular JOA includes the Bone Spring formation;
- (i) No agreement exists to combine the existing W/2 NE/4 and W/2 SE/4 JOAs;
- (j) Applicant requested the proportionate share of reasonable well costs attributable to each non-consenting working interest owner, and a charge for the risk involved in drilling the well, equal to 200% of the above costs;

- (k) Applicant provided notice of publication before hearing in a newspaper of general circulation in Lea County in which the property is located for Dr. Robert B. Cahan and Bernice A. Cahan, interest owners in the proposed unit who were unlocatable.
- (l) Sybil Blackman Carney, an interest owner in the proposed unit, was delivered a confirmation letter for the initial well proposal; however, the mailing in Exhibit 7 for hearing notice was marked returned. Therefore, notice in a newspaper of general circulation in Lea County was published.
- (6) Nearburg Exploration Company, L.L.C. and Nearburg Producing Company (Nearburg) appeared at the hearing in opposition to granting this application, and presented land, geological, and engineering evidence to the effect that.
 - (a) An existing JOA exists for the W/2 SE/4 to which both Applicant's and Nearburg's interests are subject;
 - (b) Nearburg concurred that no JOA exists to join the W/2 NE/4 and W/2 SE/4;
 - (c) The existing JOA provides for a 500% penalty for all costs incurred in connection with the well;
 - (d) The Bone Spring formation in the Unit is thinner than in higher oil and gas wells with higher cumulative production to the Northeast of the Unit, and similar in thickness to lower cumulative oil and gas wells southeast of the Unit;
 - (e) Engineering data suggests that the proposed well will only generate approximately \$5,000,000 gross income which is less than the Authorization For Expenditure ("AFE") submitted by Matador;
 - (f) Further, Nearburg examined analogous off-set wells to get an estimate of oil and gas reserves in the proposed location; and
 - (g) Nearburg's engineer requested that the risk penalty be changed to 50% from the 200% that Matador requested.

The Division finds as follows:

- (7) Nearburg filed a Motion to Dismiss the Application on the ground that a JOA exists which is binding on both Applicant and Nearburg, and which governs operations on, among other lands, the S/2 of Section 32, Township 18 South, Range 33 East, NMPM, a part of which is included in the proposed Unit. Counsel for Nearburg and for Applicant each presented arguments regarding the Motion to Dismiss.

(8) Counsel for Nearburg argued that Division precedent requires dismissal of an application for compulsory pooling if any part of the lands sought to be pooled is subject to a JOA between the owners thereof, citing Order No. R-8013, issued in Case No. 8606, *Application of Doyle Hartman, etc.*; Order No. R-9841, issued in Case No. 10658, *Application of Mewbourne Oil Company, etc.*; and Order No. R-11009, issued in Case No. 11960, *Application of Redstone Oil & Gas Company, etc.*

(9) In Case No. 8606, the party opposing compulsory pooling presented evidence of a JOA and amended operating agreement "covering the subject unit area." Order R-8013, Finding PP 5 and 6. A chain of title admitted in evidence on motion of Applicant (Hartman Ex. 2) shows that all owners of interests in the unit proposed in that case derived title from parties to the JOA or the amendment. Thus the issue of whether a unit may be the subject of the compulsory pooling where a portion only of the lands, or of the mineral interest in the lands in the unit, is the subject of a JOA, was apparently not presented in that case.

(10) Order No. R-11009 states merely that because of an agreement made between two identified parties, each of whom had filed compulsory pooling applications, the Applicant filed a Motion to Dismiss the compulsory pooling portion of its application, and the Division dismissed it. The facts regarding ownership of the proposed unit are not disclosed in the order. However, a dismissal of an application pursuant to a motion of the applicant by reason of a settlement of the issues between the parties cannot be considered binding precedent on a legal issue in the case.

(11) Order No. R-9841 issued in Case No. 10658 is where the facts closely resembled the present case. There, Mewbourne Oil Company (Mewbourne) applied for compulsory pooling of a 320-acre spacing unit. A 200-acre tract within the unit was subject to a prior JOA. Mewbourne owned an interest in the 200-acre tract derived from a party to the JOA. However, Mewbourne also owned an interest in the remaining 120 acres of the unit that was not subject to the JOA. Devon Energy Corporation, a successor in interest to a different party to the prior JOA, moved to dismiss the compulsory pooling application on the ground that the JOA constituted a voluntary pooling agreement which, under NMSA 1978 Section 70-2-17.C, precluded compulsory pooling of Devon's interest pursuant to Mewbourne's application. The Division agreed and dismissed the application.

(12) In the present case, Applicant's interest in the south half of the unit here proposed is subject to a JOA entered into by its predecessor in title with Nearburg. Nearburg owns no interest in the north half of the proposed unit. Applicant's interest in the north half tract is not subject to any JOA to which Nearburg is a party. These facts are analogous to those in the *Mewbourne* case.

(13) There is, however, a critical distinction. In *Mewbourne*, the applicant proposed a vertical well to be drilled on the portion of the spacing unit that was subject to the JOA. Absent voluntary or compulsory pooling, the rule of capture presumably applied. Under that rule, 100% of the production from the proposed well could be considered as production from the contract area defined in the JOA.

(14) In the present case, Applicant proposes to drill a *horizontal* well which will be completed in both the north half of the proposed spacing unit (not part of the contract area) and the south half of the proposed spacing unit (part of the contract area). The operating agreement provides that the parties will own, in the proportions set forth in Exhibit A to the agreement, "all production of oil and gas from the contract area." There is no evidence of any agreement between the parties regarding production which is not from the contract area.

(15) Although we have found no New Mexico appellate court that has addressed the question, two Texas Court of Appeals have concluded that the rule of capture does not apply to horizontal wells, so as to give any preference in allocation of production to the tract where the wellhead is located, or where the formation is initially penetrated. Thus absent an agreement or pooling order allocating production among the penetrated tracts, an owner of a tract is not entitled to any interest in the well's production except as to production derived from the portion of the wellbore underlying the owner's land. *Browning Oil Company, Inc. v. Luecke*, 38 SW3d 625, 645 (Tex. App. - Austin 2001); *Springer Ranch, Ltd. v. Jones et. al.*, 421 S.W.3d 273 (Tex. App. - San Antonio 2013).

(16) The New Mexico Oil Conservation Commission similarly held that, absent voluntary or compulsory pooling, an owner of a tract through which a horizontal well is drilled is entitled only to that portion of the well's production properly extracted from the part of the wellbore underlying the owner's tract. Order No. R-13228-F issued in Cases Nos. 14418 and 14480. *Application of Cimarex Energy Company, etc.*

The Division concludes as follows:

(17) Since the rule of capture does not apply, production of the proposed well would be production from the "contract area" defined in the operating only to the extent extracted from the W/2 SE/4. In the absence of an agreement as to how production from the proposed horizontal well is to be divided between the lands within and without the defined contract area, the JOA does not constitute an agreement of the parties to pool their interests in such production, and accordingly does not preclude compulsory pooling under the terms of the first paragraph of NMSA 1978 Section 70-2-17(C).

(18) Nearburg's Motion to Dismiss should therefore be denied.

(19) The proposed non-standard unit should be approved in order to enable Applicant to drill a horizontal well that will efficiently produce the reserves underlying the Unit, thereby preventing waste and protecting correlative rights.

(20) 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.

(21) Applicant is owner of an oil and gas working interest within the Unit. Applicant's interest is subject to both JOAs. Applicant has the right to drill and proposes

to drill the proposed well to a common source of supply within the Unit at the proposed location.

(22) 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 within the Unit.

(23) Nearburg failed to adequately explain why the risk penalty imposed on non-consenting working interest owners should be less than the 200% charge as provided in Rule 19.15.13.8 NMAC. Nearburg's witness testified that geologic risk is low but the risk of a commercial well is very high.

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

(25) Matador Production Company should be designated the operator of the proposed well and of the Unit.

(26) Reasonable charges for supervision (combined fixed rates) should be fixed at \$7000 per month while drilling and \$700 per month while producing, provided that these rates should be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "Accounting Procedure-Joint Operations."

IT IS THEREFORE ORDERED THAT:

(1) Nearburg's motion to dismiss is hereby **denied**.

(2) A non-standard 160-acre oil spacing and proration unit is hereby established for oil production from the Bone Spring formation, Corbin; Bone Spring, South Pool consisting of the W/2 E/2 of Section 32, Township 18 South, Range 33 East, NMPM, Lea County, New Mexico.

(3) Pursuant to the application of Matador Production Company, all uncommitted interests, whatever they may be, in the oil and gas in the Bone Spring formation underlying the Unit, are hereby pooled.

(4) The Unit shall be dedicated to Applicant's Eland State 32 18 33 RN Well No. 123H (API No. 30-025-42977), a horizontal well to be drilled from a surface location 154 feet from the North line and 1859 feet from the East line (Unit B) of Section 32 to a terminus or bottomhole location 240 feet from the South line and 1870 feet from the East line (Unit O) of Section 32. The completed location will be orthodox.

(5) The operator of the Unit shall commence drilling the proposed well on or before March 31, 2017, and shall thereafter continue drilling the proposed well with due diligence to test the Bone Spring formation.

(6) In the event the operator does not commence drilling the proposed well on or before March 31, 2017, Ordering Paragraphs (1) and (2) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause demonstrated by satisfactory evidence.

(7) Should the proposed well not be drilled and completed within 120 days after commencement thereof, then Ordering Paragraphs (1) and (2) shall be of no further effect, and the Unit and project area created by this order shall terminate, unless operator appears before the Division Director and obtains an extension of the time for completion of the proposed well for good cause shown by satisfactory evidence. If the proposed well is not completed in all of the standard spacing units included in the proposed project area (or Unit), then the operator shall apply to the Division for an amendment to this Order to contract the Unit so that it includes only those standard spacing units in which the well is completed.

(8) Upon final plugging and abandonment of the proposed well 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.

(9) Matador Production Company (OGRID No. 228937) is hereby designated the operator of the well and the Unit.

(10) 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 an itemized schedule of estimated costs of drilling, completing and equipping the proposed well ("well costs").

(11) Within 30 days from the date the schedule of estimated well costs is furnished, any pooled working interest owner shall have the right 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, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges. Pooled working interest owners who elect not to pay their share of estimated well costs as provided in this paragraph shall thereafter be referred to as "non-consenting working interest owners."

(12) 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 within 90 days following completion of the proposed well. If no objection to the actual well costs is received by the Division, and the Division has not objected, within 45 days following receipt of the schedule, 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 after public notice and hearing.

(13) Within 60 days following determination of reasonable well costs, any pooled working interest owner who has paid its share of estimated costs 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 exceed its share of reasonable well costs.

(14) The operator is hereby authorized to withhold the following costs and charges from production from each well:

- (a) The proportionate share of reasonable well costs attributable to each non-consenting working interest owner; and
- (b) As a charge for the risk involved in drilling the well, 200% of the above costs.

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

(16) Reasonable charges for supervision (combined fixed rates) for the well are hereby fixed at \$7000 per month while drilling and \$700 per month while producing, provided that these rates shall be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "*Accounting Procedure-Joint Operations*." The operator is authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to pooled working interest owners.

(17) Except as provided in Paragraphs (14) and (16) above, all proceeds from production from the proposed well 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 disbursed, such proceeds shall be turned over to the appropriate authority as and when required under the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 7-8A-28, as amended).

(18) Any unleased mineral interests shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this Order. Any well costs or charges that are to be paid out of production

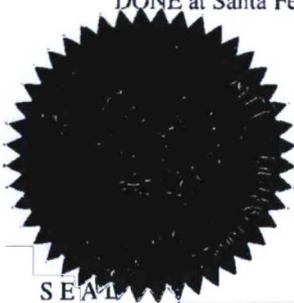
shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

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

(20) The operator of the well and the Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the compulsory pooling provisions of this Order.

(21) 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.



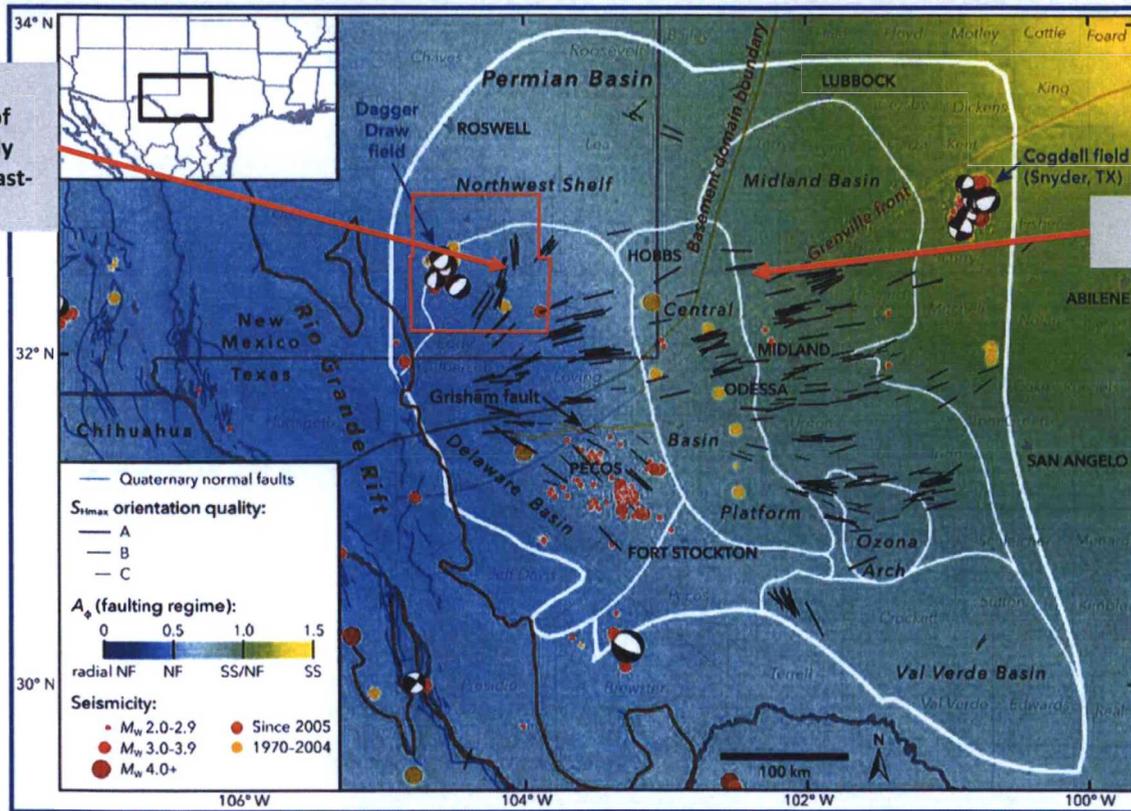
STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

DAVID R. CATANACH
Director

Regional State of Stress
Permian Basin,
Texas and New Mexico

Within the Delaware Basin a large-magnitude clockwise rotation (150°) of S_{Hmax} occurs progressively from nearly north-south in the north to east-southeast-west-northwest in the south

Black lines are the measured orientations of S_{Hmax}

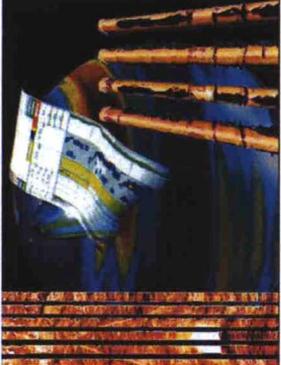


(USGS Faults and Folds Database, Crone and Wheeler, 2000), (Lund et al 2015), (USGS National Earthquake Information Center and Gan and Frohlich 2013)

Chisholm
Ex. 14

SONIC ANISOTROPY
 McCORD ENTERPRISES 23 STATE WC A 4H
 SEC. 23 T 23 S R 26 E
 EDDY CO., NEW MEXICO

HALLIBURTON

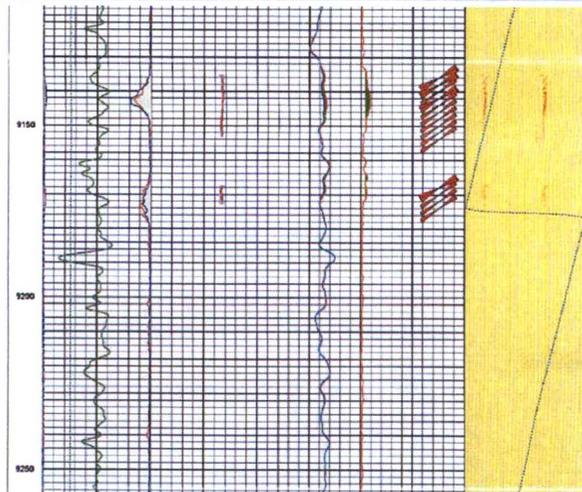


**ARRAY SONIC TOOL
 ANISOTROPY ANALYSIS**

COMPANY: CHISHOLM ENERGY OPERATING LLC
 WELL: McCORD ENTERPRISES 23 STATE WCA 4H
 FIELD/BLOCK/PURPLE SAGE: WOLF CAMP (GAS)
 COUNTY: EDDY STATE: NEW MEXICO
 Location: S44 107.716 N 107.746 W
 APN: 30-010-4420

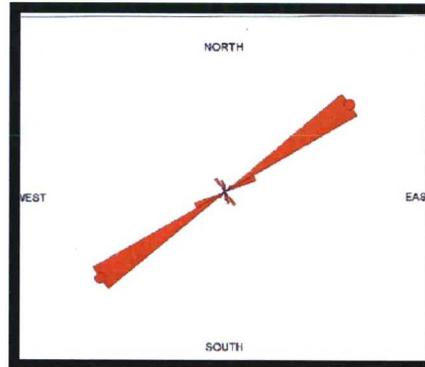
EMU: K.B. 3284.0 E
 D.F. 3293.0 E
 G.L. 3285.0 E

Date Processed: 01/13/2018 Processed At: FERS HOUSTON
 Interval Processed: 7865' - 10802' Processed By: HERMAN MOJICA



Xaminer Array Crossed-Dipole Sonic tool (XAST)

(9100 FT. – 9200 FT. Wolfcamp Fm.)

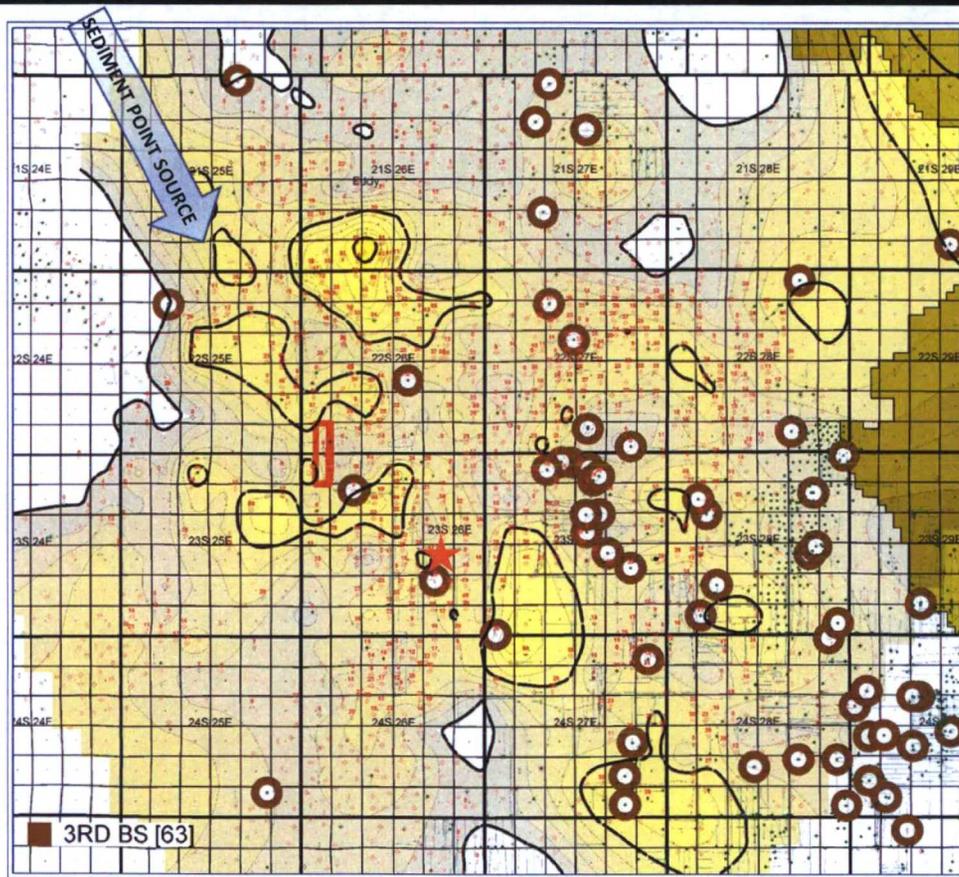


- Sonic Anisotropy* can be used to determine the orientation of natural fractures, P-wave and S-wave slowness.
- The minimum and maximum principal stresses and stress field orientation are calculated by combining oriented slowness data.
- Fast and slow shear wave traveltimes are presented and shaded when the anisotropy is >5%

*the quality of exhibiting properties with different values when measured along axes of different directions

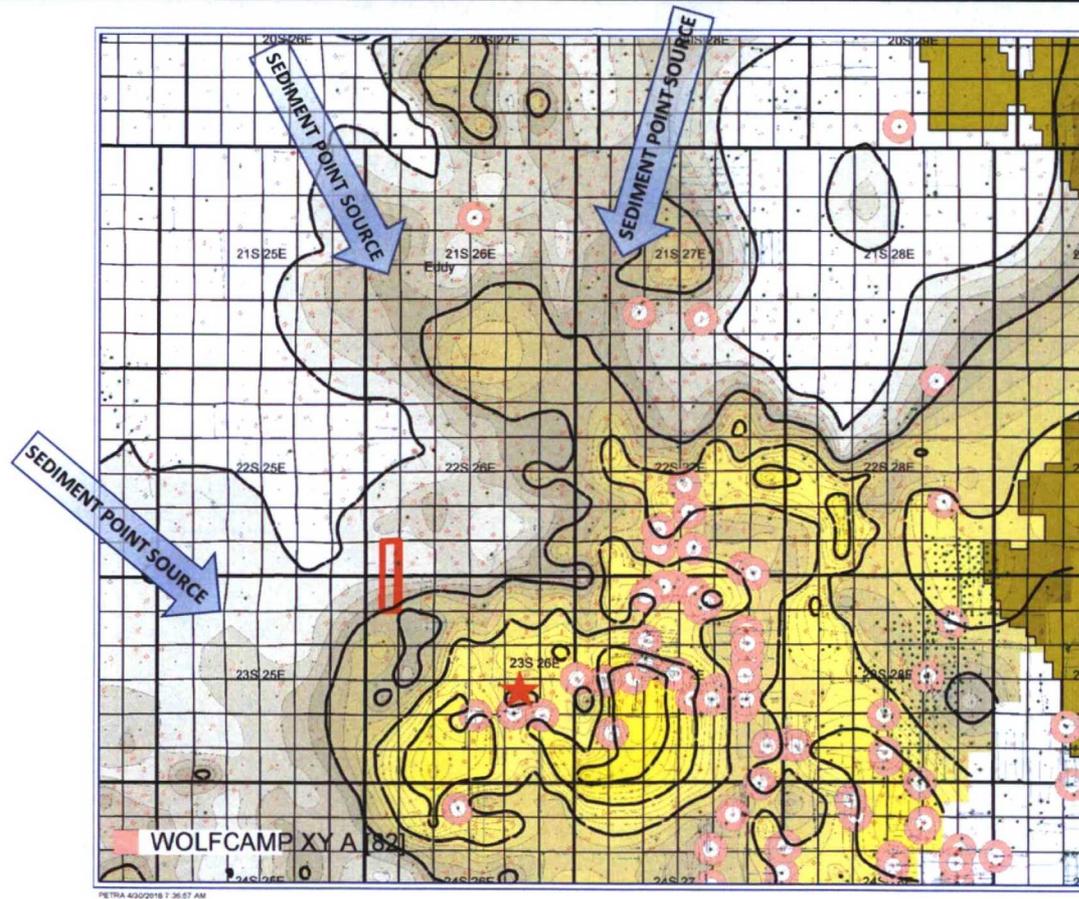
2/15

Isopach
3rd Bone Spring Lower
 $\phi > 8\%$



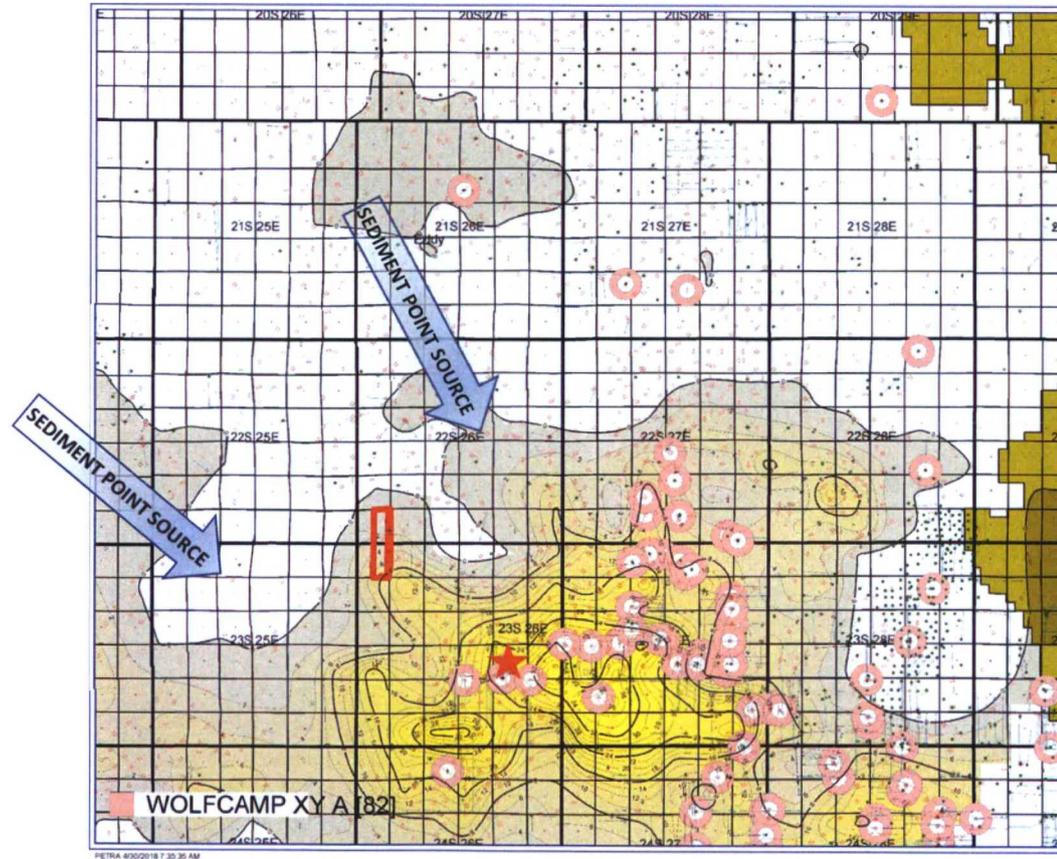
Chisholm
Exp. 16

Isopach
WCA Upper
 $\phi > 8\%$



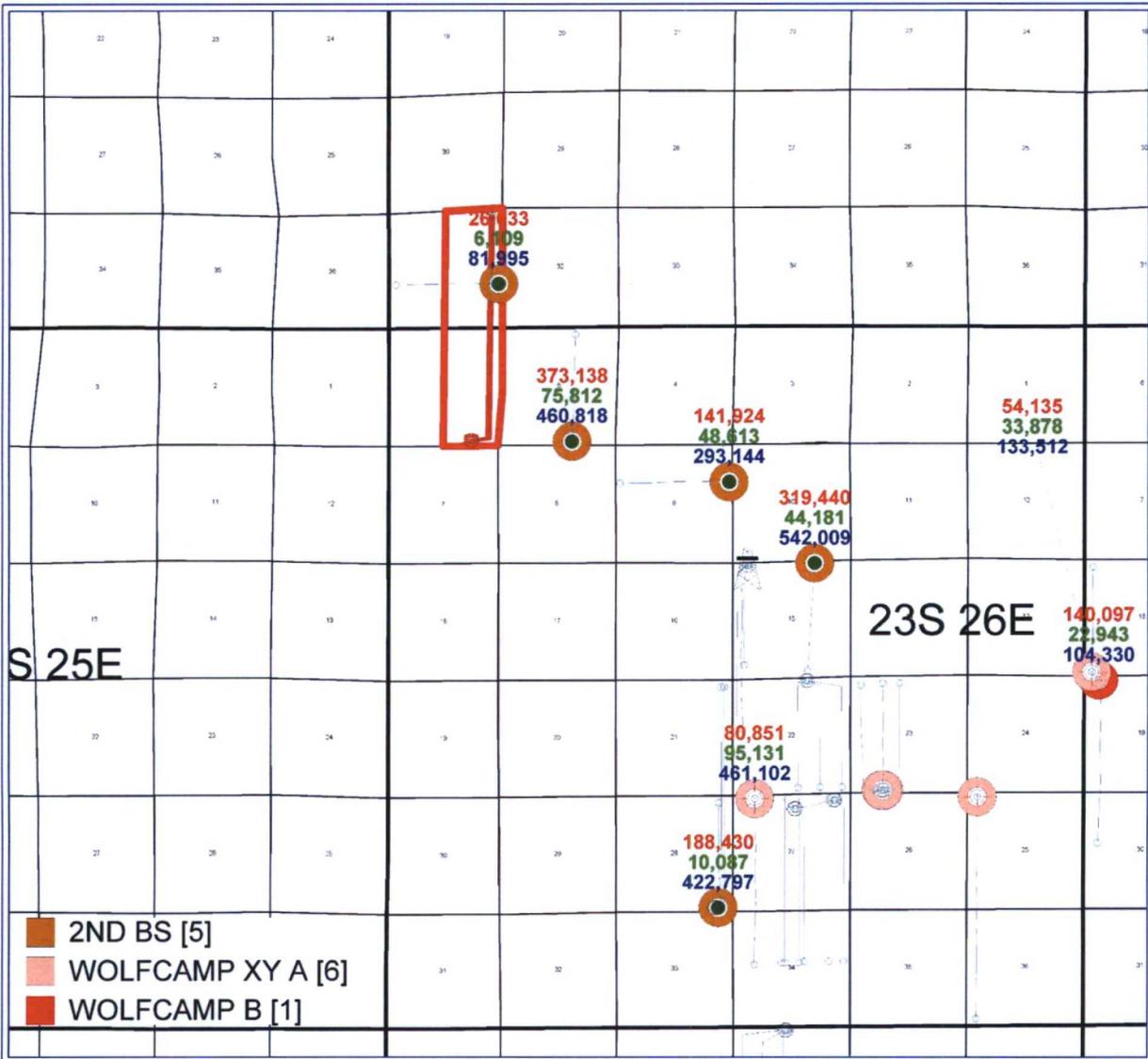
Chisholm
Ex. 17

Isopach
WCA Lower
 $\phi > 8\%$



Chisholm
Ev 18

Cumulative Production*



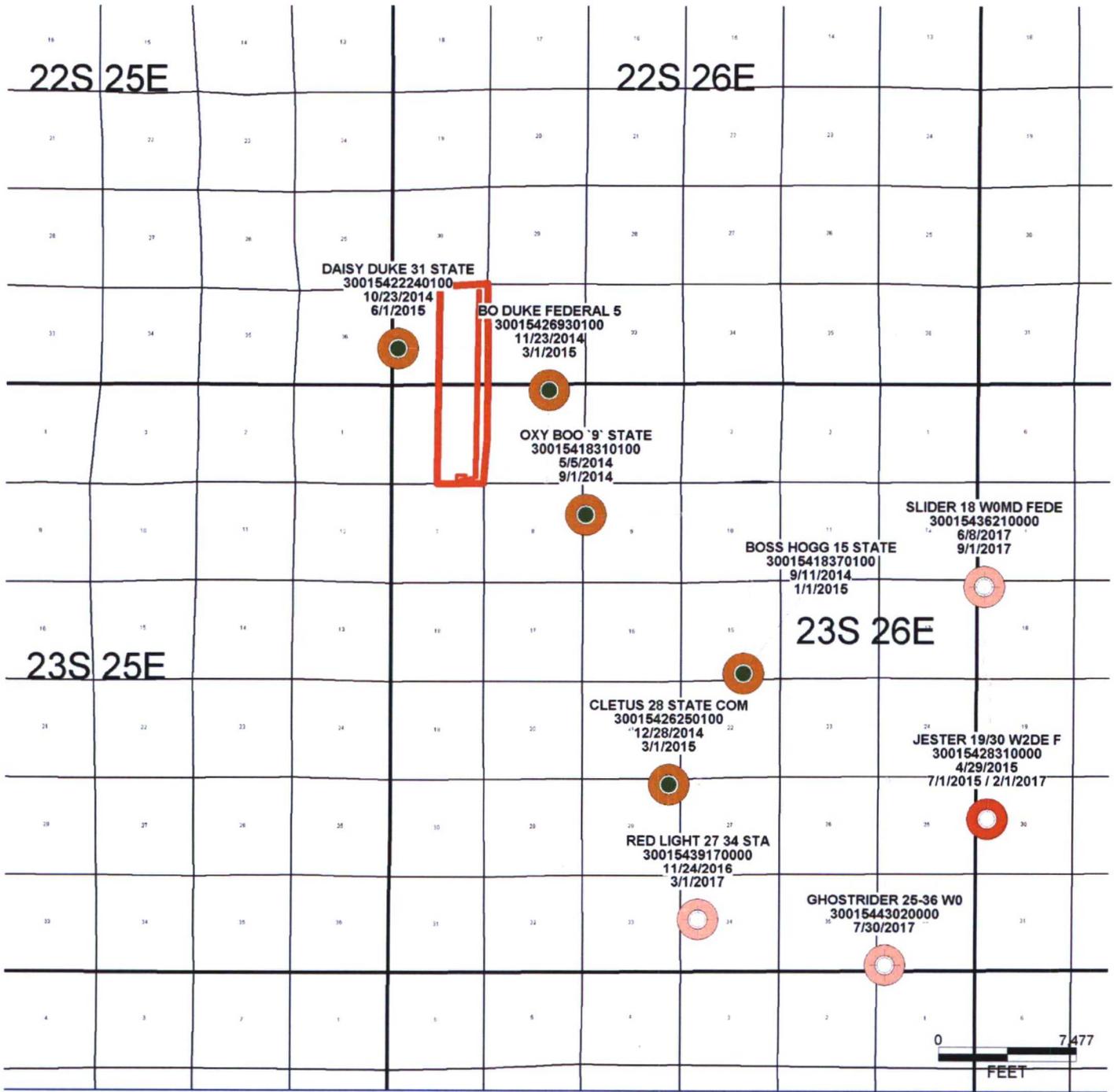
PETRA 5/1/2016 9:14:48 AM

Cumulative Gas [MCF]
Cumulative Oil [BO]
Cumulative Water [BW]

Christina
Exhibit 19

* Source IHS

Ocotillo Area Data

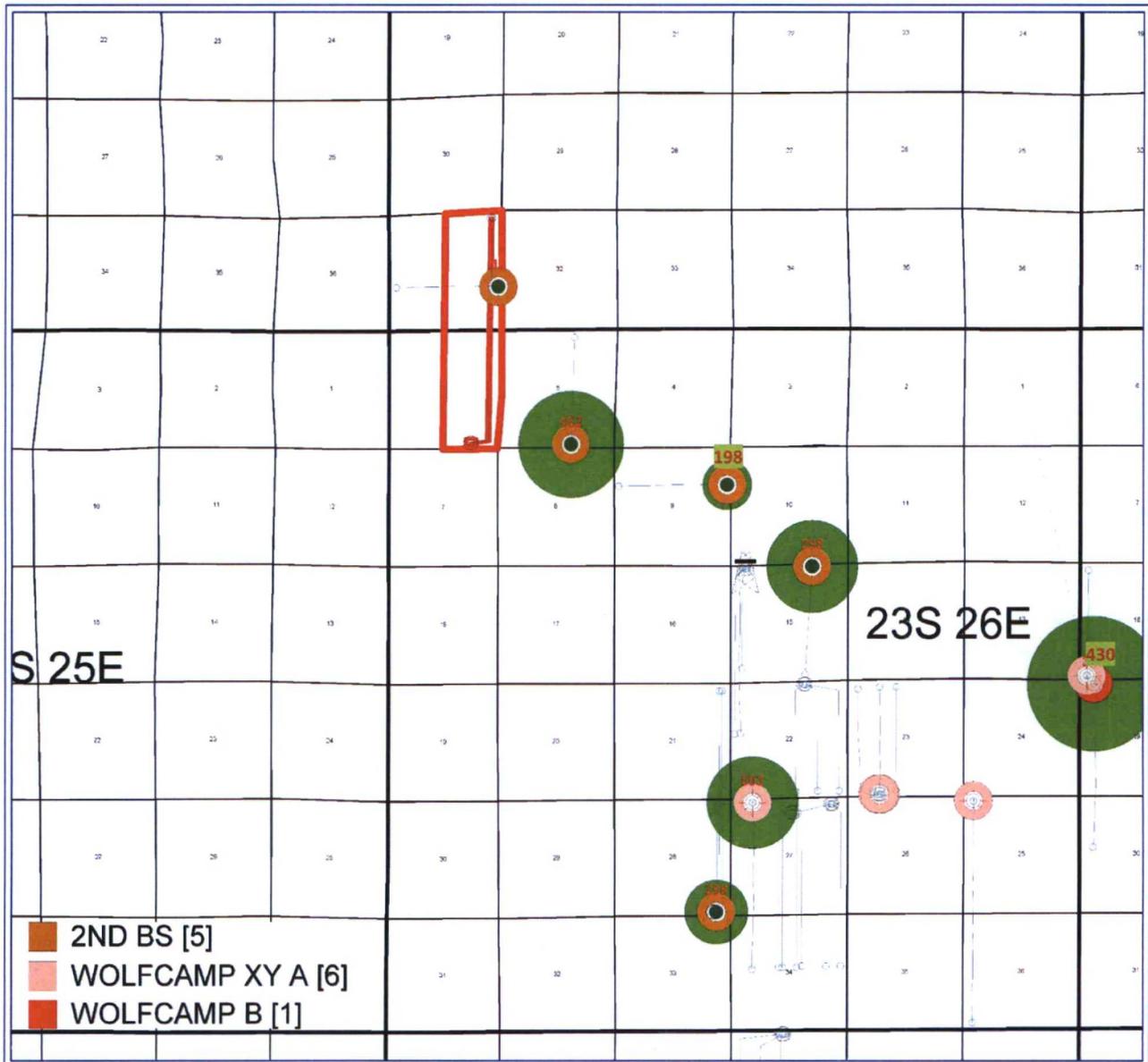


* Source IHS

Posting:
Well Name
API #
Spud Date
DOFP

*Christina
Exhibit 20*

Projected EURs*



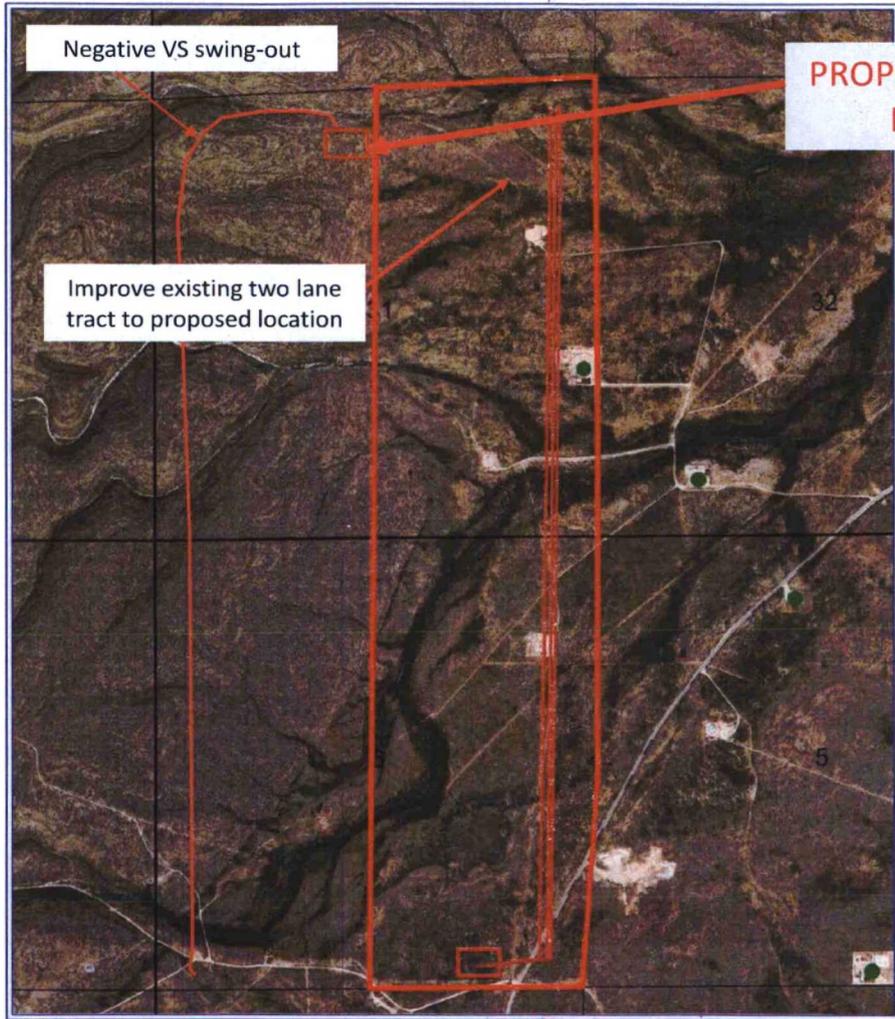
PETRA 5/1/2018 9:21:24 AM

Projected EUR [MBOE]

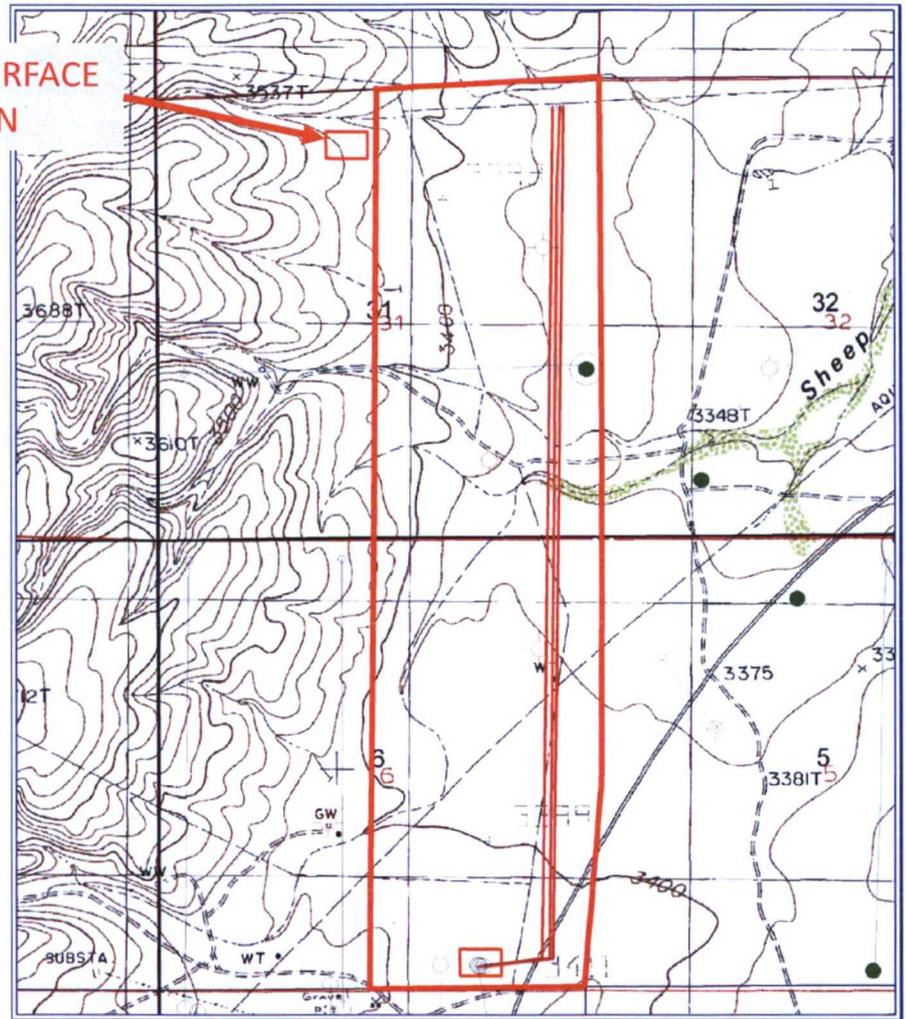
*Chisholm
Exhibit 21*

* Assumes 6:1 Equivalent

Fixed Wing Aerial Photograph 2011-2014 (15 cm resolution)



USGS Topographic Map (C.I.= 20 feet)



Chisholm
Ex. 22