

**BEFORE THE OIL CONSERVATION DIVISION
EXAMINER HEARING APRIL 5, 2018**

CASE No. 16027

BLACK RIVER 3-10 FED COM WCA NO. 2H WELL
BLACK RIVER 3-10 FED COM WCA NO. 3H WELL
BLACK RIVER 3-10 FED COM WCA NO. 4H WELL

EDDY COUNTY, NEW MEXICO



**CHISHOLM
ENERGY**

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

¹ API Number	² Pool Code 98220	³ Pool Name PURPLE SAGE; WOLFCAMP
⁴ Property Code	⁵ Property Name BLACK RIVER 3-10 FED COM WCA	⁶ Well Number 2H
⁷ OGRID No. 372137	⁸ Operator Name CHISHOLM ENERGY OPERATING, LLC	⁹ Elevation 3326.6

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
3	3	24 S	26 E		150	NORTH	2320	WEST	EDDY

¹¹ 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
M	10	24 S	26 E		330	SOUTH	330	WEST	EDDY

¹² Dedicated Acres 638.16	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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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.

BLACK RIVER 3-10 FED WCA 2H ELEV. = 3326.6' LAT. = 32.2530942°N (NAD83) LONG. = 104.2820613°W NWSP EAST (FT) N = 455812.75 E = 557187.39 LANDING POINT 330' FNL, 330' FWL LAT. = 32.2525567°N LONG. = 104.2885007°W NWSP EAST (FT) N = 455816.32 E = 555196.86 GRID AZ. TO LP S84°21'51"W HORIZ. DIST. 2000.70 FT BOTTOM OF HOLE 330' FSL, 330' FWL LAT. = 32.2258788°N LONG. = 104.2884299°W NWSP EAST (FT) N = 445911.39 E = 555222.79	¹⁷ 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. <i>Jennifer Elrod</i> 02/20/18 Signature Date JENNIFER ELROD Printed Name <i>jelrod@chisholmenergy.com</i> E-mail Address ¹⁸ 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. AUGUST 24, 2017 Date of Survey <i>Filimon F. Jaramillo</i> Signature and Seal of Professional Surveyor Certificate Number: FILIMON F. JARAMILLO, PLS 12797 SURVEY NO. 5297B
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BEFORE THE OIL CONSERVATION
DIVISION
Santa Fe, New Mexico
Exhibit No. 1

Submitted by: Chisholm Energy Operating LLC

Hearing Date: April 5, 2018

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1625 N. French Dr., Hobbs, NM 88240
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⁴ Property Code	⁵ Property Name BLACK RIVER 3-10 FED COM WCA	⁶ Well Number 3H
⁷ OGRID No. 372137	⁸ Operator Name CHISHOLM ENERGY OPERATING, LLC	⁹ Elevation 3326.4

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
3	3	24 S	26 E		150	NORTH	2380	WEST	EDDY

¹¹ 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
M	10	24 S	26 E		330	SOUTH	1000	WEST	EDDY

¹² Dedicated Acres 638.16	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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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.

BLACK RIVER 3-10 FED WCA 3H ELEV. = 3326.4' LAT. = 32.2530957°N (NAD83) LONG. = 104.2818674°W NMSP EAST (FT) N = 455813.30 E = 557247.33 BOTTOM OF HOLE 330' FSL, 1000' FWL LAT = 32.2258884°N LONG. = 104.2862638°W NMSP EAST (FT) N = 445915.16 E = 555892.62 LANDING POINT 660' FNU, 1300' FWL LAT. = 32.2516707°N LONG. = 104.2853692°W NMSP EAST (FT) N = 455294.44 E = 556165.05 GRID AZ. TO LP S64°23'10"W HORIZ. DIST. 1200.53 FT SEC. 3 SEC. 10	¹⁷ 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. <i>Jennifer Elrod</i> 09/26/17 Signature Date JENNIFER ELROD Printed Name jelrod@chisholmenergy.com E-mail Address ¹⁸ 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. AUGUST 24, 2017 Date of Survey <i>Filimon P. Jaramillo</i> Signature and Seal of Professional Surveyor Certificate Number: FILIMON P. JARAMILLO, PLS 12797 SURVEY NO. 5298B
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⁴ Property Code	⁵ Property Name BLACK RIVER 3-10 FED COM WCA	⁶ Well Number 4H
⁷ OGRID No. 372137	⁸ Operator Name CHISHOLM ENERGY OPERATING, LLC	⁹ Elevation 3325.4

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
3	3	24 S	26 E		150	NORTH	2440	WEST	EDDY

¹¹ Bottom Hole Location If Different From Surface

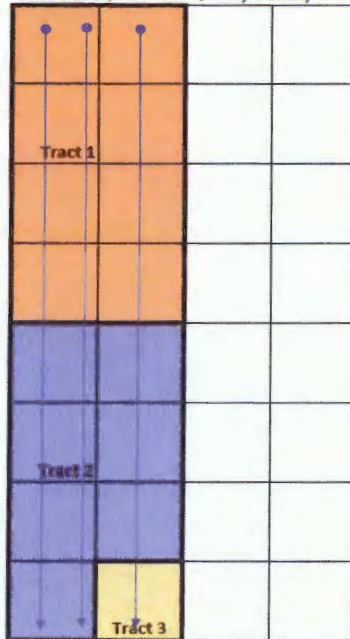
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	10	24 S	26 E		330	SOUTH	2200	WEST	EDDY

¹² Dedicated Acres 638.16	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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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.

BLACK RIVER 3-10 FED WCA 4H ELEV. = 3325.4' LAT. = 32.2530969°N (NAD83) LONG. = 104.2816732°W NMSP EAST (FT) N = 455813.78 E = 557307.38 LANDING POINT 330' FNU, 2200' FWL LAT. = 32.2526795°N LONG. = 104.2824524°W NMSP EAST (FT) N = 455881.81 E = 557066.57 GRID AZ. TO LP S57°44'42"W HORIZ. DIST. 284.74 FT BOTTOM OF HOLE 330' FSL, 2200' FWL LAT. = 32.229035°N LONG. = 104.2823841°W NMSP EAST (FT) N = 445921.92 E = 557092.30 SHL LOT 3 38.53 AC. SVT LOT 4 LOT 2 LOT 1 SEC. 3 SEC. 10 BHL GRID AZ. = S00°09'03"E HORIZ. DIST. = 9742.40 FT NMSP EAST (FT) N = 455943.52 E = 554868.54 N = 455983.66 E = 557531.69 N = 455981.23 E = 560190.04 N = 450885.06 E = 554843.73 N = 450842.25 E = 557489.74 N = 450818.66 E = 560142.12 N = 445578.62 E = 554895.38 N = 445594.45 E = 557528.55 N = 445585.02 E = 560211.36	¹⁷ 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. <u>Jennifer Elrod</u> 09/26/17 Signature Date JENNIFER ELROD Printed Name jelrod@chisholmenergy.com E-mail Address ¹⁸ 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. AUGUST 24, 2017 Date of Survey <u>[Signature]</u> Signature and Seal of Professional Surveyor Certificate Number: <u>FILIMON F. JARAMILLO, PLS 13797</u> SURVEY NO. 5299B
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Secs 3 & 10, T24S-32E, Eddy County NM



Ownership in the proposed unit: W2 of Sections 3 & 10, 24S-26E, Eddy County, NM

Chisholm Energy	67.5346%
Cimarex Energy	21.5463%
*Marathon Oil Permian LLC	4.2807%
Fasken Acquisitions	2.7423%
*Finley Production Co.	1.3364%
Warwick - Ares	1.1146%
McCully Chapman	0.5876%
*Kansas City Royalty	0.2938%
*WillisChild Oil	0.1567%
AGS Resources	0.1175%
Richard Scott Briggs	0.0784%
BDT Oil	0.0650%
AGS Oil & Gas	0.0588%
*Grasslands Energy	0.0437%
*Metcalf Oil	0.0437%
	100.0000%

*Parties have signed AFE & elected to consent in the well, but no signed JOA yet.

Tract 1: 318.6 Acres, Section 3 W2	WI
Chisholm Energy	96.25%
Warwick-Ares LLC	0.77%
Marathon Oil Permian LLC	2.98%
	100.00%

Tract 2: 280 Acres, Sec 10 W2 less SESW	WI
Chisholm Energy	43.750%
Cimarex Energy	42.969%
Fasken Acquisitions	6.250%
Marathon Oil Permian LLC	5.579%
Warwick - Ares LLC	1.453%
	100.000%

Tract 3: 40 Acres, Sec 10: SESW	WI
Cimarex Energy	42.96875%
Finley Production Co.	21.32038%
McCully Chapman	9.37500%
Chisholm Energy	5.62500%
Marathon Oil Permian LLC	5.57866%
Kansas City Royalty	4.68750%
WillisChild Oil	2.50000%
AGS Resources	1.87500%
Warwick-Ares LLC	1.45259%
Richard Scott Briggs	1.25000%
BDT Oil	1.03669%
AGS Oil & Gas	0.93750%
Grasslands Energy	0.69647%
Metcalf Oil	0.69647%
	100.00000%

**BEFORE THE OIL CONSERVATION
DIVISION**

Santa Fe, New Mexico

Exhibit No. 2

Submitted by: **Chisholm Energy Operating LLC**
Hearing Date: April 5, 2018

MrorMs	Owner Type	FName	LName	CompanyName	StreetAddress	City	State
Mrs.	WI	Linda	Hicks	Fasken Acquisitions 95-I	6101 Holiday Hill Rd	Midland	TX
Mrs.	WI	Caitlin	Pierce	Cimarex Energy Co	600 N. Marienfeld St., Ste 600	Midland	TX
Mr.	WI	Matt	Tate	Marathon Oil Permian, LLC	5555 San Felipe St.	Houston	TX
	WI			Warwick - Ares LLC	900 W Wilshire Blvd	Oklahoma City	OK
Mr.	WI			Finley Production Co. LP	1308 Lake St. #200	Fort Worth	TX
	WI	Richard	Briggs	Richard Scott Briggs	12 Hunters Ridge Lane	Trophy Club	TX
	WI			Kansas City Royalty Co., LLC	6520 N. Western Ave., Ste 300	Oklahoma City	OK
	WI			AGS Resources 2004, LLLP	10 Inverness Drive East, Ste 155	Englewood	CO
	WI			AGS Oil & Gas Holdings, Inc.	10 Inverness Drive East, Ste 155	Englewood	CO
	WI			WillisChild Oil & Gas Corp.	621 E St.	Snyder	OK
	WI			BDT Oil & Gas, LP	1308 Lake St	Fort Worth	TX
	WI			Grasslands Energy, LP	1308 Lake St	Fort Worth	TX
	WI			Metcalfe Oil, LP	1308 Lake St	Fort Worth	TX
	ORRI			Donald Horton and Mary Horton	1501 Alta Dr.	Fort Worth	TX
	ORRI			Wilma Faye Whitehead Nitschke	4308 Hurson Lane	Wichita Falls	TX
	ORRI			Lurline Thompson	119 W. Fannin Street	Uvalde	TX
	ORRI			O'Neill Properties, Ltd.	410 W. Ohio Ave	Midland	TX
	ORRI			Harold F. Marshall	7120 Twin Tree Lane	Dallas	TX
	ORRI			Doris Jean Barnes	2515 Neely	Midland	TX
	ORRI			Wallace H Scott Unified Credit Tru:	10205 River Plantation Dr.	Austin	TX
	ORRI			Conley Resources, LLC	9742 Hilltop Road	Parker	CO
	ORRI			Jerry B. Elger	PO Box 2623	Midland	TX
	ORRI			Nearburg Employee Trust	PO Box 823085	Dallas	TX



January 12, 2018

VIA CERTIFIED MAIL

McCully - Chapman Exploration, Inc.
PO Box 421
Sealy, TX 77474

RE: Black River 3-10 Federal WCA 2H
W2W2 Sections 3 & 10: T24S-R26E
Eddy County, New Mexico

Gentlemen,

Chisholm Energy Operating, LLC ("Chisholm") hereby proposes the drilling of the Black River 3-10 Federal WCA 2H in Sections 3 & 10, Township 24 South, Range 26 East, Eddy County, New Mexico. The surface location for this well is proposed at a legal location in Section 3 Lot 3 with a bottom hole at a legal location in Section 10 Unit M (see attached plat for further detail). The well will have a targeted interval in the Wolfcamp formation to a Measured Depth of approximately 18,210'. Included herewith is our Authority for Expenditure ("AFE") in the gross amount of \$6,994,556, being the total estimated cost to drill and complete said well.

Chisholm is proposing to drill this well under the terms of the modified 1989 AAPL form of Operating Agreement which is enclosed for your review and approval. The Operating Agreement covers W/2 of Sections 3 & 10, Township 24 South, Range 26 East, limited from the surface to the bottom of the Wolfcamp Formation. It has the following general provisions:

- 100/300 Non-consenting penalty
- \$7,000/\$700 Drilling and Production rate
- Chisholm Energy Operating, LLC named as Operator
- Initial Well Black River 3-10 Federal WCA 2H

McCully - Chapman Exploration, Inc. will own an approximate 0.5876% working interest in the well, subject to title verification. Please indicate your participation election in the space provided below, sign and return this letter, along with a signed copy of the enclosed AFE and a copy of your geologic well requirements, to my attention at the letterhead address.

Should you have any questions, please do not hesitate to contact myself at 817-953-0480.

Very truly yours,

Chisholm Energy Operating, LLC

Davis Armour
Senior Landman

☒ I/We hereby elect to participate in the Black River 3-10 Federal WCA 2H.

☐ I/We hereby elect NOT to participate in the Black River 3-10 Federal WCA 2H.

Company **McCully - Chapman Exploration, Inc.**

By:
Name: _____
Title: _____
Date: _____

Address: Chisholm Energy Operating, LLC 801 Cherry Street Suite 1200 Unit 20 Fort Worth, TX 76102

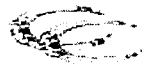
**BEFORE THE OIL CONSERVATION
DIVISION**

Santa Fe, New Mexico

Exhibit No. 3

Submitted by: **Chisholm Energy Operating LLC**

Hearing Date: April 5, 2018



CHISHOLM
ENERGY

Statement of Estimated Well Cost (100%)

Well _____ Black River 3-10 Federal WCA 2H
Field _____ Wolfcamp
County, State: _____ Lea, NM
BHL: _____ Horizontal
Proposed TD: _____ 18,210 MD _____ 8,650 TVD AFE# _____
Normal Pressure? Yes

		BCP	ACP	TOTAL
COSTS TO CASING POINT: TANGIBLES				
8510-400	Conductor Casing or Drive Pipe	\$15,000		\$15,000
8510-405	Surface Casing	\$10,647		\$10,647
8510-410	Intermediate Casing/Drill Liner	\$30,368		\$30,368
8510-415	Wellhead Equipment - Surface & MLS	\$10,500		\$10,500
8510-420	Other Sub-Surface Equipment	\$0		
8510-425	Cementing Equipment	\$8,000		\$8,000
8510-600	Nonoperated	\$0		
8510-700	Impairment	\$0		
8510-999	Accruals	\$0		
	TOTAL COST TO CASING POINT - TANGIBLES	\$74,515		\$74,515
COSTS TO CASING POINT: INTANGIBLES				
8500-100	Roads/Location	\$67,000		\$67,000
8500-105	Drilling Turnkey	\$0		
8500-110	Drilling Daywork	\$495,000		\$495,000
8500-115	Fuel/Power	\$120,000		\$120,000
8500-125	Equipment Rental	\$165,000		\$165,000
8500-130	Legal Fees	\$0		
8500-135	Bonds, Permits and Inspection	\$50,000		\$50,000
8500-155	Mud and Chemicals	\$150,000		\$150,000
8500-160	Cementing Services	\$29,000		\$29,000
8500-170	Supervision/Consulting	\$60,800		\$60,800
8500-175	Casing and Other Tangible Crew	\$24,000		\$24,000
8500-180	Damages/Penalties	\$0		
8500-185	Coring and Analysis	\$0		
8500-190	Cuttings/Fluids Disposal	\$125,000		\$125,000
8500-195	Directional Drilling Services	\$338,500		\$338,500
8500-200	Drill Bits	\$60,000		\$60,000
8500-210	Surface Damages/ROW	\$0		
8500-215	Contract Labor and Services	\$2,500		\$2,500
8500-220	Mud Logging	\$37,500		\$37,500
8500-235	Reclamation	\$0		
8500-240	Rig Mobilization/Demob	\$83,000		\$83,000
8500-245	Fishing Tools and Services	\$0		
8500-250	Testing-Drill Stem/Production	\$0		
8500-260	Wireline Services	\$18,000		\$18,000
8500-265	Water	\$18,250		\$18,250
8500-270	Camp Expenses	\$52,600		\$52,600
8500-285	Contingencies	\$0		
8500-290	Environmental	\$0		
8500-300	Overhead	\$6,000		\$6,000
8500-350	Insurance	\$0		
8500-600	Nonoperated	\$0		
8500-700	Impairment	\$0		
8500-999	Accruals	\$0		
	TOTAL COST TO CASING POINT - INTANGIBLES	\$1,902,150		\$1,902,150
COMPLETION COSTS: TANGIBLES				
8530-415	Wellhead		\$21,900	\$21,900
8530-420	Subsurface Equipment		\$15,000	\$15,000

8530-500	Production Casing			\$217,974	\$217,974
8530-510	Tubing			\$42,818	\$42,818
8530-515	Rods			\$0	
8530-525	Artificial Lift Equipment			\$25,000	\$25,000
8530-530	Gas Metering Equipment			\$48,000	\$48,000
8530-535	LACT Unit			\$0	
8530-540	Production Facilities and Flowlines			\$120,000	\$120,000
8530-545	Pumping Unit			\$100,000	\$100,000
8530-550	Separator, Heater, Treater			\$75,000	\$75,000
8530-555	Tank Battery			\$118,000	\$118,000
8530-560	Vapor Recovery Unit			\$0	
8530-590	Other Misc Equipment			\$15,000	\$15,000
8530-600	Nonoperated			\$0	
8530-700	Impairment			\$0	
8530-999	Accruals			\$0	
	TOTAL COMPLETION COST - TANGIBLES			\$798,691	\$798,691
	COMPLETION COSTS: INTANGIBLES				
8520-100	Roads/Location			\$20,000	\$20,000
8520-120	Perforating Services			\$157,500	\$157,500
8520-125	Equipment Rental			\$193,000	\$193,000
8520-135	Bonds, Permits and Inspection			\$0	
8520-145	Completion Unit			\$48,000	\$48,000
8520-150	Frac Plugs			\$67,500	\$67,500
8520-155	Mud and Chemicals			\$128,000	\$128,000
8520-160	Cementing Services			\$60,000	\$60,000
8520-165	Acidizing and Fracturing			\$2,610,000	\$2,610,000
8520-170	Supervision/Consulting			\$42,000	\$42,000
8520-175	Casing and Other Tangible Crew			\$15,000	\$15,000
8520-190	Cuttings/Fluids Disposal			\$120,000	\$120,000
8520-200	Drill Bits			\$6,000	\$6,000
8520-210	Surface Damages/ROW			\$0	
8520-215	Contract Labor and Services			\$5,000	\$5,000
8520-230	Pump/Vacuum Trucks			\$40,000	\$40,000
8520-235	Reclamation			\$0	
8520-245	Fishing Tools and Services			\$0	
8520-250	Well Testing			\$84,000	\$84,000
8520-255	Trucking and Hauling			\$0	
8520-260	Wireline Services			\$5,000	\$5,000
8520-270	Camp Expenses			\$25,200	\$25,200
8520-275	Coiled Tubing Services			\$0	
8520-280	Frac Water			\$593,000	\$593,000
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	
	TOTAL COMPLETION COST - INTANGIBLES			\$4,219,200	\$4,219,200
	TOTAL WELL COST			\$1,976,665	\$5,017,891
					\$6,994,556

Approved by:

John H. Hinkle
Vice President
McCally-Chapman Exploration, Inc.

Date:

2-15-18

Approved by:

Date:

Approved by:

Date:



January 12, 2018

VIA CERTIFIED MAIL

McCully - Chapman Exploration, Inc.
PO Box 421
Sealy, TX 77474

RE: Black River 3-10 Federal WCA 3H
W2 Sections 3 & 10: T24S-R26E
Eddy County, New Mexico

Gentlemen,

Chisholm Energy Operating, LLC ("Chisholm") hereby proposes the drilling of the Black River 3-10 Federal WCA 3H in Sections 3 & 10, Township 24 South, Range 26 East, Eddy County, New Mexico. The surface location for this well is proposed at a legal location in Section 3 Lot 3 with a bottom hole at a legal location in Section 10 Unit M (see attached plat for further detail). The well will have a targeted interval in the Wolfcamp formation to a Measured Depth of approximately 18,210'. Included herewith is our Authority for Expenditure ("AFE") in the gross amount of \$6,936,543, being the total estimated cost to drill and complete said well.

Chisholm is proposing to drill this well under the terms of the modified 1989 AAPL form of Operating Agreement which is enclosed for your review and approval. The Operating Agreement covers W/2 of Sections 3 & 10, Township 24 South, Range 26 East, limited from the surface to the bottom of the Wolfcamp Formation. It has the following general provisions:

- 100/300 Non-consenting penalty
- \$7,000/\$700 Drilling and Production rate
- Chisholm Energy Operating, LLC named as Operator
- Initial Well Black River 3-10 Federal WCA 2H

McCully - Chapman Exploration, Inc. will own an approximate 0.5876% working interest in the well, subject to title verification. Please indicate your participation election in the space provided below, sign and return this letter, along with a signed copy of the enclosed AFE and a copy of your geologic well requirements, to my attention at the letterhead address.

Should you have any questions, please do not hesitate to contact myself at 817-953-0480.

Very truly yours,

Chisholm Energy Operating, LLC

Davis Armour
Senior Landman

☒ I/We hereby elect to participate in the Black River 3-10 Federal WCA 3H.

☐ I/We hereby elect NOT to participate in the Black River 3-10 Federal WCA 3H.

Company: **McCully - Chapman Exploration, Inc.**

By: _____
Name: _____
Title: _____
Date: _____

Address: Chisholm Energy Operating, LLC 801 Cherry Street Suite 1200 Unit 20 Fort Worth, TX 76102



CONTINENTAL
ENERGY

Statement of Estimated Well Cost (100%)

Well: Black River 3-10 Federal WCA 3H
 Field: Wolfcamp
 County, State: Lea, NM
 BHL: Horizontal
 Proposed TD: 18,000 MD 8,650 TVD AFE#
 Normal Pressure? Yes

		BCP	ACP	TOTAL
COSTS TO CASING POINT: TANGIBLES				
8510-400	Conductor Casing or Drive Pipe	\$15,000		\$15,000
8510-405	Surface Casing	\$10,647		\$10,647
8510-410	Intermediate Casing/Drig Liner	\$30,368		\$30,368
8510-415	Wellhead Equipment - Surface & MLS	\$10,500		\$10,500
8510-420	Other Sub-Surface Equipment	\$0		
8510-425	Cementing Equipment	\$8,000		\$8,000
8510-600	Nonoperated	\$0		
8510-700	Impairment	\$0		
8510-999	Accruals	\$0		
	TOTAL COST TO CASING POINT - TANGIBLES	\$74,515		\$74,515
COSTS TO CASING POINT: INTANGIBLES				
8500-100	Roads/Location	\$67,000		\$67,000
8500-105	Drilling Turnkey	\$0		
8500-110	Drilling Daywork	\$495,000		\$495,000
8500-115	Fuel/Power	\$120,000		\$120,000
8500-125	Equipment Rental	\$165,000		\$165,000
8500-130	Legal Fees	\$0		
8500-135	Bonds, Permits and Inspection	\$50,000		\$50,000
8500-155	Mud and Chemicals	\$150,000		\$150,000
8500-160	Cementing Services	\$29,000		\$29,000
8500-170	Supervision/Consulting	\$60,800		\$60,800
8500-175	Casing and Other Tangible Crew	\$24,000		\$24,000
8500-180	Damages/Penalties	\$0		
8500-185	Coring and Analysis	\$0		
8500-190	Cuttings/Fluids Disposal	\$125,000		\$125,000
8500-195	Directional Drilling Services	\$338,500		\$338,500
8500-200	Drill Bits	\$60,000		\$60,000
8500-210	Surface Damages/ROW	\$0		
8500-215	Contract Labor and Services	\$2,500		\$2,500
8500-220	Mud Logging	\$0		
8500-235	Reclamation	\$0		
8500-240	Rig Mobilization/Demob	\$83,000		\$83,000
8500-245	Fishing Tools and Services	\$0		
8500-250	Testing-Drill Stem/Production	\$0		
8500-260	Wireline Services	\$0		
8500-265	Water	\$18,250		\$18,250
8500-270	Camp Expenses	\$52,600		\$52,600
8500-285	Contingencies	\$0		
8500-290	Environmental	\$0		
8500-300	Overhead	\$6,000		\$6,000
8500-350	Insurance	\$0		
8500-600	Nonoperated	\$0		
8500-700	Impairment	\$0		
8500-999	Accruals	\$0		
	TOTAL COST TO CASING POINT - INTANGIBLES	\$1,846,650		\$1,846,650
COMPLETION COSTS: TANGIBLES				
8530-415	Wellhead		\$21,900	\$21,900
8530-420	Subsurface Equipment		\$15,000	\$15,000

8530-500	Production Casing			\$215,460	\$215,460
8530-510	Tubing			\$42,818	\$42,818
8530-515	Rods			\$0	
8530-525	Artificial Lift Equipment			\$25,000	\$25,000
8530-530	Gas Metering Equipment			\$48,000	\$48,000
8530-535	LACT Unit			\$0	
8530-540	Production Facilities and Flowlines			\$120,000	\$120,000
8530-545	Pumping Unit			\$100,000	\$100,000
8530-550	Separator, Heater, Treater			\$75,000	\$75,000
8530-555	Tank Battery			\$118,000	\$118,000
8530-560	Vapor Recovery Unit			\$0	
8530-590	Other Misc Equipment			\$15,000	\$15,000
8530-600	Nonoperated			\$0	
8530-700	Impairment			\$0	
8530-999	Accruals			\$0	
TOTAL COMPLETION COST - TANGIBLES				\$796,178	\$796,178
COMPLETION COSTS: INTANGIBLES					
8520-100	Roads/Location			\$20,000	\$20,000
8520-120	Perforating Services			\$157,500	\$157,500
8520-125	Equipment Rental			\$193,000	\$193,000
8520-135	Bonds, Permits and Inspection			\$0	
8520-145	Completion Unit			\$48,000	\$48,000
8520-150	Frac Plugs			\$67,500	\$67,500
8520-155	Mud and Chemicals			\$128,000	\$128,000
8520-160	Cementing Services			\$60,000	\$60,000
8520-165	Acidizing and Fracturing			\$2,610,000	\$2,610,000
8520-170	Supervision/Consulting			\$42,000	\$42,000
8520-175	Casing and Other Tangible Crew			\$15,000	\$15,000
8520-190	Cuttings/Fluids Disposal			\$120,000	\$120,000
8520-200	Drill Bits			\$6,000	\$6,000
8520-210	Surface Damages/ROW			\$0	
8520-215	Contract Labor and Services			\$5,000	\$5,000
8520-230	Pump/Vacuum Trucks			\$40,000	\$40,000
8520-235	Reclamation			\$0	
8520-245	Fishing Tools and Services			\$0	
8520-250	Well Testing			\$84,000	\$84,000
8520-255	Trucking and Hauling			\$0	
8520-260	Wireline Services			\$5,000	\$5,000
8520-270	Camp Expenses			\$25,200	\$25,200
8520-275	Coiled Tubing Services			\$0	
8520-280	Frac Water			\$593,000	\$593,000
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	
TOTAL COMPLETION COST - INTANGIBLES				\$4,219,200	\$4,219,200
TOTAL WELL COST				\$1,921,165	\$5,015,378
					\$6,936,543

Approved by:

John Krenet
Louis Krenet
 Vice President
 McQuay-Neppun Exploration, Inc.

Date:

2-15-18

Approved by: _____

Date: _____

Approved by: _____

Date: _____



January 12, 2018

VIA CERTIFIED MAIL

McCully - Chapman Exploration, Inc.
PO Box 421
Sealy, TX 77474

RECEIVED

RY: _____

RE: Black River 3-10 Federal WCA 4H
W2 Sections 3 & 10: T24S-R26E
Eddy County, New Mexico

Gentlemen,

Chisholm Energy Operating, LLC ("Chisholm") hereby proposes the drilling of the Black River 3-10 Federal WCA 4H in Sections 3 & 10, Township 24 South, Range 26 East, Eddy County, New Mexico. The surface location for this well is proposed at a legal location in Section 3 Lot 3 with a bottom hole at a legal location in Section 10 Unit N (see attached plat for further detail). The well will have a targeted interval in the Wolfcamp formation to a Measured Depth of approximately 18,000'. Included herewith is our Authority for Expenditure ("AFE") in the gross amount of \$6,936,543, being the total estimated cost to drill and complete said well.

Chisholm is proposing to drill this well under the terms of the modified 1989 AAPL form of Operating Agreement which is enclosed for your review and approval. The Operating Agreement covers W/2 of Sections 3 & 10, Township 24 South, Range 26 East, limited from the surface to the bottom of the Wolfcamp Formation. It has the following general provisions:

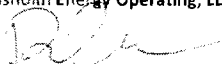
- 100/300 Non-consenting penalty
- \$7,000/\$700 Drilling and Production rate
- Chisholm Energy Operating, LLC named as Operator
- Initial Well Black River 3-10 Federal WCA 2H

McCully - Chapman Exploration, Inc. will own an approximate 0.5876% working interest in the well, subject to title verification. Please indicate your participation election in the space provided below, sign and return this letter, along with a signed copy of the enclosed AFE and a copy of your geologic well requirements, to my attention at the letterhead address.

Should you have any questions, please do not hesitate to contact myself at 817-953-0480.

Very truly yours,

Chisholm Energy Operating, LLC


Davis Armour
Senior Landman

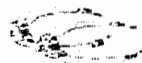
_____/We hereby elect to participate in the Black River 3-10 Federal WCA 4H.

_____/We hereby elect NOT to participate in the Black River 3-10 Federal WCA 4H.

Company: **McCully - Chapman Exploration, Inc.**

By: _____
Name: _____
Title: _____
Date: 2-15-18

Address: Chisholm Energy Operating, LLC 801 Cherry Street Suite 1200 Unit 20 Fort Worth, TX 76102



CHISHTI
ENERGY

Statement of Estimated Well Cost (100%)

Well _____ Black River 3-10 Federal WCA 411
Field _____ Wolfcamp
County, State: _____ Lea, NM
BHL: _____ Horizontal
Proposed TD: _____ 18,000 MD _____ 8,650 TVD AFE# _____
Normal Pressure? Yes

		BCP	ACP	TOTAL
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8530-555	Tank Battery			\$118,000	\$118,000
8530-560	Vapor Recovery Unit			\$0	
8530-590	Other Misc Equipment			\$15,000	\$15,000
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8530-700	Impairment			\$0	
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8520-270	Camp Expenses			\$25,200	\$25,200
8520-275	Coiled Tubing Services			\$0	
8520-280	Frac Water			\$593,000	\$593,000
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8520-290	Environmental			\$0	
8520-300	Overhead			\$0	
8520-350	Insurance			\$0	
8520-600	Nonoperated			\$0	
8520-700	Impairment			\$0	
8520-999	Accruals			\$0	
	TOTAL COMPLETION COST - INTANGIBLES			\$4,219,200	\$4,219,200
	TOTAL WELL COST			\$1,921,165	\$5,015,378
					\$6,936,543

Approved by:

John K. Knecht
John Knecht
 Vice President
 McCally-Chapman Exploration, Inc.

Date:

2-15-18

Approved by:

Date:

Approved by:

Date:

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

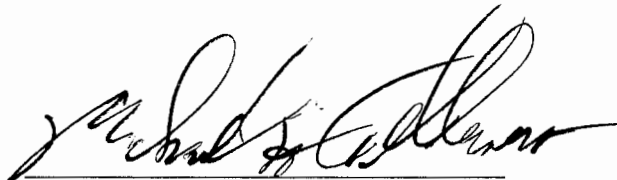
**APPLICATION OF CHISHOLM ENERGY OPERATING, LLC
FOR NON-STANDARD SPACING AND
PRORATION UNIT AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO**

CASE NO. 16027

AFFIDAVIT

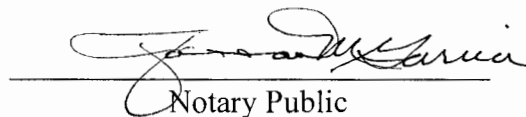
STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

Michael Feldewert, attorney in fact and authorized representative of Chisholm Energy Operating, LLC, the Applicant herein, being first duly sworn, upon oath, states that the above-referenced Applications have been provided under the notice letters and proof of receipts attached hereto.

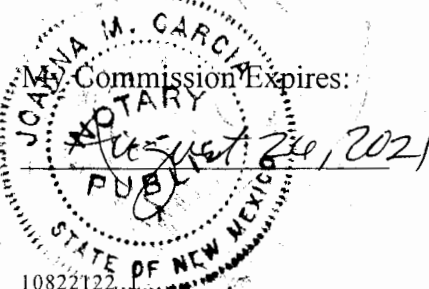


Michael Feldewert

SUBSCRIBED AND SWORN to before me this 4th day of April, 2018 by Michael Feldewert.



Notary Public



HOLLAND & HART^{LLP}



Adam G. Rankin

Associate

Phone (505) 988-4421

Fax (505) 983-6043

agrarkin@hollandhart.com

February 28, 2018

VIA CERTIFIED MAIL
CERTIFIED RECEIPT REQUESTED

TO: ALL INTEREST OWNERS SUBJECT TO POOLING PROCEEDINGS

**Re: Application of Chisholm Energy Operating, LLC for a non-standard spacing
and proration unit and compulsory pooling, Eddy County, New Mexico.**
Black River 3-10 Fed Com WCA No. 2H Well
Black River 3-10 Fed Com WCA No. 3H Well
Black River 3-10 Fed Com WCA No. 4H Well

Ladies & Gentlemen:

This letter is to advise you that Chisholm Energy Operating, LLC has filed the enclosed application with the New Mexico Oil Conservation Division. This application will be set for hearing before a Division Examiner at 8:15 a.m. on March 22, 2018. The hearing will be held in Porter Hall in the Oil Conservation Division's Santa Fe Offices, located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 19.15.4.13.B to file a Pre-hearing Statement four business days in advance of a scheduled hearing. This statement must be filed at the Division's Santa Fe office at the above specified address and should include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

If you have any questions about this matter please contact Davis Armour at (412) 980-4183 or DArmour@chisholmenergy.com.

Sincerely,

Adam G. Rankin

**ATTORNEY FOR CHISHOLM ENERGY OPERATING,
LLC**

Holland & Hart^{LLP}

Phone (505) 988-4421 **Fax** (505) 983-6043 **www.hollandhart.com**

110 North Guadalupe Suite 1 Santa Fe, New Mexico 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Arden, Boulder, Carson City, Colorado Springs, Denver, Denver Tech Center, Billings, Boise, Cheyenne, Dallas, Houston, Las Vegas, Little Rock, Los Angeles, Miami, Minneapolis, New York, Phoenix, Portland, Raleigh, Salt Lake City, San Antonio, San Diego, San Francisco, Seattle, Tampa, Wichita



Shipment Confirmation Acceptance Notice

A. Mailer Action

Chris M
Note to Mailer: The labels and volume associated to this form online, **must** match the labeled packages being presented to the USPS® employee with this form.

Black River 3-10 Fed Com WCA No. 2H Well
Pooled Parties List Case No. 16027

Shipment Date: 02/23/2018

Shipped From:

Name: HOLLAND & HART LLP

Address: 110 N GUADALUPE ST # 1

City: SANTA FE

State: NM ZIP+4® 87501

Type of Mail	Volume
Priority Mail Express®	
Priority Mail®	0
First-Class Package Service®	
Returns	
International*	
Other	23
Total	23

*Start time for products with service guarantees will begin when mail arrives at the local Post Office™ and items receive individual processing and acceptance scans.

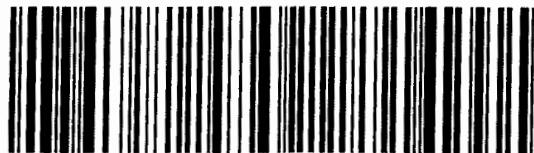
B. USPS Action

Note to RSS Clerk:

1. Home screen > Mailing/Shipping > More
2. Select Shipment Confirm
3. Scan or enter the barcode/label number from PS Form 5630
4. Confirm the volume count message by selecting Yes or No
5. Select Pay and End Visit to complete transaction

USPS EMPLOYEE: Please scan upon pickup or receipt of mail.
Leave form with customer or in customer's mail receptacle.

USPS SCAN AT ACCEPTANCE



9275 0901 1935 6200 0007 3192 58



Firm Mailing Book For Accountable Mail

Name and Address of Sender Holland & Hart LLP 110 N Guadalupe St # 1 Santa Fe NM 87501		Check type of mail or service ☐ Adult Signature Required ☐ Adult Signature Restricted Delivery ☒ Certified Mail ☐ Certified Mail Restricted Delivery ☐ Collect on Delivery (COD) ☐ Insured Mail ☐ Priority Mail ☐ Priority Mail Express ☐ Registered Mail ☐ Return Receipt for Merchandise ☐ Signature Confirmation ☐ Signature Confirmation Restricted Delivery		Affix Stamp Here (If issued as an international certificate of mailing or for additional copies of this receipt). Postmark with Date of Receipt.												
USPS Tracking/Article Number		Addressee (Name, Street, City, State, & ZIP Code™)		Postage	(Extra Service) Fee	Handling Charge - if Registered and over \$50,000 in value	Actual Value if Registered	Insured Value	Due Sender if COD	ASR Fee	ASRD Fee	RD Fee	RR Fee	SC Fee	SCRD Fee	SH Fee
1. 9214 8901 9403 8304 5291 62		Linda Hicks Fasken Acquisitions 95-6101 Holiday Hill Rd Midland TX 79707		0.47	3.45								1.50			
2. 9214 8901 9403 8304 5291 79		Caitlin Pierce Cimarex Energy Co 600 N Marlenfield St Ste 600 Midland TX 79701		0.47	3.45								1.50			
3. 9214 8901 9403 8304 5291 86		Matt Tate Marathon Oil Permian LLC 5555 San Felipe St Houston TX 77066		0.47	3.45								1.50			
4. 9214 8901 9403 8304 5291 93		Warwick - Area LLC 900 W Wilshire Blvd Oklahoma City OK 73116		0.47	3.45								1.50			
5. 9214 8901 9403 8304 5292 09		Finley Production Co LP 1308 Lake St #200 Fort Worth TX 76102		0.47	3.45								1.50			
6. 9214 8901 9403 8304 5292 16		Richard Scott Briggs 12 Hunters Ridge Lane Trophy Club TX 76262		0.47	3.45								1.50			
7. 9214 8901 9403 8304 5292 23		Kansas City Royalty Co LLC 6520 N Western Ave Ste 300 Oklahoma City OK 73172		0.47	3.45								1.50			
8. 9214 8901 9403 8304 5292 30		AGS Resources 2004 LLLP 10 Inverness Drive East Ste 155 Englewood CO 80110		0.47	3.45								1.50			
Total Number of Pieces Listed by Sender 23		Postmaster, Per (Name of receiving employee)														



Firm Mailing Book For Accountable Mail

Name and Address of Sender Holland & Hart LLP 110 N Guadalupe St # 1 Santa Fe NM 87501		Check type of mail or service ☐ Adult Signature Required ☐ Adult Signature Restricted Delivery ☒ Certified Mail ☐ Certified Mail Restricted Delivery ☐ Collect on Delivery (COD) ☐ Insured Mail ☐ Priority Mail ☐ Priority Mail Express ☐ Registered Mail ☐ Return Receipt for Merchandise ☐ Signature Confirmation ☐ Signature Confirmation Restricted Delivery		Affix Stamp Here (if issued as an international certificate of mailing or for additional copies of this receipt). Postmark with Date of Receipt.												
USPS Tracking/Article Number		Addressee (Name, Street, City, State, & ZIP Code™)		Postage	(Extra Service) Fee	Handling Charge	Actual Value if Registered	Insured Value	Due Sender if COD	ASR Fee	ASRD Fee	RD Fee	RR Fee	SC Fee	SCRD Fee	SH Fee
9. 9214 8901 9403 8304 5292 47		AGS Oil & Gas Holdings Inc 10 Inverness Drive East Ste 155 Englewood CO 80110		0.47	3.45								1.50			
10. 9214 8901 9403 8304 5292 54		WillisChild Oil & Gas Corp 621 E St Snyder OK 73556		0.47	3.45								1.50			
11. 9214 8901 9403 8304 5292 61		BGT Oil & Gas LP 1308 Lake St Fort Worth TX 76102		0.47	3.45								1.50			
12. 9214 8901 9403 8304 5292 78		Grasslands Energy LP 1308 Lake St Fort Worth TX 76102		0.47	3.45								1.50			
13. 9214 8901 9403 8304 5292 85		Metcalfe Oil LP 1308 Lake St Fort Worth TX 76102		0.47	3.45								1.50			
14. 9214 8901 9403 8304 5292 92		Donald Horton and Mary Horton 1501 Alta Dr Fort Worth TX 76107		0.47	3.45								1.50			
15. 9214 8901 9403 8304 5292 08		Wilma Faye Whitehead Nitschke 4308 Hurston Lane Wichita Falls TX 76302		0.47	3.45								1.50			
16. 9214 8901 9403 8304 5292 15		Lufline Thompson 119 W Fannin Street Uvalde TX 76801		0.47	3.45								1.50			
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18.	9214 8901 9403 8304 5293 39	Harold F Marshall 7120 Twin Tree Lane Dallas TX 75214		0.47	3.45								1.50			
19.	9214 8901 9403 8304 5293 46	Donis Jean Barnes 2515 Neely Midland TX 79705		0.47	3.45								1.50			
20.	9214 8	Wallace H Scott Unified Credit Trust (Dorothy Cecile Scott Trustee) 10205 River Plantation Dr Austin TX 78747		0.47	3.45								1.50			
21.	9214 8	Conley Resources LLC 9712 Hilltop Road Parker CO 80134		0.47	3.45								1.50			
22.	9214 8	Jerry B Elger PO BOX 2623 Midland TX 79702		0.47	3.45								1.50			
23.	9214 8901 9403 8304 5293 84	Nearburg Employee Trust PO BOX 823085 Dallas TX 75382		0.47	3.45								1.50			



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9214 8901 9403 8304 5293 84	Nearburg Employee Trust PO BOX 823085 Dallas TX 75382	Delivered Signature Received	No	
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9214 8901 9403 8304 5293 60	Conley Resources LLC 9712 Hilltop Road Parker CO 80134	In-Transit	No	
9214 8901 9403 8304 5293 53	Wallace H Scott Unified Credit Trust (Dorothy Cecile Scott Trustee) 10205 River Plantation Dr Austin TX 78747	In-Transit	No	
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9214 8901 9403 8304 5293 39	Harold F Marshall 7120 Twin Tree Lane Dallas TX 75214	Delivered Signature Received	No	
9214 8901 9403 8304 5293 22	O'Neill Properties Ltd 410 W Ohio Ave Midland TX 79701	Delivered Signature Received	No	
9214 8901 9403 8304 5293 15	Lurline Thompson 119 W Fannin Street Uvalde TX 78801	Delivered Signature Received	No	
9214 8901 9403 8304 5293 08	Wilma Faye Whitehead Nitschke 4308 Hurson Lane Wichita Falls TX 76302	Delivered Signature Received	No	
9214 8901 9403 8304 5292 92	Donald Horton and Mary Horton 1501 Alta Dr Fort Worth TX 76107	Delivered Signature Received	No	
9214 8901 9403 8304 5292 85	Metcalfe Oil LP 1308 Lake St Fort Worth TX 76102	Delivered Signature Received	No	
9214 8901 9403 8304 5292 76	Grasslands Energy LP 1308 Lake St Fort Worth TX 76102	Delivered Signature Received	No	
9214 8901 9403 8304 5292 61	BDT Oil & Gas LP 1308 Lake St Fort Worth TX 76102	Delivered Signature Received	No	
9214 8901 9403 8304 5292 54	WillisChild Oil & Gas Corp 621 E St Snyder OK 73566	Delivered Signature Received	No	
9214 8901 9403 8304 5292 47	AGS Oil & Gas Holdings Inc 10 Inverness Drive East Ste 155 Englewood CO 80110	Delivered Signature Received	No	

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Barcode	Recipient	Status	DL	Custom
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9214 8901 9403 8304 5292 16	Richard Scott Briggs	Delivered		
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9214 8901 9403 8304 5292 09	Finley Production Co LP	Delivered		
	1308 Lake St #200	Signature	No	
	Fort Worth TX 76102	Received		
9214 8901 9403 8304 5291 93	Warwick - Ares LLC	Delivered		
	900 W Wilshire Blvd	Signature	No	
	Oklahoma City OK 73116	Received		
9214 8901 9403 8304 5291 86	Matt Tate Marathon Oil Permian LLC	Delivered		
	5555 San Felipe St	Signature	No	
	Houston TX 77056	Received		
9214 8901 9403 8304 5291 79	Caitlin Pierce Cimarex Energy Co	Delivered		
	600 N Marienfeld St Ste 600	Signature	No	
	Midland TX 79701	Received		
9214 8901 9403 8304 5291 62	Linda Hicks Fasken Acquisitions 95-I	Delivered		
	6101 Holiday Hill Rd	Signature	No	
	Midland TX 79707	Received		



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CONLEY RESOURCES LLC
9712 HILLTOP ROAD
PARKER CO 80134

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9214 8901 9403 8304 5293 60

USPS Tracking Label Number: 9214 8901 9403 8304 5293 60

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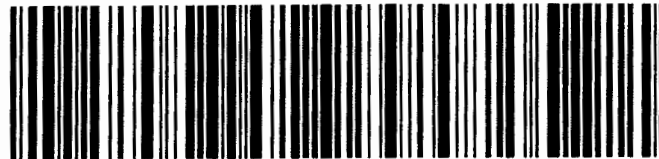
CASE #:

**Return address:**

HOLLAND & HART LLP
110 N GUADALUPE ST # 1
SANTA FE, NM 87501

Recipient address:

WALLACE H SCOTT UNIFIED CREDIT TRUST (DOR
10205 RIVER PLANTATION DR
AUSTIN TX 78747

USPS CERTIFIED MAIL**9214 8901 9403 8304 5293 53****USPS Tracking Label Number: 9214 8901 9403 8304 5293 53**

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DELIVERY STATUS NOT UPDATED	AUSTIN,TX 78747		03/05/2018	22:11
REFUSED	AUSTIN,TX 78747		03/06/2018	14:19
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ARRIVAL AT UNIT	SANTA FE,NM 87501		03/17/2018	04:25
AVAILABLE FOR PICKUP	SANTA FE,NM 87501		03/17/2018	05:13
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PACKAGE RETURN NOTICE GENERATED	AUSTIN,TX 78747		04/01/2018	03:44

CASE #:

HOLLAND & HART ^{LLP}



Adam G. Rankin
Associate
Phone (505) 988-4421
Fax (505) 983-6043
agrarkin@hollandhart.com

February 28, 2018

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO: OFFSETTING LESSEES AND OPERATORS

Re: Application of Chisholm Energy Operating, LLC for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico.
Black River 3-10 Fed Com WCA No. 2H Well
Black River 3-10 Fed Com WCA No. 3H Well
Black River 3-10 Fed Com WCA No. 4H Well

This letter is to advise you that Chisholm Energy Operating, LLC has filed the enclosed application with the New Mexico Oil Conservation Division. *Your interests are not being pooled under this application*, but as a lessee or operator in an offsetting tract, you are entitled to notice of this application.

This application has been set for hearing before a Division Examiner at 8:15 AM on March 22, 2018. The hearing will be held in Porter Hall in the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 19.15.4.13.B to file a Pre-Hearing Statement with the Oil Conservation Division's Santa Fe office, four business days in advance of a scheduled hearing, but at least on the Thursday preceding the hearing. This statement must include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

If you have any questions about this matter please contact Davis Armour at (412) 980-4183 or DArmour@chisholmenergy.com.

Sincerely,

Adam G. Rankin

**ATTORNEY FOR CHISHOLM ENERGY OPERATING,
LLC**



Shipment Confirmation Acceptance Notice

A. Mailer Action

Note to Mailer: The labels and volume associated to this form online, **must** match the labeled packages being presented to the USPS® employee with this form.

Chisholm
Black River 3-10 Fed Com WCA No. 2H Well,
the proposed Black River 3-10 Fed Com WCA
No. 3H Well – OFFSET LIST - Case No. 16027

Shipment Date: 02/23/2018

Shipped From:

Name: HOLLAND & HART LLP

Address: 110 N GUADALUPE ST # 1

City: SANTA FE

State: NM ZIP+4® 87501

Type of Mail	Volume
Priority Mail Express®*	
Priority Mail®	0
First-Class Package Service®	
Returns	
International*	
Other	4
Total	4

*Start time for products with service guarantees will begin when mail arrives at the local Post Office™ and items receive individual processing and acceptance scans.

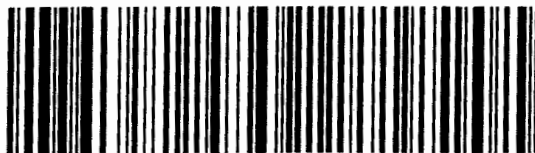
B. USPS Action

Note to RSS Clerk:

1. Home screen > Mailing/Shipping > More
2. Select Shipment Confirm
3. Scan or enter the barcode/label number from PS Form 5630
4. Confirm the volume count message by selecting Yes or No
5. Select Pay and End Visit to complete transaction

USPS EMPLOYEE: Please scan upon pickup or receipt of mail.
Leave form with customer or in customer's mail receptacle.

USPS SCAN AT ACCEPTANCE



9275 0901 1935 6200 0007 3207 28



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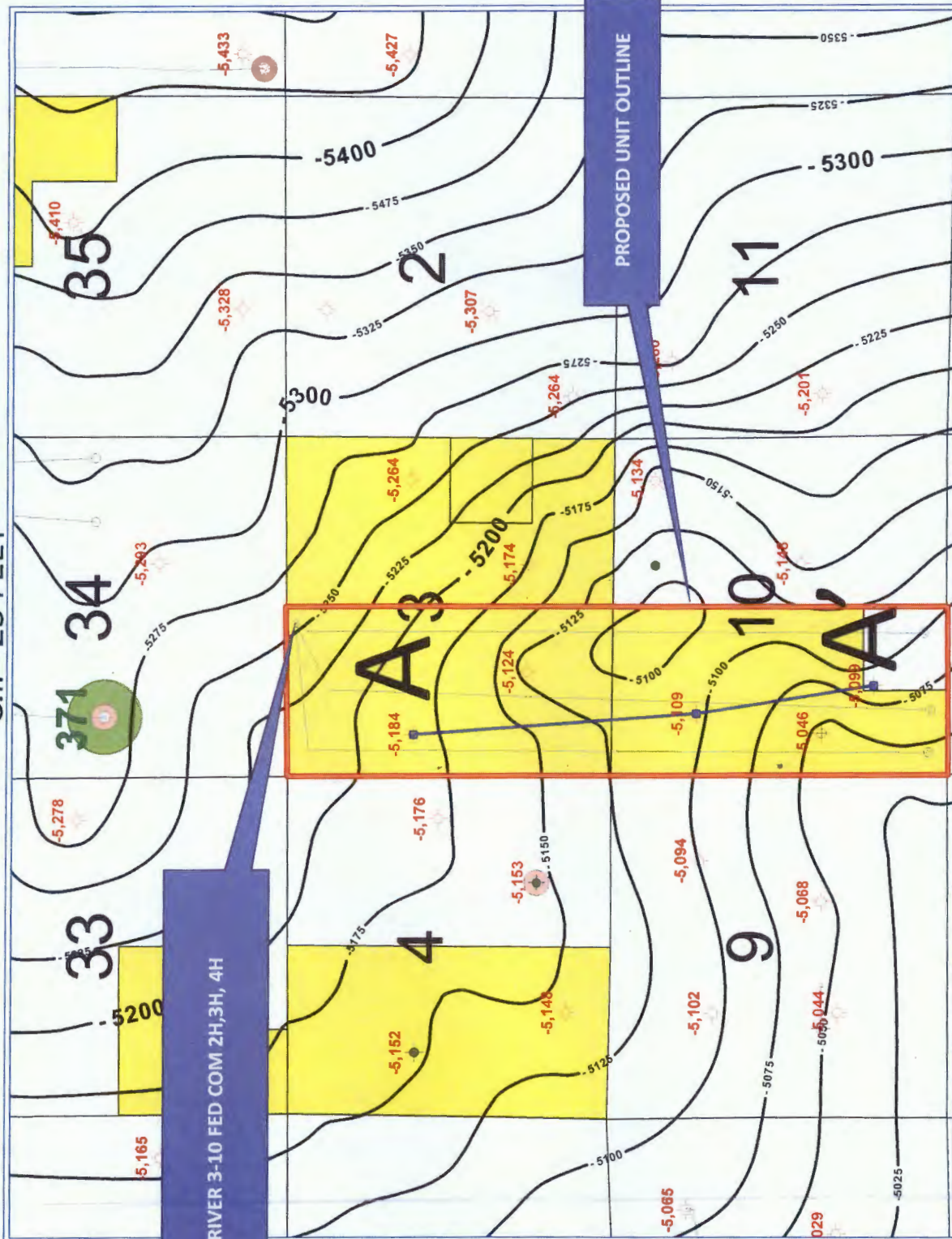
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9214 8901 9403 8304 5332 75	READ & STEVENS	Delivered		
	PO Box 1518	Signature	No	
	ROSWELL NM 88202-1518	Received		
9214 8901 9403 8304 5332 68	MARATHON OIL PERMIAN LLC	Delivered		
	5555 SAN FELIPE ST	Signature	No	
	HOUSTON TX 77056-2701	Received		
9214 8901 9403 8304 5332 51	CIMAREX ENERGY CO	Delivered		
	600 N MARIENFELD ST #600	Signature	No	
	MIDLAND TX 79701-4405	Received		

STRUCTURE TOP WOLFCAMP FM. BLACK RIVER PROPSECT

C.I.= 25 FEET



CHISHOLM ENERGY
HOLDINGS, LLC
LEASEHOLD

BEFORE THE OIL CONSERVATION
DIVISION

Santa Fe, New Mexico

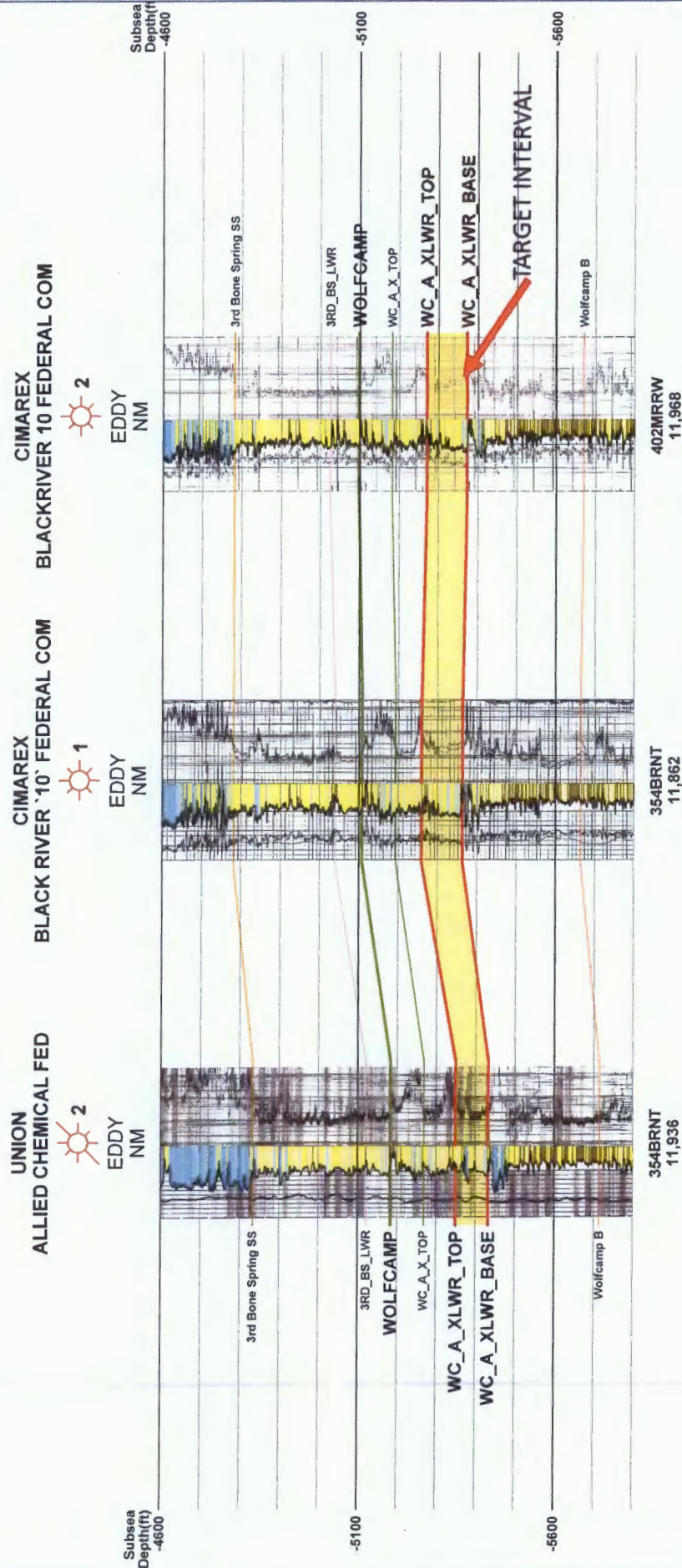
Exhibit No. 5

Submitted by: Chisholm Energy Operating LLC
Hearing Date: April 5, 2018

A

STRUCTURAL CROSS-SECTION A-A'
WC A TARGET INTERVAL

A'



PETRA 4/27/2018 8:08:33 AM

BEFORE THE OIL CONSERVATION
DIVISION

Santa Fe, New Mexico

Exhibit No. 6

Submitted by: Chisholm Energy Operating LLC

Hearing Date: April 5, 2018