

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

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

**CASE NO. 22051**

**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. I have previously testified before the New Mexico Oil Conservation Division as an expert witness in petroleum land matters. My credentials as a petroleum landman have been accepted by the Division and made a matter of record.
3. I am familiar with the application filed by Chisholm in this case, and I am familiar with the status of the lands in the subject area.
4. **Amended Exhibit C-3** attached to this affidavit contains an example of the well proposal letters and AFE's Chisholm sent to the working interest owners for this case. The costs reflected in each AFE are consistent with what Chisholm and other operators have incurred for drilling similar horizontal wells in this formation in this area.
5. **Chisholm's Amended Exhibit C-3** was either prepared by me or compiled under my direction and supervision.

FURTHER AFFIANT SAYETH NOT.





June 10, 2021

**VIA CERTIFIED MAIL: 7021 0950 0002 1815 2735**

WPX ENERGY PERMIAN, LLC  
3500 One Williams Center, MD: 34  
Tulsa, Oklahoma 71472

RE: Cletus 28-21 Fed Com WCA 2H and WCA 3H  
E/2 of Section 28-T23S-R26E &  
E/2 of Section 21-T23S-R26E  
Eddy County, New Mexico

To whom it may concern,

Chisholm Energy Operating, LLC ("Chisholm") hereby proposes the drilling of two horizontal Wolfcamp "A" wells to TVD of approximately 8,813' and a MD of approximately 18,684' (2H) and a TVD of approximately 8,814' and a MD of approximately 18,826' (3H).

**Approximate surface hole locations:**

Cletus 28-21 Fed Com WCA 2H: At a legal location in Unit P, Section 28, 23 South, 26 East, Eddy Co. New Mexico  
Cletus 28-21 Fed Com WCA 3H: At a legal location in Unit P, Section 28, 23 South, 26 East, Eddy Co. New Mexico

**Approximate bottom hole locations:**

Cletus 28-21 Fed Com WCA 2H: At a legal location in Unit A, Section 21, 23 South, 26 East, Eddy Co. New Mexico  
Cletus 28-21 Fed Com WCA 3H: At a legal location in Unit B, Section 21, 23 South, 26 East, Eddy Co. New Mexico

Chisholm is proposing to drill this well under the terms of a modified 1989 AAPL form Operating Agreement covering the E/2 of Section 28 and E/2 of Section 21, Township 23 South, Range 26 East, Eddy Co. Said Operating Agreement will be made available for your review upon request and contains the following general provision.

- 100/300 Non-consenting penalty
- \$7,500/\$750 Drilling and Production Rate
- Chisholm Energy Operating, LLC named as Operator

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.

Please call at your earliest convenience to discuss our proposal.

**Chisholm Energy Operating, LLC**

Luke Shelton  
Senior Landman  
lshelton@chisholmenergy.com  
817-953-0359

Enclosures

\_\_\_\_\_ Elect to participate in the drilling of the Cletus 28-21 Fed Com WCA 2H and WCA 3H.

\_\_\_\_\_ Elect to farmout/assign our interest in the Cletus 28-21 Fed Com WCA 2H and WCA 3H.

WPX ENERGY PERMIAN, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_



**Statement of Estimated Well Cost (100%)**

<b>Well</b>	Cletus 28-21 State Com WCA 2H
<b>Field</b>	Wolfcamp A
<b>County, State:</b>	Eddy, NM
<b>BHL:</b>	Horizontal
<b>Proposed TD:</b>	18,684 MD      8,813 TVD
<b>Normal Pressure?</b>	Yes

<b>PROP #:</b>	
<b>WI #:</b>	
<b>NRI #:</b>	
<b>AFE #:</b>	

		BCP	ACP	TOTAL
<b>COSTS TO CASING POINT: TANGIBLES</b>				
8510-400	Conductor Casing or Drive Pipe	\$17,000		\$17,000
8510-405	Surface Casing	\$18,945		\$18,945
8510-410	Intermediate Casing/Drlg Liner	\$58,054		\$58,054
8510-415	Wellhead Equipment - Surface & MLS	\$40,000		\$40,000
8510-420	Other Sub-Surface Equipment	\$0		
8510-425	Cementing Equipment	\$33,000		\$33,000
8510-500	Production Casing	\$329,025		\$329,025
8510-600	Nonoperated	\$0		
8510-700	Impairment	\$0		
8510-999	Accruals	\$0		
	<b>TOTAL COST TO CASING POINT - TANGIBLES</b>	<b>\$496,025</b>		<b>\$496,025</b>
<b>COSTS TO CASING POINT: INTANGIBLES</b>				
8500-100	Roads/Location	\$50,000		\$50,000
8500-105	Drilling Turnkey	\$0		
8500-110	Drilling Daywork	\$466,585		\$466,585
8500-115	Fuel/Power	\$84,000		\$84,000
8500-125	Equipment Rental	\$161,220		\$161,220
8500-130	Legal Fees	\$0		
8500-135	Bonds, Permits and Inspection	\$30,000		\$30,000
8500-155	Mud and Chemicals	\$175,000		\$175,000
8500-160	Cementing Services	\$120,000		\$120,000
8500-170	Supervision/Consulting	\$85,000		\$85,000
8500-175	Casing and Other Tangible Crew	\$39,000		\$39,000
8500-180	Damages/Penalties	\$0		
8500-185	Coring and Analysis	\$0		
8500-190	Cuttings/Fluids Disposal	\$80,000		\$80,000
8500-195	Directional Drilling Services	\$364,400		\$364,400
8500-200	Drill Bits	\$104,000		\$104,000
8500-210	Surface Damages/ROW	\$0		
8500-215	Contract Labor and Services	\$20,000		\$20,000
8500-220	Mud Logging	\$0		
8500-235	Reclamation	\$0		
8500-240	Rig Mobilization/Demob	\$126,500		\$126,500
8500-245	Fishing Tools and Services	\$0		
8500-250	Testing-Drill Stem/Production	\$0		
8500-260	Wireline Services	\$0		
8500-265	Water	\$37,000		\$37,000
8500-270	Camp Expenses	\$47,750		\$47,750
8500-285	Contingencies	\$0		
8500-290	Environmental	\$0		
8500-300	Overhead	\$0		
8500-350	Insurance	\$0		
8500-600	Nonoperated	\$0		
8500-700	Impairment	\$0		
8500-999	Accruals	\$0		
	<b>TOTAL COST TO CASING POINT - INTANGIBLES</b>	<b>\$1,990,455</b>		<b>\$1,990,455</b>
<b>COMPLETION COSTS: TANGIBLES</b>				
8530-415	Wellhead		\$25,000	\$25,000
8530-420	Subsurface Equipment		\$0	

8530-510	Tubing			\$39,042	\$39,042
8530-515	Rods			\$0	
8530-525	Artificial Lift Equipment			\$60,000	\$60,000
8530-530	Gas Metering Equipment			\$30,000	\$30,000
8530-531	Electrical			\$30,000	\$30,000
8530-535	LACT Unit			\$0	
8530-540	Production Facilities and Flowlines			\$115,000	\$115,000
8530-545	Pumping Unit			\$0	
8530-550	Separator, Heater, Treater			\$80,000	\$80,000
8530-555	Tank Battery			\$75,000	\$75,000
8530-560	Vapor Recovery Unit			\$0	
8530-590	Other Misc Equipment			\$0	
8530-600	Nonoperated			\$0	
8530-700	Impairment			\$0	
8530-999	Accruals			\$0	
	<b>TOTAL COMPLETION COST - TANGIBLES</b>			<b>\$454,042</b>	<b>\$454,042</b>
	<b>COMPLETION COSTS: INTANGIBLES</b>				
8520-100	Roads/Location			\$5,000	\$5,000
8520-120	Perforating Services			\$159,725	\$159,725
8520-125	Equipment Rental			\$120,000	\$120,000
8520-135	Bonds, Permits and Inspection			\$0	
8520-145	Completion Unit			\$200,000	\$200,000
8520-150	Frac Plugs			\$51,300	\$51,300
8520-155	Mud and Chemicals			\$20,000	\$20,000
8520-160	Cementing Services			\$0	
8520-165	Acidizing and Fracturing			\$1,680,000	\$1,680,000
8520-170	Supervision/Consulting			\$63,000	\$63,000
8520-175	Casing and Other Tangible Crew			\$0	
8520-190	Cuttings/Fluids Disposal			\$15,000	\$15,000
8520-200	Drill Bits			\$30,000	\$30,000
8520-210	Surface Damages/ROW			\$0	
8520-215	Contract Labor and Services			\$10,000	\$10,000
8520-230	Pump/Vacuum Trucks			\$10,000	\$10,000
8520-235	Reclamation			\$0	
8520-245	Fishing Tools and Services			\$0	
8520-250	Well Testing			\$112,000	\$112,000
8520-255	Trucking and Hauling			\$0	
8520-260	Wireline Services			\$5,500	\$5,500
8520-270	Camp Expenses			\$10,000	\$10,000
8520-275	Coiled Tubing Services			\$0	
8520-280	Frac Water			\$492,000	\$492,000
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	
	<b>TOTAL COMPLETION COST - INTANGIBLES</b>			<b>\$2,983,525</b>	<b>\$2,983,525</b>
	<b>TOTAL WELL COST</b>			<b>\$2,486,480</b>	<b>\$3,437,567</b>
					<b>\$5,924,046</b>

Approved by: \_\_\_\_\_

Date: \_\_\_\_\_

Approved by: \_\_\_\_\_

Date: \_\_\_\_\_

Approved by: \_\_\_\_\_

Date: \_\_\_\_\_



**Statement of Estimated Well Cost (100%)**

<b>Well</b>	Cletus 28-21 State Com WCA 3H
<b>Field</b>	Wolfcamp A
<b>County, State:</b>	Eddy, NM
<b>BHL:</b>	Horizontal
<b>Proposed TD:</b>	18,826 MD      8,814 TVD
<b>Normal Pressure?</b>	Yes

<b>PROP #:</b>	
<b>WI #:</b>	
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		BCP	ACP	TOTAL
<b>COSTS TO CASING POINT: TANGIBLES</b>				
8510-400	Conductor Casing or Drive Pipe	\$17,000		\$17,000
8510-405	Surface Casing	\$18,945		\$18,945
8510-410	Intermediate Casing/Drlg Liner	\$58,054		\$58,054
8510-415	Wellhead Equipment - Surface & MLS	\$40,000		\$40,000
8510-420	Other Sub-Surface Equipment	\$0		
8510-425	Cementing Equipment	\$33,000		\$33,000
8510-500	Production Casing	\$331,526		\$331,526
8510-600	Nonoperated	\$0		
8510-700	Impairment	\$0		
8510-999	Accruals	\$0		
	<b>TOTAL COST TO CASING POINT - TANGIBLES</b>	<b>\$498,525</b>		<b>\$498,525</b>
<b>COSTS TO CASING POINT: INTANGIBLES</b>				
8500-100	Roads/Location	\$50,000		\$50,000
8500-105	Drilling Turnkey	\$0		
8500-110	Drilling Daywork	\$466,585		\$466,585
8500-115	Fuel/Power	\$84,000		\$84,000
8500-125	Equipment Rental	\$161,220		\$161,220
8500-130	Legal Fees	\$0		
8500-135	Bonds, Permits and Inspection	\$30,000		\$30,000
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8500-160	Cementing Services	\$120,000		\$120,000
8500-170	Supervision/Consulting	\$85,000		\$85,000
8500-175	Casing and Other Tangible Crew	\$39,000		\$39,000
8500-180	Damages/Penalties	\$0		
8500-185	Coring and Analysis	\$0		
8500-190	Cuttings/Fluids Disposal	\$80,000		\$80,000
8500-195	Directional Drilling Services	\$364,400		\$364,400
8500-200	Drill Bits	\$104,000		\$104,000
8500-210	Surface Damages/ROW	\$0		
8500-215	Contract Labor and Services	\$20,000		\$20,000
8500-220	Mud Logging	\$0		
8500-235	Reclamation	\$0		
8500-240	Rig Mobilization/Demob	\$126,500		\$126,500
8500-245	Fishing Tools and Services	\$0		
8500-250	Testing-Drill Stem/Production	\$0		
8500-260	Wireline Services	\$0		
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8530-420	Subsurface Equipment		\$0	

8530-510	Tubing			\$39,046	\$39,046
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8530-525	Artificial Lift Equipment			\$60,000	\$60,000
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8530-550	Separator, Heater, Treater			\$80,000	\$80,000
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8520-165	Acidizing and Fracturing			\$1,680,000	\$1,680,000
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8520-210	Surface Damages/ROW			\$0	
8520-215	Contract Labor and Services			\$10,000	\$10,000
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8520-235	Reclamation			\$0	
8520-245	Fishing Tools and Services			\$0	
8520-250	Well Testing			\$112,000	\$112,000
8520-255	Trucking and Hauling			\$0	
8520-260	Wireline Services			\$5,500	\$5,500
8520-270	Camp Expenses			\$10,000	\$10,000
8520-275	Coiled Tubing Services			\$0	
8520-280	Frac Water			\$492,000	\$492,000
8520-285	Contingencies			\$0	
8520-290	Environmental			\$0	
8520-300	Overhead			\$0	
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8520-700	Impairment			\$0	
8520-999	Accruals			\$0	
	<b>TOTAL COMPLETION COST - INTANGIBLES</b>			<b>\$2,983,525</b>	<b>\$2,983,525</b>
	<b>TOTAL WELL COST</b>			<b>\$2,488,980</b>	<b>\$3,437,571</b>
				<b>\$5,926,551</b>	

Approved by: \_\_\_\_\_

Date: \_\_\_\_\_

Approved by: \_\_\_\_\_

Date: \_\_\_\_\_

Approved by: \_\_\_\_\_

Date: \_\_\_\_\_