

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

**APPLICATION OF CHISHOLM ENERGY OPERATING, LLC
FOR A NON-STANDARD SPACING AND
PRORATION UNIT AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 16027

APPLICATION

Chisholm Energy Operating, LLC ("Chisholm") 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 (1) creating a 638.16-acre, more or less, non-standard spacing and proration unit comprised of the W/2 of Section 3 and the W/2 of Section 10, Township 24 South, Range 26 East, NMPM, Eddy County, New Mexico; and (2) pooling all uncommitted interests in the Wolfcamp formation underlying this acreage. In support of its application, Chisholm states:

1. Chisholm Energy Operating, LLC (OGRID No. 327137) is a working interest owner in the proposed non-standard spacing unit and has the right to drill thereon.
2. Chisholm proposes to dedicate the above-referenced non-standard spacing and proration unit as the project area for its proposed **Black River 3-10 Fed Com WCA No. 2H Well**, its proposed **Black River 3-10 Fed Com WCA No. 3H Well**, and its proposed **Black River 3-10 Fed Com WCA No. 4H Well Well**. The three proposed horizontal wells will be pad drilled from a surface location in the NE/4 NW/4 (Lot 3) of Section 3 to standard bottom hole locations in the SW/4 SW/4 (Unit M) and the SE/4 SW/4 (Unit N) of Section 10.

3. The completed intervals for these wells will remain within the 330-foot offset as required by the special rules for the Purple Sage-Wolfcamp Gas Pool adopted under Division Order R-14262.

4. Chisholm has sought and been unable to obtain voluntary agreement for the development of these lands from all 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. Because the proposed wells will be simultaneously drilled and completed, Chisholm requests an extension of the 120-day time period to drill and complete the wells provided by the standard pooling order.

7. 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 the non-standard spacing unit should be pooled and Chisholm Energy Operating, LLC should be designated the operator of these proposed horizontal wells and spacing unit.

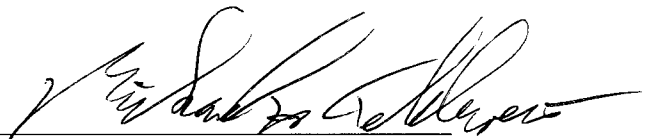
WHEREFORE, Chisholm requests that this application be set for hearing before an Examiner of the Oil Conservation Division on March 22, 2018, and, after notice and hearing as required by law, the Division enter an order:

- A. Creating a 638.16-acre, more or less, non-standard spacing and proration unit comprised of the W/2 of Section 3 and the W/2 of Section 10, Township 24 South, Range 26 East, NMPM, Eddy County, New Mexico;
- B. Pooling all uncommitted interests in the non-standard spacing and proration unit;
- C. Designating three initial wells for said non-standard spacing and proration unit;

- D. Designating Chisholm Energy Operating, LLC the operator of the non-standard spacing and proration unit and the horizontal wells to be drilled thereon;
- E. Providing an extension of the 120-day requirement to drill and complete the wells;
- F. Authorizing Chisholm to recover its costs of drilling, equipping and completing the wells;
- G. 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
- H. Imposing a 200% penalty for the risk assumed by Chisholm in drilling and completing the wells against any working interest owner who does not voluntarily participate in the drilling of the wells.

Respectfully submitted,

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**ATTORNEYS FOR CHISHOLM ENERGY OPERATING,
LLC**

CASE 16027

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 638.16-acre, more or less, spacing and proration unit comprised of the W/2 of Section 3 and the W/2 of Section 10, Township 24 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 a project area for three proposed initial wells, to be drilled and completed simultaneously: the proposed **Black River 3-10 Fed Com WCA No. 2H Well**, the proposed **Black River 3-10 Fed Com WCA No. 3H Well**, and the proposed **Black River 3-10 Fed Com WCA No. 4H Well**. These wells will be horizontally drilled from a surface location in the NE/4 NW/4 (Lot 3) of Section 3 to bottom hole locations in the SW/4 SW/4 (Unit M) and the SE/4 SW/4 (Unit N) of Section 10. The completed intervals for these wells will remain within the 330-foot offset as required by the special rules for the Purple Sage-Wolfcamp Gas Pool adopted under Division Order R-14262. Also to be considered will be the timing of the drilling and completion of said wells, the cost of drilling and completing said wells 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 wells and a 200% charge for risk involved in drilling said wells. Said area is located approximately 12 miles southwest of Carlsbad, New Mexico.