

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

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

CASE NO. 16396

APPLICATION

Chisholm Energy Operating, LLC ("Chisholm") (OGRID No. 327137), through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order (1) creating a 320.89-acre, more or less, spacing and proration unit comprised of the E/2 E/2 of Section 32, Township 22 South, Range 26 East, NMPM, Eddy County, New Mexico, and Lot 1, SE/4 NE/4, E/2 SE/4 [E/2 E/2] of Section 5, Township 23 South, Range 26 East, NMPM, Eddy County, New Mexico; and (2) pooling all uncommitted interests in the Bone Spring formation. In support of its application, Chisholm states:

1. Chisholm Energy Operating, LLC is a working interest owner in the proposed in the spacing unit and has the right to drill thereon.
2. Chisholm proposes to dedicate the above-referenced spacing and proration unit as the project area for its proposed **Bodacious 5-32 Fed Com 3BS No. 4H Well**, which will be horizontally drilled from a surface location in the SW/4 SE/4 (Unit O) of Section 5 to a bottom hole location in the NE/4 NE/4 (Unit A) of Section 32.
3. The completed interval for this well will remain within the standard offset required by the statewide rules set forth in 19.15.15 NMAC.

4. Chisholm has sought and been unable to obtain voluntary agreement for the development of these lands from all of the working interest owners in the subject spacing unit.

5. The pooling of interests will avoid the drilling of unnecessary wells, will prevent waste, and will protect correlative rights.

6. In order to permit Chisholm to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in this non-standard spacing unit should be pooled and Chisholm Energy Operating, LLC should be designated the operator of this proposed horizontal well and spacing unit.

WHEREFORE, Chisholm requests that this application be set for hearing before an Examiner of the Oil Conservation Division on September 6, 2018, and, after notice and hearing as required by law, the Division enter an order:

- A. Creating, if necessary, the proposed non-standard spacing and proration unit;
- B. Pooling all uncommitted interests in the spacing and proration unit;
- C. Designating Chisholm Energy Operating, LLC the operator of this non-standard spacing unit and the horizontal well to be drilled thereon;
- D. Authorizing Chisholm to recover its costs of drilling, equipping, and completing the well;
- E. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- F. Imposing a 200% penalty for the risk assumed by Chisholm in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

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ATTORNEYS FOR

CHISHOLM ENERGY OPERATING, LLC

CASE 16396:

Application of Chisholm Energy Operating, LLC for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard 320.89-acre, more or less, non-standard spacing and proration unit comprised of the E/2 E/2 of Section 32, Township 22 South, Range 26 East, NMPM, Eddy County, New Mexico, and Lot 1, SE/4 NE/4, E/2 SE/4 [E/2 E/2] of Section 5, Township 23 South, Range 26 East, NMPM, Eddy County, New Mexico; and (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed **Bodacious 5-32 Fed Com 3BS No. 4H Well**, which will be horizontally drilled from a surface location in the SW/4 SE/4 (Unit O) of Section 5 to a bottom hole location in the NE/4 NE/4 (Unit A) of Section 32. The completed interval for this well will remain within the standard offset required by the statewide rules. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Chisholm Energy Operating, LLC as operator of the well, and a 200% charge for risk involved in drilling said well. Said area is located approximately 7 miles southwest of Carlsbad, New Mexico.