

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

**APPLICATION OF CHISHOLM ENERGY OPERATING, LLC
FOR AN UNORTHODOX WELL LOCATION AND COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.**

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CASE NO. 16262

SECOND AMENDED APPLICATION

Chisholm Energy Operating, LLC ("Chisholm") (OGRID No. 327137), through its undersigned attorneys, hereby files this second amended application with the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order 1) pooling all uncommitted interests from two hundred feet below the base of the Delaware formation, at a stratigraphic equivalent of 7,768 feet measured depth, to the base of the Bone Spring formation, in the 324.81-acre, more or less, horizontal spacing unit comprised of the E/2 W/2 of Section 1 and the E/2 W/2 of Section 12, Township 19 South, Range 33 East, NMPM, Lea County, New Mexico; and (2) 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 horizontal spacing unit and has the right to drill thereon.
2. Chisholm proposes to dedicate the above-referenced spacing unit as the project area to its proposed **Buffalo 12-1 Fed Com 2BS No. 1H Well**, which will be horizontally drilled from a surface location in the SW/4 SW/4 (Unit M) of Section 12 to a bottom hole location in the NE/4 NW/4 (Lot 3) of Section 1.

3. This project area is located within the Buffalo; Bone Spring Pool (Pool Code 8145). The completed interval for this well will be at an unorthodox location because it is closer to the northwestern and western boundaries of the proposed spacing and proration unit than allowed by the statewide rules.

4. A depth severance exists in the Bone Spring pool. Accordingly, Chisholm seeks to pool from 200 feet below the base of the Delaware formation, at a stratigraphic equivalent of 7,768 feet measured depth, as show in in the Bison 12 No. 1 Well (API No. 30-025-34069) located in Section 12, Township 19 South, Range 33 East, Lea County, New Mexico, to the base of the Bone Spring formation. Chisholm will provide notice of this hearing to the vertical offset parties within the Bone Spring formation who are not subject to this pooling application.

5. 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.

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

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

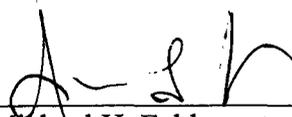
WHEREFORE, Chisholm requests that this amended application be set for hearing before an Examiner of the Oil Conservation Division on November 15, 2018, and, after notice and hearing as required by law, the Division enter an order:

A. Pooling all uncommitted interests in the horizontal spacing unit;

- B. Designating Chisholm Energy Operating, LLC the operator of the spacing unit and the horizontal well to be drilled thereon;
- C. Authorizing Chisholm to recover its costs of drilling, equipping, and completing the well;
- D. 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;
- E. 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
- F. Approving the proposed unorthodox well location.

Respectfully submitted,

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**ATTORNEYS FOR
CHISHOLM ENERGY OPERATING, LLC**

CASE 16262 (amended and re-advertised): Amended Application of Chisholm Energy Operating, LLC for an unorthodox well location and compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order 1) pooling all uncommitted interests from 200 feet below the base of the Delaware formation, at a stratigraphic equivalent of 7,768 feet measured depth, to the base of the Bone Spring formation, in the 324.81-acre, more or less, horizontal spacing unit comprised of the E/2 W/2 of Section 1 and the E/2 W/2 of Section 12, Township 19 South, Range 33 East, NMPM, Lea County, New Mexico; and (2) approving the unorthodox well location. Said unit is to be dedicated to applicant's proposed **Buffalo 12-1 Fed Com 2BS No. 1H Well**, which will be horizontally drilled from a surface location in the SW/4 SW/4 (Unit M) of Section 12 to a bottom hole location in the NE/4 NW/4 (Lot 3) of Section 1. The completed interval for this well will be at an unorthodox location because it is closer to the northwestern and western boundaries of the spacing and proration 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 25 miles southwest of Lovington, New Mexico.