

New Mexico Oil and Gas Division

December 15, 2017

Case numbers 15865, 15866, 15867, 15868, 15875 and 15876

Section 34-T21S-R34E, Lea County, NM

Gentlemen,

After hearing testimony from Chisolm Energy and Great Western/Advance Energy Partners concerning operatorship and their development plan in section 34- T21S- R34E, the undersigned overriding royalty interest owners give our support to Chisolm Energy as operator of the section and their planned development for section 34.

We believe that Chisolm Energy brings a better plan to develop the property, has more experience in the New Mexico area in drilling horizontal wells and demonstrated a plan whereby they can more efficiently develop the area with lower costs that should yield greater reserve development in the section. Chisolm Energy also indicated that they would be involved in the property for a sufficient time to effectively develop the property and drill the wells necessary to develop the reserves. Lastly, Chisolm's development plans demonstrate the protection of correlative rights, prevent waste and the drilling of unnecessary wells. Advance Energy Partners/Great Western do not accomplish these mandates by their own testimony given.

It appears that Great Western had no plans for development of the property prior to Chisolm Energy proposing a development plan. Great Western stated that their proposed plan was a defensive measure to protect their interests until they could find an operator that would purchase their interests at a price that they liked. Great Western testified that they were in the process of selling their interests to Advance Energy Partners in a contingent transaction that has no guarantee of closing. Great Western's testimony indicated that they have no intent of drilling and developing any horizontal wells themselves and did not demonstrate any ability to do so. Furthermore, by their own testimony Great Western stated that their primary business strategy is to participate in horizontal wells as a non-operator working interest owner. The contingent company that they have found for their proposed operations, Advance Energy Partners, has stated on their public website that their company strategy is to seek an exit from the business in late 2018 that would involve selling their properties (which Advance Energy has removed from their website within 36 hours of the hearing on December 13th). Attached is a copy of the page on Advance Energy Partner's website that describes their strategy to exit the business through monetization of their assets in a sale in late 2018.

Therefore, if Great Western was awarded operatorship by the commission and Advance Energy Partners was subsequently operator of the property via a sale by Great Western to develop Great Western's proposed plan, they most likely would not be there to develop the plan they had proposed. We believe

that Advance Energy Partners as a contingent operator to Great Western, has less operating experience in drilling horizontal wells in New Mexico than Chisolm Energy. We believe that Advance Energy Partners did not definitively demonstrate that the property would be better developed with larger frac jobs. The data that Advance Energy Partners presented was not normalized for geological factors related to the Bones Springs wells that were stimulated, the data only included a subset of wells in the area of interest and the data included wells in the southern part of New Mexico that may have geological factors that were not relevant to section 34 and may have skewed the data presented. It is in all of our interests to develop the property as efficiently as possible.

From our perspective, it is evident that Great Western's intention, as well as Advance Energy's, is to stall, delay and/or prevent Chisolm's development plans from being conducted, at the expense of the State, other working interest owners and royalty owners.


We appreciate your consideration for our concerns as interested parties in the development plans for section 34 and hope that these issues can be resolved quickly so that development can begin as soon as possible.



ALLENCRESTNM I
By Mark Stanger, Chief Executive Member



Tim S. Cashon



John R. Delaney