

**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, COMPULSORY POOLING, AND UNORTHODOX
WELL LOCATION LEA COUNTY, NEW MEXICO.**

AUG 21 2013 PM 03:55

CASE NO. 16406

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, if necessary, a 319.95-acre, more or less, spacing and proration unit comprised of the W/2 E/2 of Section 34, Township 19 South, Range 33 East, NMPM, Lea County, New Mexico, and W/2 E/2 of Section 3, Township 20 South, Range 33 East, NMPM, Lea County, New Mexico; (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage; and (3) approving the unorthodox well location. In support of its application, Chisholm states:

1. Chisholm Energy Operating, LLC is a working interest owner in the proposed non-standard spacing unit and has the right to drill thereon.
2. Chisholm proposes to dedicate the above-referenced spacing and proration unit as the project area for its proposed **Jade 34-3 Fed Com 1BS No. 7H Well**, which will be horizontally drilled from a surface location in the NE/4 NE/4 (Unit A) of Section 34 to a bottom hole location in the SW/4 SE/4 (Unit O) of Section 3.

3. The completed interval for this well will be unorthodox because it will be closer to the eastern boundary of the spacing unit than allowed 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 20, 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 non-standard 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;

- 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; and
- G. Approving the unorthodox well location.

Respectfully submitted,

HOLLAND & HART LLP

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**ATTORNEYS FOR
CHISHOLM ENERGY OPERATING, LLC**

CASE 16406:

Application of Chisholm Energy Operating, LLC for a non-standard spacing and proration unit, compulsory pooling, and unorthodox well location, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating, if necessary, a non-standard 319.95-acre, more or less, spacing and proration unit comprised of the W/2 E/2 Section 34 Township 19 South, Range 33 East, NMPM, Lea County, New Mexico, and W/2 E/2 of Section 3, Township 20 South, Range 33 East, NMPM, Lea County, New Mexico; (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage; and (3) approving the unorthodox well location. Said non-standard unit is to be dedicated to applicant's proposed **Jade 34-3 Fed Com 1BS No. 7H Well**, which will be horizontally drilled from a surface location in the NE/4 NE/4 (Unit A) of Section 34 to a bottom hole location in the SW/4 SE/4 (Unit O) of Section 3. The completed interval for these wells will be unorthodox because it will be closer to the eastern boundary of the spacing unit than allowed 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 37 miles northeast of Carlsbad, New Mexico.