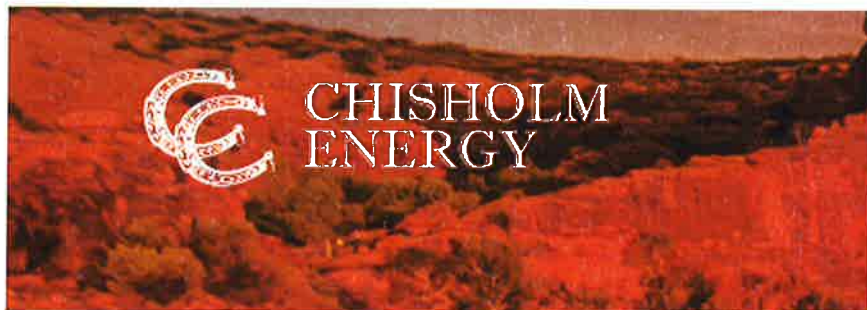


**BEFORE THE OIL CONSERVATION DIVISION
EXAMINER HEARING JUNE 13, 2019**

**CASE NOS. 14826 (RE-OPENED)
& 14940 (RE-OPENED)**

LAGUNA 23 FEDERAL COM 1H & 2H

LEA COUNTY, NEW MEXICO



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

**APPLICATION OF CHISHOLM ENERGY OPERATING,
LLC TO RE-OPEN CASE NO. 14826 TO POOL ADDITIONAL
MINERAL OWNERS UNDER THE TERMS OF COMPULSORY
POOLING ORDER NOS. R-13628 AND R-13628-A,
LEA COUNTY, NEW MEXICO.**

CASE NO. 14826 (re-opened)

**APPLICATION OF CHISHOLM ENERGY OPERATING,
LLC TO RE-OPEN CASE NO. 14940 TO POOL ADDITIONAL
MINERAL OWNERS UNDER THE TERMS OF COMPULSORY
POOLING ORDER NO. R-13691,
LEA COUNTY, NEW MEXICO.**

CASE NO. 14940 (re-opened)

AFFIDAVIT OF DAVIS ARMOUR

Davis Armour, of lawful age and being first duly sworn, declares as follows:

1. My name is Davis Armour. I work for 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 matter. My credentials as a petroleum landman have been accepted by the Division and made a matter of record.
3. I am familiar with these Applications filed by Chisholm on May 13, 2019, and the status of the lands in Section 23, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico.

**BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. A
Submitted by: Chisholm Energy Operating LLC
Hearing Date: June 13, 2019
Case No. 14826 & 14940**

CASE NO. 14826

4. In Case No. 14826, Division Orders R-13628, entered on September 19, 2012, and R-13628-A, entered on October 2, 2012, created a 160-acre spacing and proration unit underlying the W/2 W/2 of Section 23, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. These Orders further pooled the uncommitted interests in the Bone Spring formation (Third Bone Spring Sand, South Lea-Bone Spring Pool (37580)) in this spacing and proration unit and dedicated it to the **Laguna 23 Federal Com Well No. 2H Well** (API No. 30-025-40697), a horizontal well that has been drilled from a surface location 50 feet from the south line and 630 feet from the west line (Unit M) to a bottom hole location 341 feet from the north line and 612 feet from the West line (Unit D) of Section 23. **Exhibit A-1** to this affidavit is a copy of Order R-13628 and Order R-13628-A.

5. Since the entry of Order R-13628 and Order R-13628-A, and since Chisholm took over operations of this well on June 7, 2017, Chisholm has discovered four additional mineral interest owners who did not receive notice of the June 7, 2012 compulsory pooling hearing in Case No. 14826. **Exhibit A-2** is an exhibit I prepared that identifies the names and addresses for these additional mineral interest owners.

6. Chisholm has undertaken good faith efforts to locate and obtain the signatures of these mineral interest owners, including mailing them written correspondence.

7. Chisholm respectfully requests that these four additional mineral interest owners be pooled pursuant to the terms of Order R-13628 and Order R-13628-A.

CASE NO. 14940

8. Division Order R-13691, entered on April 8, 2013, created a 160-acre spacing and proration unit underlying the E/2 W/2 of Section 23, Township 20 South, Range 34 East, NMPM,

Lea County, New Mexico. This Order further pooled the uncommitted interests in the in the Bone Spring formation (South Lea-Bone Spring Pool (37580)) in this spacing and proration unit and dedicated it to the **Laguna 23 Federal Com Well No. 1H Well** (API No. 30-025-40742), a horizontal well that has been drilled from a surface location 330 feet from the south line and 1,980 feet from the west line (Unit N) to a bottom hole location 335 feet from the north line and 1,938 feet from the West line (Unit C) of Section 23. **Exhibit A-3** to this affidavit is a copy of Order R-13691.

9. Since the entry of Order R-13691, and since Chisholm took over operations of this well on June 7, 2017, Chisholm has discovered four additional mineral interest owners who did not receive notice of the January 24, 2013 compulsory pooling hearing in Case No. 14940. **Exhibit A-4** is an exhibit I prepared that identifies the names and addresses for these additional mineral interest owners.

10. Chisholm has undertaken good faith efforts to locate and obtain the signatures of these mineral interest owners, including mailing them written correspondence.

11. Chisholm respectfully requests that these four additional mineral interest owners be pooled pursuant to the terms of Order R-13691.

12. Exhibit Nos. A-2 and A-4 were either prepared by me or compiled under my direction and supervision.

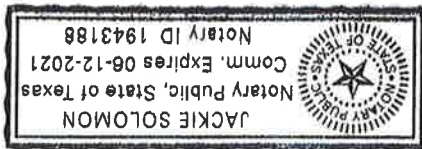
FURTHER AFFIANT SAYETH NOT.



DAVIS ARMOUR

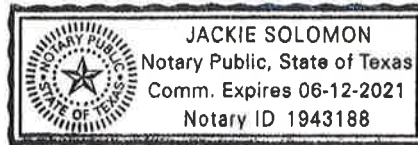
STATE OF TEXAS)
)
COUNTY OF TARRANT)

SUBSCRIBED and SWORN to before me this 11th day of June 2019 by Davis
Armour.




NOTARY PUBLIC

My Commission Expires:



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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 14826
ORDER NO. R-13628**

**APPLICATION OF NEARBURG EXPLORATION COMPANY, LLC FOR A
NON-STANDARD SPACING AND PRORATION UNIT AND COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 7, 2012 at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 19th day of September, 2012, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) Nearburg Exploration Company, LLC ("Applicant" or "Nearburg") is proposing to drill the Laguna 23 Federal Com Well No. 2H (API No. 30-025-40697) ("the proposed well"). This well will be drilled from a surface location 175 feet from the South line and 660 feet from the West line (Unit letter M) in a northerly direction, at approximately 11,150 feet true vertical depth, to a bottomhole location 330 feet from the North line and 660 feet from the West line (Unit letter D) of Section 23, Township 20 South, Range 26 East, NMPM, in Lea County, New Mexico. The well completion will be "standard"; all portions completed will be greater than or equal to 330 feet from the outer boundary of the proposed oil spacing and proration unit and project area.

(3) Nearburg seeks approval from the Division to dedicate the W/2 of the W/2 of Section 23 to the well to form a non-standard 160-acre oil spacing and proration unit and project area (the "Unit") for a horizontal completion in the Third Bone Spring Sand. South Lea-Bone Spring Pool (37580).

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. A-1

Submitted by: Chisholm Energy Operating LLC

Hearing Date: June 13, 2019

Case No. 14826 & 14940

(4) Nearburg further seeks to pool all uncommitted interests in the Unit.

(5) The South Lea-Bone Spring Pool has no Special Rules; therefore, well spacing in this pool is governed by statewide Rule 19.15.15.9.A NMAC, which provides for standard 40-acre units, each comprising a governmental quarter-quarter section. The Unit consists of four adjacent quarter-quarter sections.

(6) Applicant appeared at the hearing and presented land and geologic evidence to the effect that:

- (a) There are no unlocatable owners;
- (b) Nearburg intends to drill this well within the Third Bone Spring Sand member of the Bone Spring formation;
- (c) this area within the Bone Spring formation is suitable for development by horizontal drilling; and
- (d) all quarter-quarter sections to be included in the Unit are expected to be productive in the Bone Spring formation, so that formation of the Unit as requested will not impair correlative rights.

(7) There were no other appearances in this case.

The Division concludes that:

(8) Approval of the proposed 160-acre non-standard spacing and proration unit will enable Applicant to drill a horizontal well that will efficiently produce the reserves underlying the Unit, thereby preventing waste, and will not impair correlative rights. Applicant's proposed Unit should be approved.

(9) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts that are separately owned.

(10) Applicant is an owner of an oil and gas working interest within this Unit. Applicant has the right to drill and proposes to drill the proposed well to a common source of supply at the proposed location.

(11) There are interest owners in this Unit that have not agreed to pool their interests. There are no un-locatable owners or evidence of a title dispute. Accordingly, provision for escrow of funds is not needed.

(12) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in this Unit the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons,

this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas within this Unit.

(13) Nearburg Producing Company (OGRID 15742) should be designated the operator of the proposed well and of this Unit.

(14) Any pooled working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the well.

(15) Reasonable charges for supervision (combined fixed rates) should be fixed at \$6,000 per month while drilling and \$600 per month while producing, provided that these rates should be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "*Accounting Procedure-Joint Operations*."

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Nearburg Exploration Company, LLC, ("Applicant"), a non-standard 160-acre oil spacing and proration unit (the "Unit") is hereby established in the Bone Spring formation, South Lea-Bone Spring Pool (Pool Code 37580), consisting of the W/2 of the W/2 of Section 23, Township 20 South, Range 26 East, NMPM, in Lea County, New Mexico.

(2) All uncommitted interests, whatever they may be, are hereby pooled in the oil and gas within the Unit.

(3) The Unit shall be dedicated to Applicant's proposed Laguna 23 Federal Com Well No. 2H (API No. 30-025-40697, "the proposed well"). This well will be drilled from a surface location 175 feet from the South line and 660 feet from the West line (Unit letter M) in a northerly direction, at approximately 11,150 feet true vertical depth, to a bottomhole location 330 feet from the North line and 660 feet from the West line (Unit letter D) of Section 23, Township 20 South, Range 26 East, NMPM, in Lea County, New Mexico. The well completion will be "standard"; all portions completed will be greater than or equal to 330 feet from the outer boundary of the Unit.

(4) The operator of this Unit shall commence drilling the proposed well on or before October 1, 2013, and shall thereafter continue drilling the well with due diligence to test the Bone Spring formation.

(5) In the event the operator does not commence drilling the proposed well on or before the date specified in the preceding paragraph, Ordering Paragraphs (1) and (2) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause demonstrated by satisfactory evidence.

(6) Should the proposed well not be drilled and completed within 120 days after commencement thereof, then Ordering Paragraphs (1) and (2) shall be of no further effect, and the Unit created by this order shall terminate, unless operator appears before the Division Director and obtains an extension of the time for completion of the proposed well for good cause shown by satisfactory evidence. If the proposed well is drilled horizontally but is not completed in all of the quarter-quarter sections included in the Unit within 120 days after commencement of drilling, then the operator shall apply to the Division for an amendment to this Order to contract the Unit so that it includes only those quarter-quarter sections in which the well is completed.

(7) Upon final plugging and abandonment of the proposed well and any other well drilled on this Unit pursuant to Division Rule 13.9, the pooled Unit created by this Order shall terminate, unless this order has been amended to authorize further operations.

(8) Nearburg Producing Company (OGRID 15742) is hereby designated the operator of the well and of the Unit.

(9) After pooling, uncommitted working interest owners are referred to as pooled working interest owners. ("Pooled working interest owners" are owners of working interests in the Unit, including unleased mineral interests, who are not parties to an operating agreement governing the Unit.) After the effective date of this order, the operator shall furnish the Division and each known pooled working interest owner in the Unit an itemized schedule of estimated costs of drilling, completing and equipping the proposed well ("well costs"). Estimated well costs shall be allocated among pooled working interest owners based on their respective interests in the Unit.

(10) Within 30 days from the date the schedule of estimated well costs is furnished, any pooled working interest owner shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges. Pooled working interest owners who elect not to pay their share of estimated well costs as provided in this paragraph shall thereafter be referred to as "non-consenting working interest owners."

(11) The operator shall furnish the Division and each known pooled working interest owner (including non-consenting working interest owners) an itemized schedule of actual well costs within 90 days following completion of the proposed well. Actual well costs shall be allocated among pooled working interest owners based on their respective interests in the Unit. If no objection to the actual well costs is received by the Division, and the Division has not objected, within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.

(12) Within 60 days following determination of reasonable well costs, any pooled working interest owner who has paid its share of estimated costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator the amount, if any, that the estimated well costs it has paid exceed its share of reasonable well costs.

(13) The operator is hereby authorized to withhold the following costs and charges from production:

- (a) the proportionate share of reasonable well costs attributable to each non-consenting working interest owner; and
- (b) as a charge for the risk involved in drilling the well, 200% of the above costs.

(14) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.

(15) Reasonable charges for supervision (combined fixed rates) are hereby fixed at \$6,000 per month while drilling and \$600 per month while producing, provided that these rates shall be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "*Accounting Procedure-Joint Operations*." The operator is authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to pooled working interest owners.

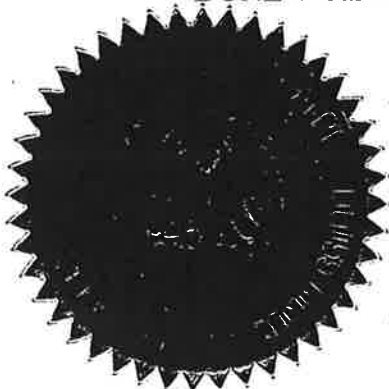
(16) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(17) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(18) The operator of the well and the units shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the compulsory pooling provisions of this order.

(19) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Jami Bailey".

JAMI BAILEY
Director

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 14826
ORDER NO. R-13628-A**
Nunc Pro Tunc

**APPLICATION OF NEARBURG EXPLORATION COMPANY, LLC FOR A
NON-STANDARD SPACING AND PRORATION UNIT AND COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 7, 2012, at Santa Fe, New Mexico, before Examiner William V. Jones.

On September 19, 2012, the Division Director issued Order No. R-13628 in this case.

NOW, on this 2nd day of October, 2012, the Division Director

FINDS THAT:

(1) Order No. R-13628 contains a clerical error, in that the Range number within the legal description of the proposed well was inadvertently stated incorrectly.

IT IS THEREFORE ORDERED THAT:

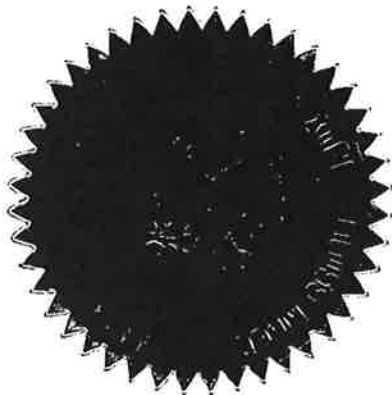
(1) Finding Paragraph (2) and Ordering Paragraphs (1) and (3) of Order No R-13628, issued in Case No. 14826 on September 19, 2012, are hereby amended, *nunc pro tunc*, effective as of the date of the original order, each with the following correction:

“Range 26 East” is hereby corrected to read “Range 34 East”

(2) In all other respects, Order No. R-13628 shall remain in full force and effect as originally written.

(3) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, appearing to read "Jami Bailey".

JAMI BAILEY
Director

Joe N. Gifford & Emily Gifford (husband and wife)
P.O. Box 51187
Midland, TX 79710

JNG Trust
P.O. Box 51187
Midland, TX 79710

Debco, LLC
P.O. Box 1090
Roswell, NM 88202

Corwin Myers
17009 SW Versailles Lane
Portland, OR 97224

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 14940
ORDER NO. R-13691**

**APPLICATION OF NEARBURG EXPLORATION COMPANY, LLC FOR A
NON-STANDARD SPACING AND PRORATION UNIT AND COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on January 24, 2013 at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 8th day of April, 2013, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) Nearburg Exploration Company, LLC ("Applicant"), seeks approval of a non-standard 160-acre oil spacing and proration unit and project area ("the Unit") in the Bone Spring formation [South Lea-Bone Spring Pool (37580)] consisting of the E/2 of the W/2 (Units C, F, K and N) of Section 23, Township 20 South, Range 34 East, NMPM, in Lea County, New Mexico. Applicant further seeks an order pooling all uncommitted interests in the Unit in the Bone Spring formation.

(3) The Unit is to be dedicated to Applicant's Laguna 23 Federal Com. Well No. 1H (API No. 30-025-40742) ("the proposed well"), a horizontal well to be drilled from a standard surface location 330 feet from the South line and 1980 feet from the West line (Unit N) of Section 23. The well will penetrate the Bone Spring formation at a standard oil well location and continue horizontally in the Bone Spring to a standard terminus, or bottomhole location, 330 feet from the North line and 1980 feet from the

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. A-3

Submitted by: **Chisholm Energy Operating LLC**

Hearing Date: June 13, 2019

Case No. 14826 & 14940

West line (Unit C) of Section 23. The well's completed interval will be entirely within the 330-foot setbacks from the outer boundaries of the well's project area.

(4) Spacing in the South Lea-Bone Spring Pool is governed by statewide Rule 19.15.15.9.A NMAC, which provides for standard 40-acre units, each comprising a governmental quarter-quarter section. The Unit consists of four adjacent quarter-quarter sections.

(5) Applicant appeared at the hearing through counsel and presented geologic evidence by affidavit to the effect that:

(a) this area is suitable for development by horizontal drilling, with preferred lateral orientation being North-South or South-North; and

(b) all quarter sections to be included in the Unit are expected to be productive in the Bone Spring formation, so that formation of the Unit as requested will not impair correlative rights.

(6) No other party appeared at the hearing, or otherwise opposed the granting of this application.

The Division concludes that:

(7) Approval of the proposed non-standard unit will enable Applicant to drill a horizontal well that will efficiently produce the reserves underlying the Unit, thereby preventing waste, and will not impair correlative rights.

(8) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(9) Applicant is an owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill the proposed well to a common source of supply within the Unit at the proposed location.

(10) There are interest owners in the Unit that have not agreed to pool their interests. There are possibly unlocated owners in the Unit. Accordingly, provision should be made to escrow funds for the account of such owners.

(11) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas within the Unit.

(12) Nearburg Producing Company should be designated the operator of the

proposed well and of the Unit.

(13) Any pooled working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the well.

(14) Reasonable charges for supervision (combined fixed rates) should be fixed at \$6,000 per month while drilling and \$600 per month while producing, provided that these rates should be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "*Accounting Procedure-Joint Operations*."

IT IS THEREFORE ORDERED THAT:

(1) A non-standard 160-acre oil spacing and proration unit (the Unit) is hereby established in the Bone Spring formation [South Lea-Bone Spring Pool (37580)] consisting of the E/2 of the W/2 (Units C, F, K and N) of Section 23, Township 20 South, Range 34 East, NMPM, in Lea County, New Mexico.

(2) Pursuant to the application of Nearburg Exploration Company, LLC, all uncommitted interests, whatever they may be, in the oil and gas in the Bone Spring formation underlying the Unit, are hereby pooled.

(3) The Unit shall be dedicated to Applicant's Laguna 23 Federal Com. Well No. 1H (API No. 30-025-40742) ("the proposed well"), a horizontal well to be drilled from a standard surface location 330 feet from the South line and 1980 feet from the West line (Unit N) of Section 23. The well will penetrate the Bone Spring formation at a standard oil well location and continue horizontally in the Bone Spring to a standard terminus, or bottomhole location, 330 feet from the North line and 1980 feet from the West line (Unit C) of Section 23.

(4) The operator of the Unit shall commence drilling the proposed well on or before April 1, 2014, and shall thereafter continue drilling the well with due diligence to test the third Bone Spring sand.

(5) In the event the operator does not commence drilling the proposed well on or before April 1, 2014, Ordering Paragraphs (1) and (2) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause demonstrated by satisfactory evidence.

(6) Should the proposed well not be drilled and completed within 120 days after commencement thereof, then Ordering Paragraphs (1) and (2) shall be of no further effect, and the unit and project area created by this order shall terminate, unless operator appears before the Division Director and obtains an extension of the time for completion of the proposed well for good cause shown by satisfactory evidence. If the proposed well is not completed in all of the quarter-quarter sections included in the proposed unit within

120 days after commencement of drilling, then the operator shall apply to the Division for an amendment to this Order to contract the Unit so that it includes only those quarter-quarter sections in which the well is completed.

(7) Upon final plugging and abandonment of the proposed well and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled unit created by this Order shall terminate, unless this order has been amended to authorize further operations.

(8) Nearburg Producing Company (OGRID 15742) is hereby designated the operator of the well and of the Unit.

(9) After pooling, uncommitted working interest owners are referred to as pooled working interest owners. ("Pooled working interest owners" are owners of working interests in the Unit, including unleased mineral interests, who are not parties to an operating agreement governing the Unit.) After the effective date of this order, the operator shall furnish the Division and each known pooled working interest owner in the Unit an itemized schedule of estimated costs of drilling, completing and equipping the proposed well ("well costs").

(10) Within 30 days from the date the schedule of estimated well costs is furnished, any pooled working interest owner shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges. Pooled working interest owners who elect not to pay their share of estimated well costs as provided in this paragraph shall thereafter be referred to as "non-consenting working interest owners."

(11) The operator shall furnish the Division and each known pooled working interest owner (including non-consenting working interest owners) an itemized schedule of actual well costs within 90 days following completion of the proposed well. If no objection to the actual well costs is received by the Division, and the Division has not objected, within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.

(12) Within 60 days following determination of reasonable well costs, any pooled working interest owner who has paid its share of estimated costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator the amount, if any, that the estimated well costs it has paid exceed its share of reasonable well costs.

(13) The operator is hereby authorized to withhold the following costs and charges from production:

- (a) the proportionate share of reasonable well costs attributable to each non-consenting working interest owner; and
- (b) as a charge for the risk involved in drilling the well, 200% of the above costs.

(14) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.

(15) Reasonable charges for supervision (combined fixed rates) are hereby fixed at \$6,000 per month while drilling and \$600 per month while producing, provided that these rates shall be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "*Accounting Procedure-Joint Operations*." The operator is authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to pooled working interest owners.

(16) Except as provided in Paragraphs (13) and (15) above, all proceeds from production from the well that are not disbursed for any reason shall be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership. The operator shall notify the Division (Attention: Records Clerk) of the name and address of the escrow agent not later than one year from the date of issuance of this Order.

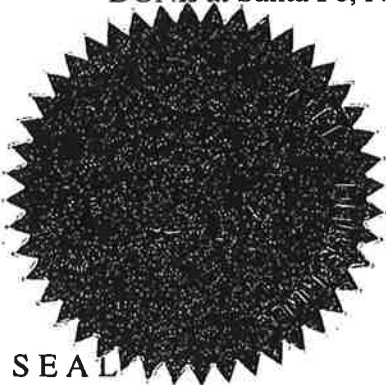
(17) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(18) The operator of the well and Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the compulsory pooling provisions of this order.

(19) This Order is subject to approval of the United States Bureau of Land Management.

(20) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in dark ink, appearing to read "Jami Bailey". The signature is fluid and cursive, with a large initial "J" and a stylized "B".

JAMI BAILEY
Director

Joe N. Gifford & Emily Gifford (husband and wife)
P.O. Box 51187
Midland, TX 79710

JNG Trust
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Midland, TX 79710

Debco, LLC
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Corwin Myers
17009 SW Versailles Lane
Portland, OR 97224



May 24, 2019

VIA CERTIFIED MAIL
CERTIFIED RECEIPT REQUESTED

TO: ALL INTEREST OWNERS SUBJECT TO POOLING PROCEEDINGS

Re: Case Nos. 14940 (re-opened) – Application of Chisholm Energy Operating, LLC to Re-Open Case No. 14940 To Pool Additional Mineral Owners Under The Terms Of Compulsory Pooling Order No. R-13691, Lea County, New Mexico.
Laguna 23 Federal Com Well No. 1H Well

Ladies & Gentlemen:

This letter is to advise you that Chisholm Energy Operating, LLC has filed the enclosed application to re-open Case No. 14940 for the purpose of providing additional notice with the New Mexico Oil Conservation Division. This application to re-open will be set for hearing before a Division Examiner on June 13, 2019 and the status of the hearing can be monitored through the Division's website at <http://www.emnrd.state.nm.us/ocd/>. Division hearings will commence at 8:15 am 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 (817) 953-0480 or darmour@chisholmenergy.com.

Sincerely,

Michael H. Feldewert

**ATTORNEY FOR CHISHOLM ENERGY OPERATING
LLC**



May 24, 2019

VIA CERTIFIED MAIL
CERTIFIED RECEIPT REQUESTED

TO: ALL INTEREST OWNERS SUBJECT TO POOLING PROCEEDINGS

Re: Case Nos. 14826 (re-opened) – Application of Chisholm Energy Operating, LLC to Re-Open Case No. 14826 To Pool Additional Mineral Owners Under The Terms Of Compulsory Pooling Order Nos. R-13628 and R-13628-A, Lea County, New Mexico.
Laguna 23 Federal Com Well No. 2H Well

Ladies & Gentlemen:

This letter is to advise you that Chisholm Energy Operating, LLC has filed the enclosed application to re-open Case No. 14826 for the purpose of providing additional notice with the New Mexico Oil Conservation Division. This application to re-open will be set for hearing before a Division Examiner on June 13, 2019 and the status of the hearing can be monitored through the Division's website at <http://www.emnrd.state.nm.us/ocd/>. Division hearings will commence at 8:15 am 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.

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Sincerely,

Michael H. Feldewert
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/LAGUNA
14826 & 14940
2-WELLS

Shipment Date: 05/24/2019

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.

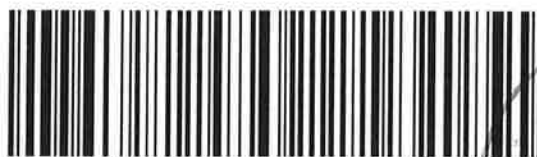
B. USPS Action

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 0014 6942 25





Firm Mailing Book For Accountable Mail

Name and Address of Sender	USPS Tracking/Article Number	Check type of mail or service <input type="checkbox"/> Adult Signature Required <input type="checkbox"/> Priority Mail Express <input type="checkbox"/> Adult Signature Restricted Delivery <input type="checkbox"/> Registered Mail <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Certified Mail Restricted Delivery <input type="checkbox"/> Signature Confirmation <input type="checkbox"/> Collect on Delivery (COD) <input type="checkbox"/> Signature Confirmation <input type="checkbox"/> Insured Mail <input type="checkbox"/> Signature Confirmation Restricted Delivery <input type="checkbox"/> Priority Mail	Postage	(Extra Service) Fee	Handling Charge - if Registered and over \$50.00 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
Holland & Hart LLP 110 N Guadalupe St # 1 Santa Fe NM 87501	9214 8901 9403 8363 7822 98	Joe N Gifford & Emily Gifford (husband and wife) PO BOX 51187 Midland TX 79710	0.50	3.50							1.60				
	9214 8901 9403 8363 7823 04	JNG Trust { O Box 51187 Midland TX 79710	0.50	3.50							1.60				
	9214 8901 9403 8363 7823 11	Debco LLC PO BOX 1090 roswell NM 88202	0.50	3.50							1.60				
	9214 8901 9403 8363 7823 28	Corwin Myers 17009 SW Versailles Lane Portland OR 97224	0.50	3.50							1.60				
Total Number of Pieces Listed by Sender	4	Total Number of Pieces Received at Post Office													
Postmaster, Per (Name of receiving employee)															

POSTAL DELIVERY REPORT
LAGUNA 23 FED COM 2H WELL
CASE NOS. 14826 & 14940

Recipient	Status	Custom
Joe N Gifford & Emily Gifford (husband and wife) PO BOX 51187 Midland TX 79710	Delivered Signature Received	Ref#: C1402197.7872415 RetRef#:
JNG Trust { O Box 51187 Midland TX 79710	Delivered Signature Received	Ref#: C1402197.7872416 RetRef#:
Debco LLC PO BOX 1090 Roswell NM 88202	Delivered Signature Received	Ref#: C1402197.7872417 RetRef#:
Corwin Myers 17009 SW Versailles Lane Portland OR 97224	In-Transit	Ref#: C1402197.7872418 RetRef#:

Affidavit of Publication

STATE OF NEW MEXICO
COUNTY OF LEA

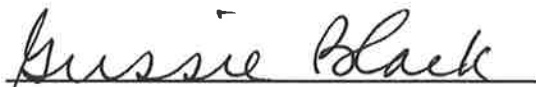
I, Daniel Russell, Publisher of the Hobbs News-Sun, a newspaper published at Hobbs, New Mexico, solemnly swear that the clipping attached hereto was published in the regular and entire issue of said newspaper, and not a supplement thereof for a period of 1 issue(s).

Beginning with the issue dated
May 26, 2019
and ending with the issue dated
May 26, 2019.



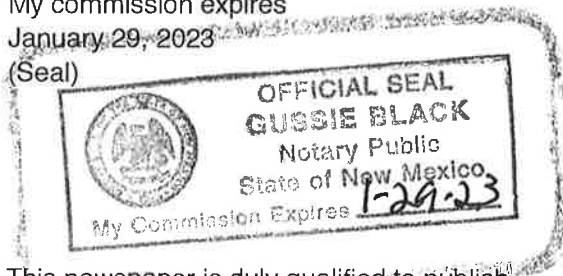
Publisher

Sworn and subscribed to before me this
26th day of May 2019.



Business Manager

My commission expires
January 29, 2023
(Seal)



This newspaper is duly qualified to publish legal notices or advertisements within the meaning of Section 3, Chapter 167, Laws of 1937 and payment of fees for said

LEGAL **LEGAL**

LEGAL NOTICE
MAY 26, 2019

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

The State of New Mexico through its Oil Conservation Division hereby gives notice pursuant to law and the Rules and Regulations of the Division of the following public hearing to be held at 8:15 A.M. on **June 13, 2019**, in the Oil Conservation Division Hearing Room at 1220 South St. Francis, Santa Fe, New Mexico, before an examiner duly appoint for the hearing. If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing, please contact: Florene Davidson at 505-476-3458 or through the New Mexico Relay Network, 1-800-659-1779 by **June 3, 2019**. Public documents, including the agenda and minutes, can be provided in various accessible forms. Please contact Florene Davidson if a summary or other type of accessible form is needed.

STATE OF NEW MEXICO TO:
All named parties and persons
having any right, title, interest
or claim in the following case
and notice to the public.

(NOTE: All land descriptions herein refer to the New Mexico Principal Meridian whether or not so stated.)

To: All overriding royalty interest owners and pooled parties, including: Joe N. Gifford & Emily Gifford (husband and wife), their heirs and devisees; JNG Trust; Debco, LLC; Corwin Myers, his heirs and devisees.

Case No. 14940 (re-opened): Application of Chisholm Energy Operating, LLC to Re-Open Case No. 14940 To Pool The Interests Of Additional Mineral Owners Under The Terms Of Compulsory Pooling Order No. R-13691, Lea County, New Mexico. Applicant in the above-styled cause seeks to amend Division Order No. R-13691 to include additional mineral owners in the Bone Spring formation underlying the E/2 W/2 of Section 23, Township 20 South, Range 34 East, NMPM, in Lea County, New Mexico. Said unit is dedicated to the **Laguna 23 Federal Com. Well No. 1H (API No. 30-025-40742)** and is located 25 miles west of Eunice, New Mexico.
#34196

67100754

00228729

HOLLAND & HART LLC
PO BOX 2208
SANTA FE,, NM 87504-2208

Affidavit of Publication

STATE OF NEW MEXICO
COUNTY OF LEA

I, Daniel Russell, Publisher of the Hobbs News-Sun, a newspaper published at Hobbs, New Mexico, solemnly swear that the clipping attached hereto was published in the regular and entire issue of said newspaper, and not a supplement thereof for a period of 1 issue(s).

Beginning with the issue dated
May 26, 2019
and ending with the issue dated
May 26, 2019.



Publisher

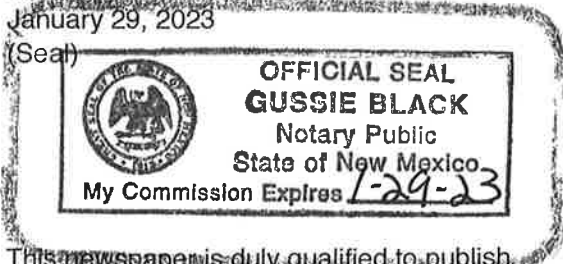
Sworn and subscribed to before me this
26th day of May 2019.



Business Manager

My commission expires
January 29, 2023

(Seal)



This newspaper is duly qualified to publish legal notices or advertisements within the meaning of Section 3, Chapter 167, Laws of 1937 and payment of fees for said

LEGAL	LEGAL
LEGAL NOTICE MAY 26, 2019	
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STATE OF NEW MEXICO TO: All named parties and persons having any right, title, interest or claim in the following case and notice to the public.	
(NOTE: All land descriptions herein refer to the New Mexico Principal Meridian whether or not so stated.)	
To: All overriding royalty interest owners and pooled parties, including: Joe N. Gifford & Emily Gifford (husband and wife), their heirs and devisees; JNG Trust; Debco, LLC; Corwin Myers, his heirs and devisees.	
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67100754

00228730

HOLLAND & HART LLC
PO BOX 2208
SANTA FE,, NM 87504-2208