

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

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

**CASE NO. 22173**

**SECOND AFFIDAVIT OF LUKE SHELTON, LANDMAN**

Luke Shelton, of lawful age and being first duly sworn, declares as follows:

1. My name is Luke Shelton, and I am employed by Chisholm Energy Operating, LLC (“Chisholm”) as a Landman.

2. This affidavit provides the information requested by the Division Examiners at the October 7, 2021 hearing.

3. In this case Chisholm seeks to form a standard 280-acre, more or less, horizontal spacing unit in the Bone Spring formation comprised of the SW/4 NW/4 and the W/2 SW/4 of Section 5 and the W/2 W/2 of Section 8, Township 19 South, Range 33 East, NMPM, Lea County, New Mexico. The attached C-102 included with this affidavit as **Amended Exhibit C-1** reflects the corrected spacing unit for the proposed initial **Bel-Air 5-8 Fed 2BS Com #5H well** to be horizontally drilled from a surface location in the NE/4 NW/4 (Lot 3) of Section 5 to a bottom hole location in the SW/4 SW/4 (Lot M) of Section 8. The updated spacing unit excludes the NW/4 NW/4 (Lot 4) of Section 5, which is comprised of unleased federal acreage.

4. Chisholm is working with the BLM to lease the NW/4 NW/4 of Section 5. **Chisholm Exhibit G-1** is Chisholm’s nomination form for the tract. It reflects that Chisholm nominated the tract for lease on January 19, 2021, has made a good faith effort to lease that acreage for development with the proposed spacing unit. However, due to a moratorium on federal leasing

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. G  
Submitted by: Chisholm Energy Operating, LLC  
Hearing Date: October 07, 2021

in 2021, the NW/4 NW/4 of Section 5 cannot be acquired or developed by Chisholm or any other operator at this time. BLM has been unable to confirm with Chisholm when the next federal lease sale will occur and when or if this tract will be offered for lease.

5. At this time, therefore, Chisholm seeks to move forward with the development of this spacing unit as proposed in this case, excluding the NW/4 NW/4 of Section 5, because the proposed initial well is an obligation well under a substantial farmout agreement that requires Chisholm to drill four wells by September 2022. If Chisholm does not drill this well, it risks being unable to meet its obligations under the farmout agreement and losing a substantial and valuable leasehold interest. Approval of this application is therefore necessary to protect Chisholm's correlative rights.

6. Chisholm operations within the proposed 280-acre spacing unit will be subject to BLM approval of its federal Application for Permit to Drill ("APD"). Said APD was submitted to the BLM on March 30, 2021 and is currently pending final approval. **Chisholm Exhibit G-2** reflects the current status of the submitted APD for the Bel-Air 5-8 Fed 2BS Com 5H.

7. I do not believe that the NW/4 NW/4 of Section 5 is at risk of being stranded. If the BLM offers the NW/4 NW/4 of Section 5 for lease, Chisholm intends to lease the tract and to amend the spacing unit to include it in its future horizontal well development plans for the Bone Spring formation. If another entity leases the tract, Chisholm will seek to reach voluntary agreement or force pool that lessee to include the acreage in a spacing unit. While Chisholm's preference is to include the tract in future horizontal well development across the W/2 W/2 of Sections 5 and 8, it can also be developed as a 40-acre spacing unit for vertical wells.

8. **Amended Exhibit C-1, Exhibit G-1 and Exhibit G-2** were prepared by me or compiled under my direction and supervision.

FURTHER AFFIANT SAYETH NOT.

*[Signature]*  
LUKE SHELTON

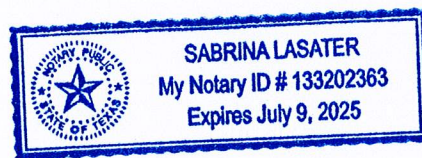
STATE OF TEXAS            )  
                                          )  
COUNTY OF TARRANT    )

SUBSCRIBED and SWORN to before me this 14<sup>th</sup> day of October 2021 by  
Luke Shelton.

*[Signature]*  
NOTARY PUBLIC

My Commission Expires:

July 9<sup>th</sup>, 2025



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 Road, Aztec, NM 87410  
Phone: (505) 334-6178 Fax: (505) 334-6170  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505  
Phone: (505) 476-3460 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

<sup>1</sup> API Number		<sup>2</sup> Pool Code		<sup>3</sup> Pool Name	
<sup>4</sup> Property Code		<sup>5</sup> Property Name <b>BEL-AIR 5-8 FED 2BS COM</b>			<sup>6</sup> Well Number <b>5H</b>
<sup>7</sup> OGRID No. <b>372137</b>		<sup>8</sup> Operator Name <b>CHISHOLM ENERGY OPERATING, LLC</b>			<sup>9</sup> Elevation <b>3716.9</b>

<sup>10</sup> Surface Location

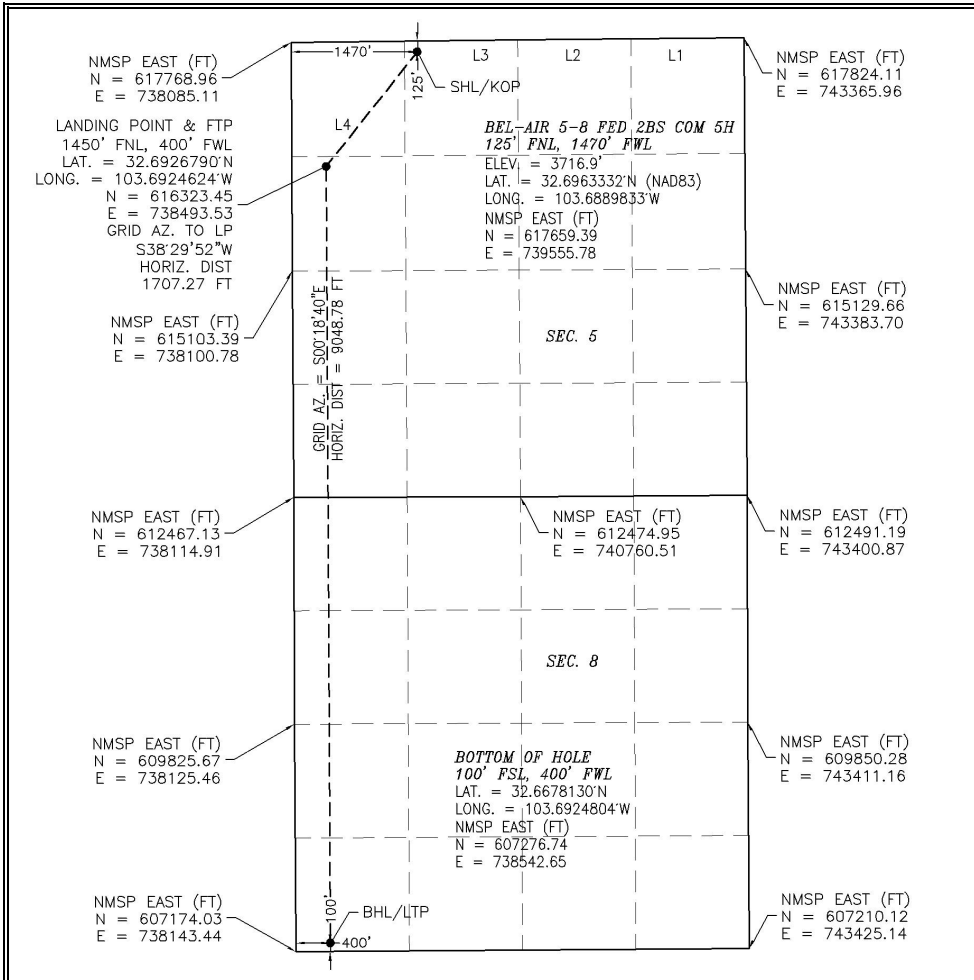
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
<b>3</b>	<b>5</b>	<b>19 S</b>	<b>33 E</b>		<b>125</b>	<b>NORTH</b>	<b>1470</b>	<b>WEST</b>	<b>LEA</b>

<sup>11</sup> 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
<b>M</b>	<b>8</b>	<b>19 S</b>	<b>33 E</b>		<b>100</b>	<b>SOUTH</b>	<b>400</b>	<b>WEST</b>	<b>LEA</b>

<sup>12</sup> Dedicated Acres	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
-------------------------------	-------------------------------	----------------------------------	-------------------------

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.



**<sup>17</sup> 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 unleased 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.

Signature \_\_\_\_\_ Date \_\_\_\_\_  
 Printed Name \_\_\_\_\_  
 E-mail Address \_\_\_\_\_

**<sup>18</sup> 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.

MAY 21, 2021  
 Date of Survey \_\_\_\_\_

Signature and Seal of Professional Surveyor:   
 Certificate Number: MICHAEL F. JARAMA, L.S. 12797  
 State of New Mexico, License No. 8558A

BEFORE THE OIL CONSERVATION DIVISION  
 Santa Fe, New Mexico  
 Amended Exhibit No. G1  
 Submitted by: Chisholm Energy Operating, LLC  
 Hearing Date: October 07, 2021

Intent  As Drilled

API #		
Operator Name: <b>CHISHOLM ENERGY OPERATING, LLC</b>	Property Name: <b>BEL-AIR 5-8 FED 2BS COM</b>	Well Number <b>5H</b>

Kick Off Point (KOP)

UL	Section <b>5</b>	Township <b>19S</b>	Range <b>33E</b>	Lot <b>3</b>	Feet <b>125</b>	From N/S <b>NORTH</b>	Feet <b>1470</b>	From E/W <b>WEST</b>	County <b>LEA</b>
Latitude <b>32.6963332</b>					Longitude <b>103.6889833</b>			NAD <b>83</b>	

First Take Point (FTP)

UL <b>E</b>	Section <b>5</b>	Township <b>19S</b>	Range <b>33E</b>	Lot	Feet <b>1450</b>	From N/S <b>NORTH</b>	Feet <b>400</b>	From E/W <b>WEST</b>	County <b>LEA</b>
Latitude <b>32.6926790</b>					Longitude <b>103.6924624</b>			NAD <b>83</b>	

Last Take Point (LTP)

UL <b>M</b>	Section <b>8</b>	Township <b>19S</b>	Range <b>33E</b>	Lot	Feet <b>100</b>	From N/S <b>SOUTH</b>	Feet <b>400</b>	From E/W <b>WEST</b>	County <b>LEA</b>
Latitude <b>32.6678130</b>					Longitude <b>103.6924804</b>			NAD <b>83</b>	

Is this well the defining well for the Horizontal Spacing Unit?

Is this well an infill well?

If infill is yes please provide API if available, Operator Name and well number for Defining well for Horizontal Spacing Unit.

API #		
Operator Name:	Property Name:	Well Number

KZ 06/29/2018

Lands Nominated

Login Help

Geo. State

ALL

Calendar Year

2021

Status

ALL

Submitted in the Last

Select one

Type

ALL

\*Execute filters and search on the first page of results

Bulk Actions

Search for...  Search

<input type="checkbox"/>	Geo. State	Type	Status	Submitted Date	Nominator	LD Summary	Subdivision
<input type="checkbox"/>	NM	O&G Nomination (EOI)	Submitted	01/19/2021	Nominator	NM T. 19 S., R. 33 E., NEW MEXICO PM, Sec. 5	4
<input type="checkbox"/>	WY	O&G Nomination (EOI)	Submitted	01/19/2021	Jackman Construction Inc	WY T. 20 N., R. 105 W., 6TH PM, Sec. 28	ALL
<input type="checkbox"/>	ND	O&G Nomination (EOI)	Submitted	01/18/2021	Diamond Resources Co.	ND T. 152 N., R. 99 W., 5TH PM, Sec. 5	Accretions to Lot 11 of Section 6 as it lies within the linear confines of Section 5

**BEFORE THE OIL CONSERVATION DIVISION**  
**Santa Fe, New Mexico**  
**Exhibit No. G1**  
**Submitted by: Chisholm Energy Operating, LLC**  
**Hearing Date: October 07, 2021**

### My Monitor for APD: 10400071678

AFMSS II APD #

10400071678

Operator

CHISHOLM ENERGY OPERATING LLC

APD Submitted

March 31, 2021

Designated Agent

N

Well Name

BEL-AIR 5-8 FED 2BS COM

Well Number

5H

Well Type

OIL WELL

Well Class

HORIZONTAL

Work Type

Drill

Federal/Indian APD

FED

101	Completed	Submit APD	<a href="#">JENNIFER ELROD</a>	<a href="#">JENNIFER ELROD</a>	2021/3/30 9:43:13 AM	2021/3/31 9:11:49 AM
-----	-----------	------------	--------------------------------	--------------------------------	----------------------------	----------------------------

**BEFORE THE OIL CONSERVATION DIVISION**  
**Santa Fe, New Mexico**  
**Exhibit No. G2**  
**Submitted by: Chisholm Energy Operating, LLC**  
**Hearing Date: October 07, 2021**



103	Designated	Review APD		<a href="#">Adjudicator</a>	2021/3/31 9:11:51 AM		
105	Completed	Review APD	<a href="#">Deborah Ham</a>	<a href="#">Deborah Ham</a>	2021/3/31 9:11:51 AM	2021/5/26 8:59:21 AM	
106	Completed	Address Missing Components	<a href="#">JENNIFER ELROD</a>	<a href="#">JENNIFER ELROD</a>	2021/5/26 8:59:27 AM	2021/6/2 8:57:39 AM	
108	Designated	Review APD		<a href="#">Adjudicator</a>	2021/6/2 8:57:41 AM		
110	Completed	Review APD	<a href="#">Deborah Ham</a>	<a href="#">Deborah Ham</a>	2021/6/2 8:57:41 AM	2021/6/9 11:33:19 AM	
111	Completed	Address Missing Components	<a href="#">JENNIFER ELROD</a>	<a href="#">JENNIFER ELROD</a>	2021/6/9 11:33:25 AM	2021/6/9 12:44:54 PM	
113	Completed	Review APD	<a href="#">Deborah Ham</a>	<a href="#">Deborah Ham</a>	2021/6/9 12:44:54 PM	2021/6/9 3:28:14 PM	
115	Completed	Address Missing Components	<a href="#">JENNIFER ELROD</a>	<a href="#">JENNIFER ELROD</a>	2021/6/9 3:28:20 PM	2021/6/10 3:01:06 PM	
117	Completed	Review APD	<a href="#">Deborah Ham</a>	<a href="#">Deborah Ham</a>	2021/6/10 3:01:07 PM	2021/6/15 3:24:07 PM	
101	Completed	Assign Analysts	<a href="#">Bobby Ballard</a>	<a href="#">Authorized Officer</a>	2021/6/15 3:24:10 PM	2021/6/16 3:24:09 PM	2021/7/10 11:44:41 AM
103	Completed	Surface Review	<a href="#">KEELY M WATLAND</a>	<a href="#">KEELY M WATLAND</a>	2021/7/10 11:44:42 AM	2021/6/23 3:24:10 PM	2021/7/13 3:11:10 PM
105	Completed	Adjudication Review	<a href="#">Deborah Ham</a>	<a href="#">Deborah Ham</a>	2021/7/10 11:44:42 AM	2021/6/23 3:24:10 PM	2021/7/12 2:03:45 PM
107	Completed	Geologic Review	<a href="#">JIM RUTLEY</a>	<a href="#">JIM RUTLEY</a>	2021/7/10 11:44:43 AM	2021/6/23 3:24:10 PM	2021/7/18 4:33:29 PM

109	Completed	Engineering Review	<a href="#">RACHEL O JABIKEN</a>	<a href="#">RACHEL O JABIKEN</a>	2021/7/10 11:44:43 AM	2021/6/23 3:24:10 PM	2021/7/17 5:46:42 AM
111	Completed	Conformance Review/Schedule On-Site	<a href="#">KEELY M WATLAND</a>	<a href="#">KEELY M WATLAND</a>	2021/7/10 11:44:43 AM		2021/7/13 2:34:39 PM
113	Completed	Prepare 10-Day letter	<a href="#">Deborah Ham</a>	<a href="#">Deborah Ham</a>	2021/7/18 4:33:29 PM	2021/6/24 3:24:10 PM	2021/7/20 4:01:03 PM
115	Completed	Review 10-Day Letter	<a href="#">Bobby Ballard</a>	<a href="#">Authorized Officer</a>	2021/7/20 4:01:05 PM	2021/6/25 3:24:10 PM	2021/7/27 10:13:23 PM
119	Completed	Submit Changes/Address Deficiencies	<a href="#">JENNIFER ELROD</a>	<a href="#">JENNIFER ELROD</a>	2021/7/27 10:13:28 PM	2021/9/13 7:00:00 AM	2021/8/5 3:14:23 PM
101	Completed	Post-deficiency surface review	<a href="#">KEELY M WATLAND</a>	<a href="#">KEELY M WATLAND</a>	2021/8/5 3:14:26 PM	2021/8/12 3:14:26 PM	2021/8/5 4:07:45 PM
103	Completed	Post-deficiency geologic review	<a href="#">JIM RUTLEY</a>	<a href="#">JIM RUTLEY</a>	2021/8/5 3:14:27 PM	2021/8/12 3:14:27 PM	2021/8/8 8:50:26 PM
105	Completed	Post-deficiency engineering review	<a href="#">RACHEL O JABIKEN</a>	<a href="#">RACHEL O JABIKEN</a>	2021/8/5 3:14:27 PM	2021/8/12 3:14:27 PM	2021/8/14 3:02:52 PM
107	Completed	Post-deficiency adjudication review	<a href="#">Deborah Ham</a>	<a href="#">Deborah Ham</a>	2021/8/5 3:14:27 PM	2021/8/12 3:14:27 PM	2021/8/6 9:31:19 AM
109	Completed	Prepare Deficiency Letter	<a href="#">Deborah Ham</a>	<a href="#">Deborah Ham</a>	2021/8/14 3:02:53 PM	2021/8/15 3:02:53 PM	2021/8/16 12:59:21 PM
111	Completed	Review Deficiency Letter	<a href="#">Bobby Ballard</a>	<a href="#">Authorized Officer</a>	2021/8/16 12:59:22 PM		2021/8/16 3:05:27 PM
123	Completed	Submit Changes/Address Deficiencies	<a href="#">JENNIFER ELROD</a>	<a href="#">JENNIFER ELROD</a>	2021/8/16 3:05:33 PM	2021/9/30 9:05:24 AM	2021/8/17 7:12:04 AM
101	Completed	Post-deficiency surface review	<a href="#">KEELY M WATLAND</a>	<a href="#">KEELY M WATLAND</a>	2021/8/17 7:12:06 AM	2021/8/24 7:12:06 AM	2021/8/17 9:36:42 AM

103	Completed	Post-deficiency geologic review	<a href="#">JIM RUTLEY</a>	<a href="#">JIM RUTLEY</a>	2021/8/17 7:12:07 AM	2021/8/24 7:12:07 AM	2021/8/25 8:01:11 AM
105	Completed	Post-deficiency engineering review	<a href="#">RACHEL O JABIKEN</a>	<a href="#">RACHEL O JABIKEN</a>	2021/8/17 7:12:08 AM	2021/8/24 7:12:08 AM	2021/8/31 3:47:45 PM
107	Completed	Post-deficiency adjudication review	<a href="#">Deborah Ham</a>	<a href="#">Deborah Ham</a>	2021/8/17 7:12:09 AM	2021/8/24 7:12:09 AM	2021/8/18 1:12:24 PM
101	Completed	Surface approval/COA	<a href="#">KEELY M WATLAND</a>	<a href="#">KEELY M WATLAND</a>	2021/8/31 3:47:47 PM	2021/9/29 9:47:47 PM	2021/10/12 10:45:48 AM
103	Completed	Record NEPA Documentation	<a href="#">KEELY M WATLAND</a>	<a href="#">KEELY M WATLAND</a>	2021/8/31 3:47:48 PM		2021/10/12 11:50:42 AM
105	Overdue Running	Geologic approval/COA		<a href="#">JIM RUTLEY</a>	2021/8/31 3:47:48 PM	2021/9/29 9:47:47 PM	
107	Overdue Running	Engineering approval/COA		<a href="#">RACHEL O JABIKEN</a>	2021/8/31 3:47:49 PM	2021/9/29 9:47:47 PM	