

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

**APPLICATION OF CHISHOLM ENERGY
OPERATING, LLC FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.**

MAY 09 2019 PM03:26

CASE NO. 20523

APPLICATION

Chisholm Energy Operating, LLC ("Chisholm") (OGRID No. 327137), through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order pooling all uncommitted interests in the Bone Spring formation in the 320-acre, more or less, horizontal spacing unit comprised of the E/2 W/2 of Sections 7 and 18, Township 21 South, Range 35 East, NMPM, Lea County, New Mexico. In support of its application, Chisholm states:

1. Chisholm Energy Operating, LLC is a working interest owner in the proposed horizontal spacing unit and has the right to drill thereon.
2. Chisholm seeks to dedicate the above-referenced horizontal spacing unit to its proposed **Outland 18-7 State Com 2BS 2H Well**, which will be horizontally drilled from a surface location in the SE/4 SW/4 (Unit N) of Section 18 to bottom hole location in the NE/4 NW/4 (Unit C) of Section 7.
3. The Division's district office has placed these wells in the Wilson; Bone Spring Pool (Pool Code 64560). This pool is subject to Division statewide rules for oil wells. The completed interval for the proposed well will comply with Division setback requirements.

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

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

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

WHEREFORE, Chisholm requests that this application be set for hearing before an Examiner of the Oil Conservation Division on June 13, 2019, and, after notice and hearing as required by law, the Division enter an order:

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

Respectfully submitted,

HOLLAND & HART LLP

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**ATTORNEYS FOR
CHISHOLM ENERGY OPERATING, LLC**

CASE 205.23 :

Application of Chisholm Energy Operating, LLC for compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order pooling all uncommitted interest owners in the Bone Spring formation underlying a 320-acre, more or less horizontal spacing unit comprised of the E/2 W/2 of Sections 7 and 18, Township 21 South, Range 35 East, NMPM, Lea County, New Mexico. The above-referenced unit will be dedicated to the proposed **Outland 18-7 State Com 2BS 2H Well**, which will be horizontally drilled from a surface location in the SE/4SW/4 (Unit N) of Section 18 to bottom hole location in the NE/4 NW/4 (Unit C) of Section 7. The completed interval for the well will comply with the setback requirements set forth in the statewide rules. Also, to be considered will be the cost of drilling and completing the well, the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Chisholm Energy Operating, LLC as operator, and a 200% charge for risk involved in drilling and completing each well. Said area is located approximately 12 miles west of Eunice, New Mexico.