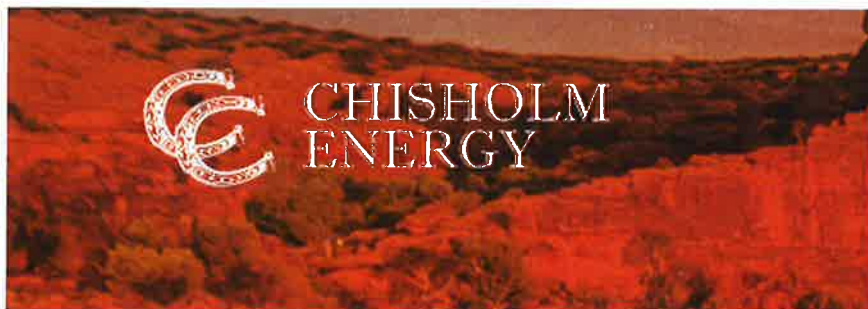


**BEFORE THE OIL CONSERVATION DIVISION
EXAMINER HEARING NOVEMBER 15, 2018**

CASE NOS. 16456 & 16457

*MUDSHARK 5 STATE WCB NO 1H WELL
MUDSHARK 5 STATE WCB NO 2H WELL*

EDDY COUNTY, NEW MEXICO



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

**APPLICATION OF CHISHOLM ENERGY OPERATING, LLC
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

CASE NOS. 16456, 16457

**AFFIDAVIT OF LUKE SHELTON IN SUPPORT OF
CASE NOS. 16456 AND 16457**

Luke Shelton, of lawful age and being first duly sworn, declares as follows:

1. My name is Luke Shelton. 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 matters. My credentials as a petroleum landman have been accepted by the Division and made a matter of record.
3. I am familiar with the two applications filed by Chisholm in these consolidated cases, and I am familiar with the status of the lands in the subject areas.
4. None of the proposed pool parties in these cases has indicated opposition, and therefore I do not expect any opposition at the hearing.
5. In Case No. 16456, Chisholm Energy Operating, LLC (“Chisholm”) (OGRID No. 327137) seeks an order pooling all uncommitted interests in the Bone Spring formation in the 160.31-acre horizontal spacing unit comprised of the E/2E/2 of Section 5, Township 22 South, Range 26 East, NMPM, Eddy County, New Mexico. Chisholm seeks to dedicate the above-referenced horizontal spacing unit to its proposed **Mudshark 5 State 3BS No. 1H Well**, which will be horizontally drilled from a surface

location in the NW/4NE/4 (Lot 2) to bottom hole location in the SE/4SE/4 (Unit P) of Section 5.

6. In Case No. 16457, Chisholm seeks an order pooling all uncommitted interests in the Wolfcamp formation in the 320.64-acre horizontal spacing unit comprised of the E/2 of Section 5, Township 22 South, Range 26 East, NMPM, Eddy County, New Mexico. Chisholm seeks to dedicate the above-referenced horizontal spacing unit to its proposed **Mudshark 5 State WCB No. 2H Well**, which will be horizontally drilled from a surface location in the NW/4NE/4 (Lot 2) to bottom hole location in the SE/4SE/4 (Unit P) of Section 5.

7. **Chisholm Exhibit No. 1A** contains draft Forms C-102 for the proposed well in each of the spacing units. Chisholm has been informed that the Mudshark 5 State 3BS No. 1H Well will be placed in the Happy Valley; Bone Spring Pool (Pool Code 96437). The Mudshark 5 State WCB No. 2H Well has been assigned to the Purple Sage Wolfcamp Gas Pool (Pool Code 98220).

8. In Case No. 16456, the completed interval for the proposed Mudshark 5 State 3BS No. 1H Well will comply with the Division's setback requirements. Chisholm seeks 40-acre building blocks for this horizontal spacing unit.

9. In Case No. 16457, the completed interval for the proposed The Mudshark 5 State WCB No. 2H Well will remain within the standard offsets required by the Special Rules pursuant to Order R-14262 for this pool. Chisholm seeks 320-acre building blocks for this horizontal spacing unit.

10. **Chisholm Exhibit No. 1B** identifies the tracts of land comprising the proposed spacing unit for Case No. 16456 and confirms the subject acreage consists of

state lands. This exhibit further identifies the interest ownership by tract and in the spacing units. Chisholm seeks to pool the working interest owners and overriding royalty interest owners on this exhibit.

11. **Chisholm Exhibit No. 1C** identifies the tracts of land comprising the proposed spacing unit for Case No. 16457 and confirms the subject acreage consists of state lands. This exhibit further identifies the interest ownership by tract and in the spacing units. Chisholm seeks to pool the working interest owners and overriding royalty interest owners on this exhibit.

12. There are no ownership depth severances underlying the subject acreage.

13. All working interest owners that Chisholm seeks to pool are locatable. Green cards have not yet been returned for certain overriding royalty interest owners, including Apache Corporation and C. Mark Wheeler. Chisholm has conducted a diligent search of all public records in Eddy County, including using phone directories and conducting computer searches.

14. **Chisholm Exhibit No. 1D** contains the well proposal letters along with an AFE for each of the subject wells that was provided to the parties Chisholm seeks to pool. In addition to this letter, I have discussed Chisholm's well proposals with each of the pooled parties in a good faith effort to reach a voluntary agreement.

15. The costs reflected on each of the AFE's are consistent with what other operators have incurred for drilling similar horizontal wells in the area in each of these formations.

16. Chisholm estimates the overhead and administrative costs for drilling each well and while producing are \$7,500 per month while drilling and \$750 per month while

producing. These costs are consistent with what other operators are charging in this area for similar wells.

17. In my opinion, Chisholm has made good faith efforts to reach an agreement with the parties it is seeking to pool. Chisholm has offered to acquire the proposed pool parties' interests, and it is actively negotiating the terms of a JOA with all working interest owners.

18. If Chisholm reaches an agreement with any of the proposed pool parties before the Division enters an order, I will let the Division know that Chisholm is no longer seeking to pool those parties.

19. I provided the law firm of Holland & Hart LLP a list of names and addresses for the owners that Chisholm seeks to pool and instructed that they be notified of this hearing.

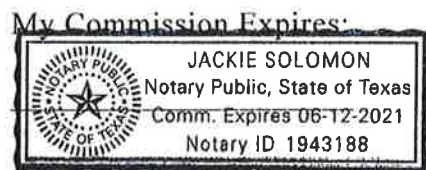
20. Chisholm Exhibit Nos. 1A-1D were either prepared by me or compiled under my direction and supervision.

Luke Shelton
Luke Shelton

STATE OF TEXAS)
COUNTY OF Tarrant)

SUBSCRIBED and SWORN to before me this 13th day of November 2018 by
Luke Shelton.

Jackie Solomon
NOTARY PUBLIC



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

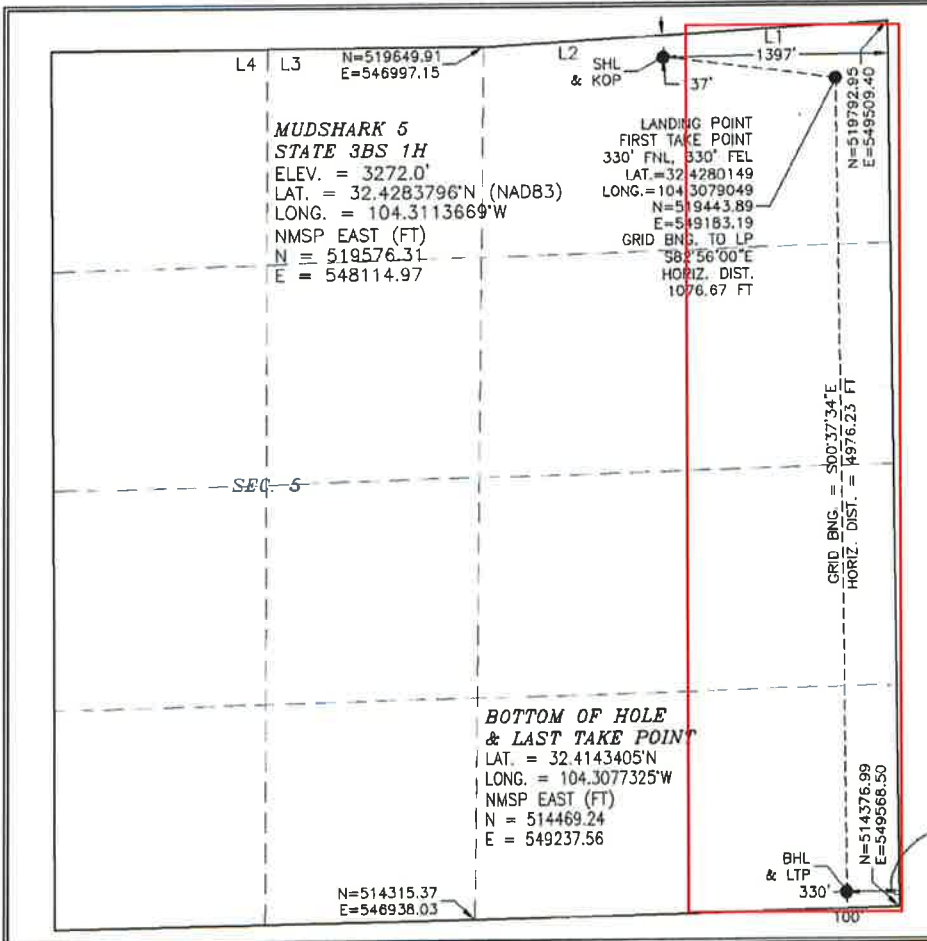
State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

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 96437		³ Pool Name Happy Valley; Bone Spring	
⁴ Property Code		⁵ Property Name MUDSHARK 5 STATE 3BS			⁶ Well Number 1H
⁷ OGRID No. 372137		⁸ Operator Name CHISHOLM ENERGY OPERATING, LLC			⁹ Elevation 3272.0
¹⁰ Surface Location					
UL or lot no. 2	Section 5	Township 22 S	Range 26 E	Lot Idn	Feet from the 137
				North/South line NORTH	Feet from the 1397
				East/West line EAST	County EDDY
¹¹ Bottom Hole Location If Different From Surface					
UL or lot no. P	Section 5	Township 22 S	Range 26 E	Lot Idn	Feet from the 100
				North/South line SOUTH	Feet from the 330
				East/West line EAST	County EDDY
¹² Dedicated Acres 160.31		¹³ Joint or Infill	¹⁴ Consolidation Code		¹⁵ Order No.

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.



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.

Jennifer Elrod 09/13/18
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 9, 2018
Date of Survey

[Signature]
Signature and Seal of Professional Surveyor

Certificate Number: FILMON P. JARAMILLO, PLS 12797
SURVEY NO. 6467

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. 1A
Submitted by: Chisholm Energy Operating LLC
Hearing Date: November 15, 2018
Case No. 16456 & 16457

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 MUDSHARK 5 STATE WCB	⁶ Well Number 2H
⁷ OGRID No. 372137	⁸ Operator Name CHISHOLM ENERGY OPERATING, LLC	⁹ Elevation 3272.4

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
2	5	22 S	26 E		135	NORTH	1427	EAST	EDDY

¹¹ Bottom Hole Location If Different From Surface

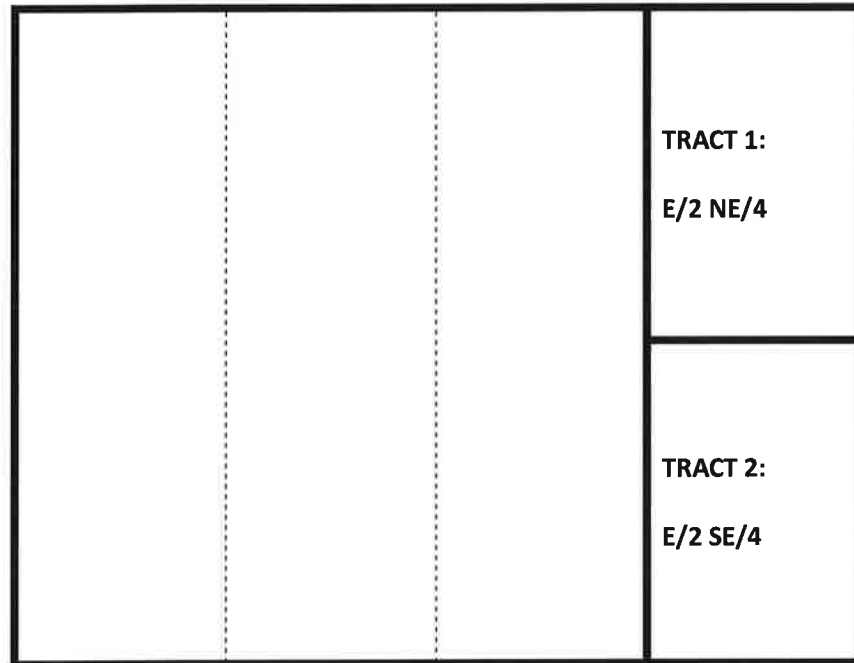
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	5	22 S	26 E		330	SOUTH	330	EAST	EDDY

¹² Dedicated Acres 320.64	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.

<p>MUDSHARK 5 STATE WCB 2H ELEV. = 3272.4' LAT. = 32.4283806°N (NAD83) LONG. = 104.3114642°W NMSP EAST (FT) N = 519576.67 E = 548084.95</p> <p>LANDING POINT FIRST TAKE POINT 330' FNL, 330' FEL LAT. = 32.4280149 LONG. = 104.3079049 N = 519443.89 E = 549183.19 GRID BNG. TO LP SB 06°23'E HORIZ. DIST. 1106.53 FT</p> <p>BOTTOM OF HOLE & LAST TAKE POINT LAT. = 32.4149725°N LONG. = 104.3077405°W NMSP EAST (FT) N = 514699.17 E = 549235.05</p> <p>GRID BNG. = 500°37'34"E HORIZ. DIST. = 1746.23 FT</p> <p>BHL & LTP 330'</p> <p>SEQ. 5</p> <p>N=514315.37 E=546938.03</p>	<p>¹⁷ OPERATOR CERTIFICATION</p> <p>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.</p> <p><i>Jennifer Elrod</i> 09/13/18 Signature Date</p> <p>Jennifer Elrod Printed Name</p> <p>jelrod@chisholmenergy.com E-mail Address</p> <p>¹⁸ SURVEYOR CERTIFICATION</p> <p>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.</p> <p>AUGUST 9, 2018 Date of Survey</p> <p><i>FILIMON F. JARAMILLO</i> Signature and Seal of Professional Surveyor</p> <p>Certificate Number: FILIMON F. JARAMILLO, PLS 12797 SURVEY NO. 6468</p>
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MUDSHARK 5 STATE COM 3BS 1H
T22S-R26E-Section 5
Eddy County, NM



Tract 1: E/2 NE/4 Section 5-T22S-R26E, 80.31 AC

CHISHOLM ENERGY OPERATING, LLC	0.500000000
<i>PREMIER OIL & GAS, INC.</i>	<i>0.250000000</i>
COG OPERATING LLC	0.237500000
CONCHO OIL & GAS LLC	0.012500000
TOTAL:	1.000000000

Tract 2: E/2 SE/4 Section 5-T22S-R26E, 80 AC

CHISHOLM ENERGY OPERATING, LLC	0.558523211
COG OPERATING LLC	0.209355122
CONCHO OIL & GAS LLC	0.011018691
<i>PREMIER OIL & GAS, INC.</i>	<i>0.220373812</i>
TIMOTHY R. MACDONALD	0.000729164
TOTAL:	1.000000000

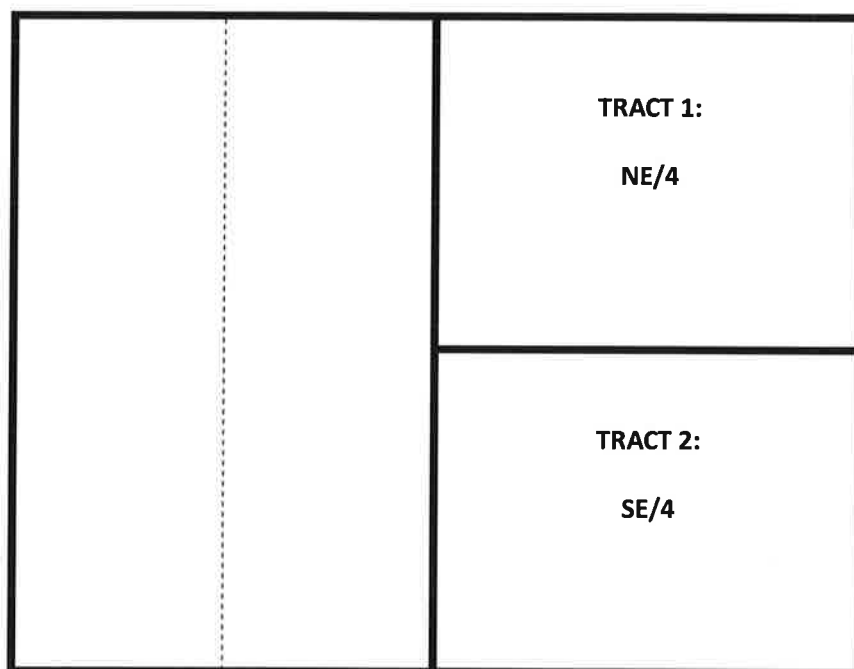
UNIT RECAPITULATION

**MUDSHARK 5 STATE COM 3BS 1H
T22S-R26E-E/2 E/2 of Section 5, 160.31 AC**

CHISHOLM ENERGY OPERATING, LLC	0.52920502
<i>PREMIER OIL & GAS, INC.</i>	<i>0.23521555</i>
COG OPERATING LLC	0.22345477
CONCHO OIL & GAS LLC	0.01176078
TIMOTHY R. MACDONALD	0.00036388
TOTAL:	1.00000000

Interests seeking to Compulsory Pool

MUDSHARK 5 STATE COM WCB 2H
T22S-R26E-Section 5
Eddy County, NM



Tract 1: NE/4 Section 5-T22S-R26E, 160.64 AC

CHISHOLM ENERGY OPERATING, LLC	0.500000000
<i>PREMIER OIL & GAS, INC.</i>	<i>0.250000000</i>
COG OPERATING LLC	0.237500000
CONCHO OIL & GAS LLC	0.012500000
TOTAL:	1.000000000

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. 1C

Submitted by: **Chisholm Energy Operating LLC**

Hearing Date: November 15, 2018

Case No. 16456 & 16457

Tract 2: SE/4 Section 5-T22S-R26E, 160 AC

CHISHOLM ENERGY OPERATING, LLC	0.558523211
COG OPERATING LLC	0.209355122
CONCHO OIL & GAS LLC	0.011018691
<i>PREMIER OIL & GAS, INC.</i>	<i>0.220373812</i>
TIMOTHY R. MACDONALD	0.000729164
TOTAL:	1.000000000

UNIT RECAPITULATION

**MUDSHARK 5 STATE COM WCB 2H
T22S-R26E-E/2 of Section 5, 320.64 AC**

CHISHOLM ENERGY OPERATING, LLC	0.52920320
<i>PREMIER OIL & GAS, INC.</i>	<i>0.23521647</i>
COG OPERATING LLC	0.22345565
CONCHO OIL & GAS LLC	0.01176082
TIMOTHY R. MACDONALD	0.00036385
TOTAL:	1.00000000

Interests seeking to Compulsory Pool



May 24, 2018

VIA CERTIFIED MAIL:

Premier Oil & Gas, Inc.
P.O. Box 837205
Richardson, TX 75083-7205

RE: Mudshark 5 State Com 3BS 1H
Sections 5-T22S-R26E
Eddy County, New Mexico

To whom it may concern,

Chisholm Energy Operating, LLC ("Chisholm") hereby proposes the drilling of a horizontal 3rd Bone Spring test to a Measured Depth of approximately 13,000'. The expected surface location for this well is approximately 135' FNL & 1397' FEL of Section 5-T22S-R26E with a bottom hole location of 330' FSL & 330' FEL of Section 5-T22S-R26E. Enclosed is our Authority for Expenditure ("AFE") reflecting estimated costs of \$4,208,944 for a completed well.

Chisholm hereby proposes the creation of a 641.36 acre Working Interest Unit ("WIU") consisting of all of Section 5, Township 22 South, Range 26E to be governed by a modified 1989 AAPL form Operating, which is enclosed for your review and approval. Said Operating Agreement contains the following general provisions:

- 100/300 Non-consenting penalty
- \$7,500/\$750 Drilling and Production rate
- Chisholm Energy Operating, LLC named as Operator

According to our ownership, Premier Oil & Gas, Inc., owns an undivided 23.521832% interest in the above captioned unit. Chisholm respectfully requests that you select one of the following options:

1. Participate with your interest in the drilling of the proposed well and execute the enclosed Operating Agreement.
2. Farmout/Assign your interest in the above captioned project area, subject to mutually agreeable terms.

Please indicate your election in the space provided below and return one copy of this letter to the undersigned. If you elect to participate under this well proposal, please sign and return one copy of the AFE, signature pages to the Operating Agreement and Memorandum of Operating Agreement. In the event all parties do not enter into an agreement to develop the proposed project area(s), Chisholm intends to file application(s) for compulsory pooling with the New Mexico Oil Conservation Division.

Please call at your earliest convenience to discuss our proposal.

Chisholm Energy Operating, LLC

Luke Shelton
Landman
817-953-0359
lshelton@chisholmenergy.com

Enclosures

_____ Elect to participate in the drilling of the Mudshark State Com 3BS 1H.

_____ Elect to farmout/assign our interest on the Mudshark State Com 3BS 1H.

Premier Oil & Gas, 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. 1D

Submitted by: Chisholm Energy Operating LLC

Hearing Date: November 15, 2018

Case No. 16456 & 16457



Statement of Estimated Well Cost (100%)

Well: Mudshark 5 State Com 3BS 1H
 Field: 3rd Bone Spring
 County, State: Eddy, NM
 BHL: Horizontal
 Proposed TD: 13,000 MD 8,235 TVD
 Normal Pressure? Yes

AFE #:

		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/Drlg Liner	\$38,722		\$38,722
8510-415	Wellhead Equipment - Surface & MLS	\$15,000		\$15,000
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	\$87,369		\$87,369
COSTS TO CASING POINT: INTANGIBLES				
8500-100	Roads/Location	\$50,000		\$50,000
8500-105	Drilling Turnkey	\$0		
8500-110	Drilling Daywork	\$313,500		\$313,500
8500-115	Fuel/Power	\$76,000		\$76,000
8500-125	Equipment Rental	\$109,010		\$109,010
8500-130	Legal Fees	\$20,000		\$20,000
8500-135	Bonds, Permits and Inspection	\$30,000		\$30,000
8500-155	Mud and Chemicals	\$60,000		\$60,000
8500-160	Cementing Services	\$30,000		\$30,000
8500-170	Supervision/Consulting	\$52,500		\$52,500
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	\$120,000		\$120,000
8500-195	Directional Drilling Services	\$305,500		\$305,500
8500-200	Drill Bits	\$51,000		\$51,000
8500-210	Surface Damages/ROW	\$0		
8500-215	Contract Labor and Services	\$10,000		\$10,000
8500-220	Mud Logging	\$0		
8500-235	Reclamation	\$0		
8500-240	Rig Mobilization/Demob	\$60,000		\$60,000
8500-245	Fishing Tools and Services	\$0		
8500-250	Testing-Drill Stem/Production	\$0		
8500-260	Wireline Services	\$0		
8500-265	Water	\$15,500		\$15,500
8500-270	Camp Expenses	\$35,550		\$35,550
8500-285	Contingencies	\$72,796		\$72,796
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	\$1,441,356		\$1,441,356
COMPLETION COSTS: TANGIBLES				
8530-415	Wellhead		\$35,000	\$35,000
8530-420	Subsurface Equipment		\$15,000	\$15,000

8530-500	Production Casing			\$181,740	\$181,740
8530-510	Tubing			\$37,716	\$37,716
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			\$0	
8530-550	Separator, Heater, Treater			\$75,000	\$75,000
8530-555	Tank Battery			\$59,000	\$59,000
8530-560	Vapor Recovery Unit			\$0	
8530-590	Other Misc Equipment			\$11,500	\$11,500
8530-600	Nonoperated			\$0	
8530-700	Impairment			\$0	
8530-999	Accruals			\$0	
	TOTAL COMPLETION COST - TANGIBLES			\$607,956	\$607,956
	COMPLETION COSTS: INTANGIBLES				
8520-100	Roads/Location			\$5,000	\$5,000
8520-120	Perforating Services			\$96,800	\$96,800
8520-125	Equipment Rental			\$193,000	\$193,000
8520-135	Bonds, Permits and Inspection			\$0	
8520-145	Completion Unit			\$62,500	\$62,500
8520-150	Frac Plugs			\$33,000	\$33,000
8520-155	Mud and Chemicals			\$15,000	\$15,000
8520-160	Cementing Services			\$80,000	\$80,000
8520-165	Acidizing and Fracturing			\$990,000	\$990,000
8520-170	Supervision/Consulting			\$42,000	\$42,000
8520-175	Casing and Other Tangible Crew			\$15,000	\$15,000
8520-190	Cuttings/Fluids Disposal			\$80,000	\$80,000
8520-200	Drill Bits			\$3,000	\$3,000
8520-210	Surface Damages/ROW			\$0	
8520-215	Contract Labor and Services			\$5,000	\$5,000
8520-230	Pump/Vacuum Trucks			\$30,000	\$30,000
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			\$10,000	\$10,000
8520-275	Coiled Tubing Services			\$0	
8520-280	Frac Water			\$195,333	\$195,333
8520-285	Contingencies			\$127,629	\$127,629
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			\$2,072,262	\$2,072,262
	TOTAL WELL COST		\$1,528,725	\$2,680,219	\$4,208,944

Approved by: _____

Date: _____

Approved by: _____

Date: _____

Approved by: _____

Date: _____



May 24, 2018

VIA CERTIFIED MAIL:

Premier Oil & Gas, Inc.
P.O. Box 837205
Richardson, TX 75083-7205

RE: Mudshark 5 State Com WCB 2H
Sections 5-T22S-R26E
Eddy County, New Mexico

To whom it may concern,

Chisholm Energy Operating, LLC ("Chisholm") hereby proposes the drilling of a horizontal Wolfcamp "B" test to a Measured Depth of approximately 14,000'. The expected surface location for this well is approximately 133' FNL & 1427' FEL of Section 5-T22S-R26E with a bottom hole location of 330' FSL & 330' FEL of Section 5-T22S-R26E. Enclosed is our Authority for Expenditure ("AFE") reflecting estimated costs of \$5,018,880 for a completed well.

Chisholm hereby proposes the creation of a 641.36 acre Working Interest Unit ("WIU") consisting of all of Section 5, Township 22 South, Range 26E to be governed by a modified 1989 AAPL form Operating, which is enclosed for your review and approval. Said Operating Agreement contains the following general provisions:

- 100/300 Non-consenting penalty
- \$7,500/\$750 Drilling and Production rate
- Chisholm Energy Operating, LLC named as Operator

According to our ownership, Premier Oil & Gas, Inc., owns an undivided 23.521832% interest in the above captioned unit. Chisholm respectfully requests that you select one of the following options:

1. Participate with your interest in the drilling of the proposed well and execute the enclosed Operating Agreement.
2. Farmout/Assign your interest in the above captioned project area, subject to mutually agreeable terms.

Please indicate your election in the space provided below and return one copy of this letter to the undersigned. If you elect to participate under this well proposal, please sign and return one copy of the AFE, signature pages to the Operating Agreement and Memorandum of Operating Agreement. In the event all parties do not enter into an agreement to develop the proposed project area(s), Chisholm intends to file application(s) for compulsory pooling with the New Mexico Oil Conservation Division.

Please call at your earliest convenience to discuss our proposal.

Chisholm Energy Operating, LLC

Luke Shelton
Landman
817-953-0359
lshelton@chisholmenergy.com

Enclosures

_____ Elect to participate in the drilling of the Mudshark State Com WCB 2H.

_____ Elect to farmout/assign our interest on the Mudshark State Com WCB 2H.

Premier Oil & Gas, Inc.:

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



**CHISHOLM
ENERGY**

Statement of Estimated Well Cost (100%)

Well: Mudshark 5 State Com WCB 2H
 Field: Wolfcamp B
 County, State: Eddy, NM
 BHL: Horizontal
 Proposed TD: 14,000 MD 9,130 TVD
 Normal Pressure? Yes

AFE #:

		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/Drlg Liner	\$188,440		\$188,440
8510-415	Wellhead Equipment - Surface & MLS	\$15,000		\$15,000
8510-420	Other Sub-Surface Equipment	\$100,000		\$100,000
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	\$337,087		\$337,087
COSTS TO CASING POINT: INTANGIBLES				
8500-100	Roads/Location	\$50,000		\$50,000
8500-105	Drilling Turnkey	\$0		
8500-110	Drilling Daywork	\$412,500		\$412,500
8500-115	Fuel/Power	\$100,000		\$100,000
8500-125	Equipment Rental	\$139,550		\$139,550
8500-130	Legal Fees	\$20,000		\$20,000
8500-135	Bonds, Permits and Inspection	\$30,000		\$30,000
8500-155	Mud and Chemicals	\$100,000		\$100,000
8500-160	Cementing Services	\$75,000		\$75,000
8500-170	Supervision/Consulting	\$72,500		\$72,500
8500-175	Casing and Other Tangible Crew	\$24,000		\$24,000
8500-180	Damages/Penalties	\$0		
8500-185	Coring and Analysis	\$40,000		\$40,000
8500-190	Cuttings/Fluids Disposal	\$150,000		\$150,000
8500-195	Directional Drilling Services	\$278,500		\$278,500
8500-200	Drill Bits	\$60,000		\$60,000
8500-210	Surface Damages/ROW	\$0		
8500-215	Contract Labor and Services	\$10,000		\$10,000
8500-220	Mud Logging	\$37,500		\$37,500
8500-235	Reclamation	\$0		
8500-240	Rig Mobilization/Demob	\$60,000		\$60,000
8500-245	Fishing Tools and Services	\$0		
8500-250	Testing-Drill Stem/Production	\$0		
8500-260	Wireline Services	\$170,000		\$170,000
8500-265	Water	\$17,000		\$17,000
8500-270	Camp Expenses	\$44,850		\$44,850
8500-285	Contingencies	\$111,724		\$111,724
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	\$2,009,124		\$2,009,124
COMPLETION COSTS: TANGIBLES				
8530-415	Wellhead		\$25,000	\$25,000
8530-420	Subsurface Equipment		\$15,000	\$15,000

8530-500	Production Casing			\$195,720	\$195,720
8530-510	Tubing			\$41,815	\$41,815
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			\$0	
8530-550	Separator, Heater, Treater			\$75,000	\$75,000
8530-555	Tank Battery			\$59,000	\$59,000
8530-560	Vapor Recovery Unit			\$0	
8530-590	Other Misc Equipment			\$11,500	\$11,500
8530-600	Nonoperated			\$0	
8530-700	Impairment			\$0	
8530-999	Accruals			\$0	
	TOTAL COMPLETION COST - TANGIBLES			\$616,035	\$616,035
	COMPLETION COSTS: INTANGIBLES				
8520-100	Roads/Location			\$0	
8520-120	Perforating Services			\$96,800	\$96,800
8520-125	Equipment Rental			\$193,000	\$193,000
8520-135	Bonds, Permits and Inspection			\$0	
8520-145	Completion Unit			\$62,500	\$62,500
8520-150	Frac Plugs			\$22,000	\$22,000
8520-155	Mud and Chemicals			\$15,000	\$15,000
8520-160	Cementing Services			\$100,000	\$100,000
8520-165	Acidizing and Fracturing			\$990,000	\$990,000
8520-170	Supervision/Consulting			\$42,000	\$42,000
8520-175	Casing and Other Tangible Crew			\$15,000	\$15,000
8520-190	Cuttings/Fluids Disposal			\$80,000	\$80,000
8520-200	Drill Bits			\$3,000	\$3,000
8520-210	Surface Damages/ROW			\$0	
8520-215	Contract Labor and Services			\$5,000	\$5,000
8520-230	Pump/Vacuum Trucks			\$30,000	\$30,000
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			\$10,000	\$10,000
8520-275	Coiled Tubing Services			\$0	
8520-280	Frac Water			\$303,333	\$303,333
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			\$2,056,633	\$2,056,633
	TOTAL WELL COST		\$2,346,211	\$2,672,668	\$5,018,880

Approved by: _____

Date: _____

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 COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

CASE NOS. 16456, 16457

AFFIDAVIT OF GEORGE W. ROTH IN SUPPORT OF
CASE NOS. 16456 AND 16457

George W. Roth, being of lawful age and being first duly sworn, declares as follows:

1. My name is George W. Roth and I work for Chisholm Energy Operating, LLC (“Chisholm”) as a geologist. I have previously testified before the New Mexico Oil Conservation Division as an expert witness in petroleum geology and my credentials have been accepted by the Division and made a matter of public record.

2. I am familiar with the applications filed by Chisholm in these consolidated cases and I have conducted a geologic study of the Bone Spring and the Wolfcamp formation underlying the subject acreage.

3. Chisholm is targeting the Third Bone Spring interval with the proposed **Mudshark 5 State 3BS No. 1H Well**. **Chisholm Exhibit 2A** contains a subsea structure map that I prepared for the Third Bone Spring interval with contour lines every 50 feet. The proposed wellbore paths for the **Mudshark 5 State 3BS No. 1H Well** is denoted by a red line. The Third Bone Spring interval in this area is gently dipping to the east and I do not observe any faulting, pinchouts, or other geologic impediments to developing this targeted interval with horizontal wells. This exhibit also identifies the wells that I used to construct a stratigraphic cross-section for the Third Bone Spring. I chose these wells because they are representative of the geology of the area.

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. 2
Submitted by: **Chisholm Energy Operating LLC**
Hearing Date: November 15, 2018
Case No. 16456 & 16457

4. **Chisholm Exhibit 2B** contains a stratigraphic cross section for the Third Bone Spring interval using the representative wells depicted on Exhibit 2A. Each well in the cross-section contains gamma ray, resistivity, and or porosity logs. The proposed target interval in the Third Bone Spring is identified in yellow. This cross-section demonstrates that the targeted interval extends across the subject acreage.

5. The north to south orientation for the proposed wells in the Third Bone Spring interval will place the well perpendicular to the known stress direction in the subject area and is appropriate to efficiently and effectively develop the targeted interval under the subject acreage.


6. Chisholm is targeting the lower Wolfcamp B interval with the proposed **Mudshark 5 State WCB No. 2H Well**. **Chisholm Exhibit 2C** contains a subsea structure map that I prepared for the top of Wolfcamp interval with contour lines every 25 feet. The proposed wellbore paths for the **Mudshark 5 State WCB No. 2H Well** is denoted by a red line. The lower Wolfcamp B interval in this area is gently dipping to the east and I do not observe any faulting, pinchouts, or other geologic impediments to developing this targeted interval with horizontal wells. This exhibit also identifies the wells that I used to construct a stratigraphic cross-section for the lower Wolfcamp B. I chose these wells because they are representative of the geology of the area.

7. **Chisholm Exhibit 2D** contains a stratigraphic cross section for the lower Wolfcamp B interval using the representative wells depicted on Exhibit 2C. Each well in the cross-section contains gamma ray, resistivity, and or porosity logs. The proposed target interval in the lower Wolfcamp B is identified in yellow. This cross-section demonstrates that the targeted interval extends across the subject acreage.

8. The north to south orientation for the proposed wells in the lower Wolfcamp B interval will place the well perpendicular to the known stress direction in the subject area and is appropriate to efficiently and effectively develop the targeted interval under the subject acreage.

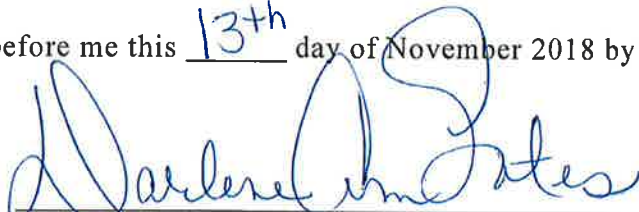
9. My geologic study demonstrates that the Bone Spring and Wolfcamp formations underlying the subject acreage is suitable for development with horizontal wells, that the acreage comprising the proposed horizontal spacing units will contribute more-or-less equally to the production from the wellbores, and the granting of these consolidated applications is in the best interest of conservation, the prevention of waste, and protection of correlative rights.

FURTHER AFFIANT SAYETH NOT.


George W. Roth

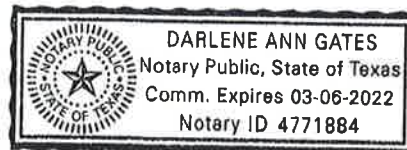
STATE OF TEXAS)
COUNTY OF TARRANT)

SUBSCRIBED and SWORN to before me this 13th day of November 2018 by
George W. Roth.

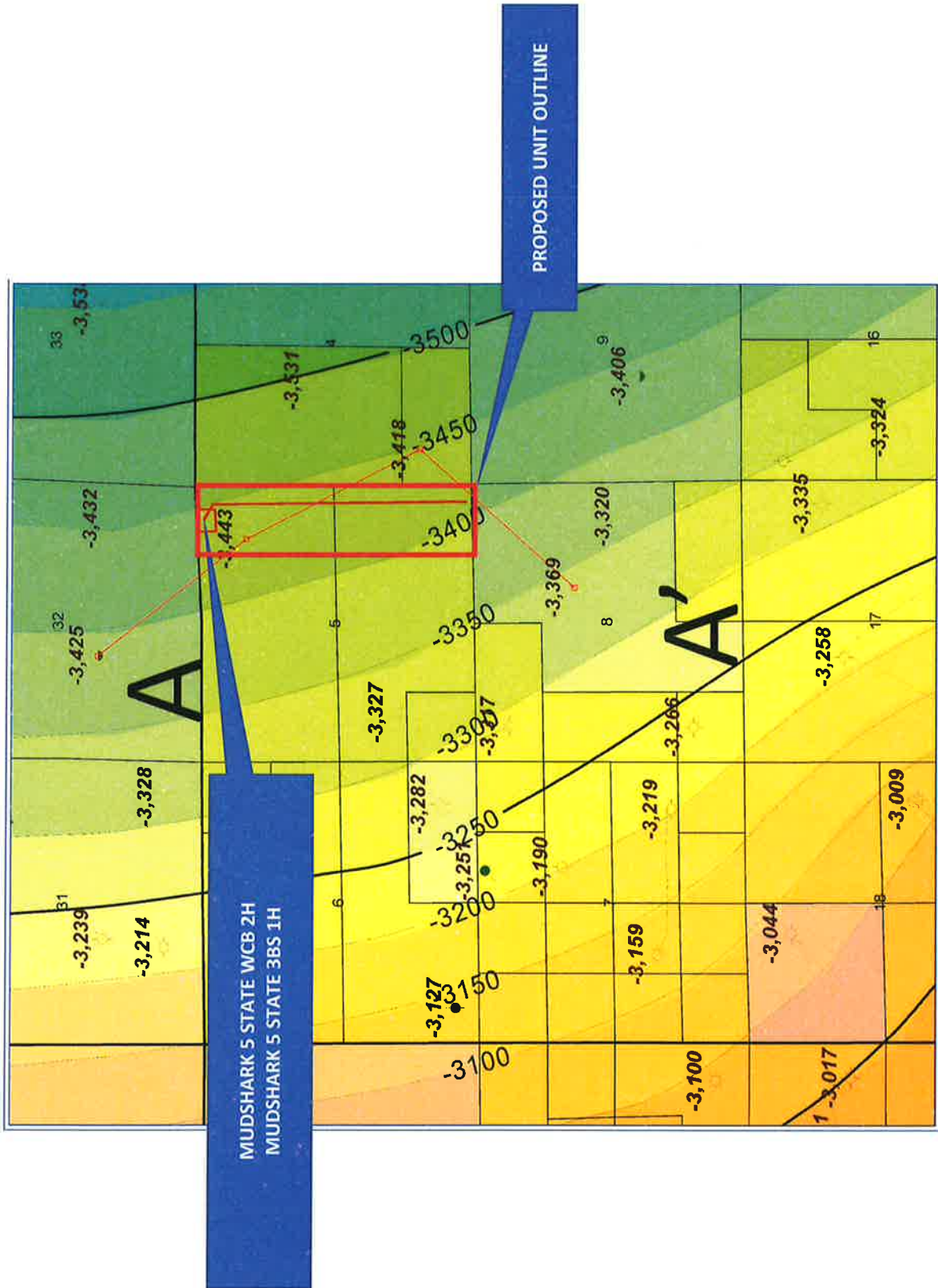

NOTARY PUBLIC

My Commission Expires:

03-06-2022



STRUCTURE TOP 3RD BONE SPRING CARBONATE MUDSHARK PROSPECT C.I.= 50 FEET

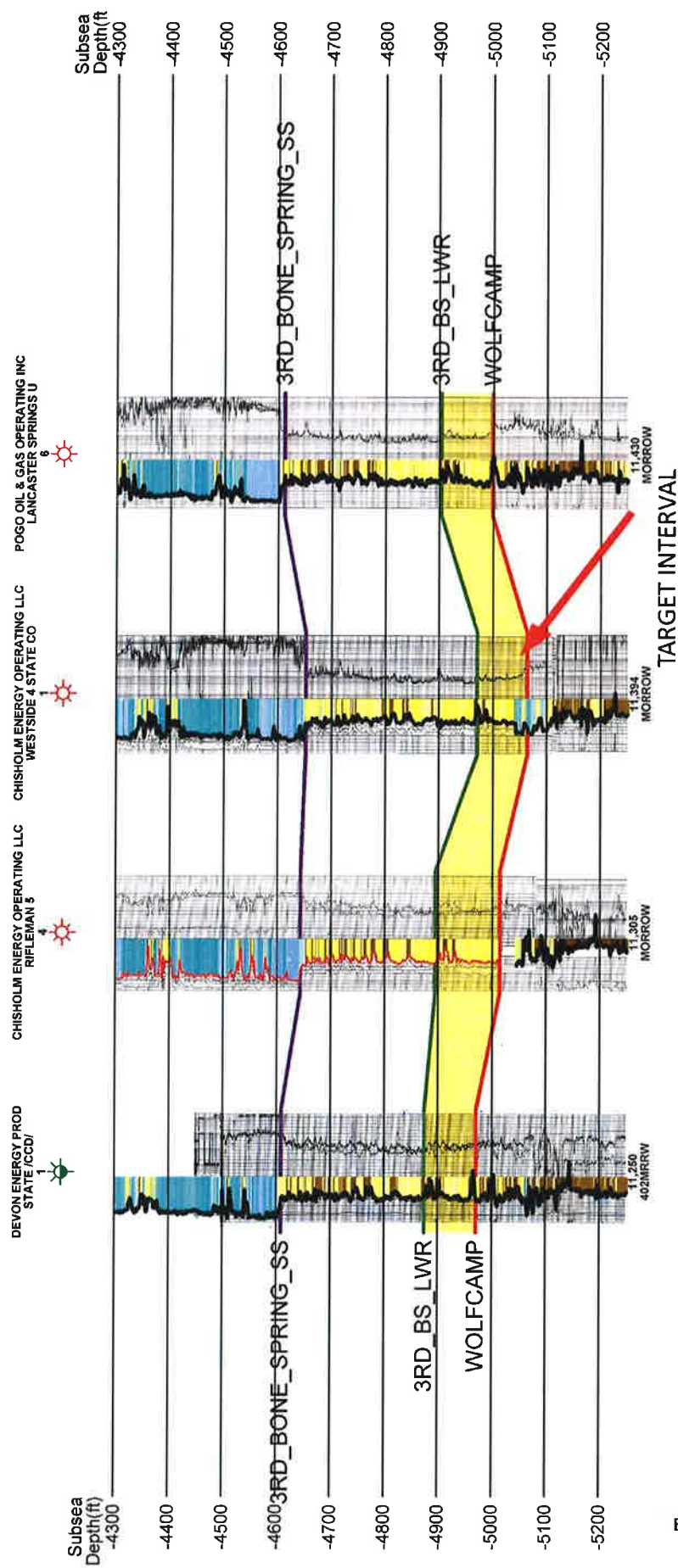


CHISHOLM ENERGY
HOLDINGS, LLC
LEASEHOLD

A

STRUCTURAL CROSS-SECTION A-A' 3RD BONE SPRING LOWER TARGET INTERVAL

A'



BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

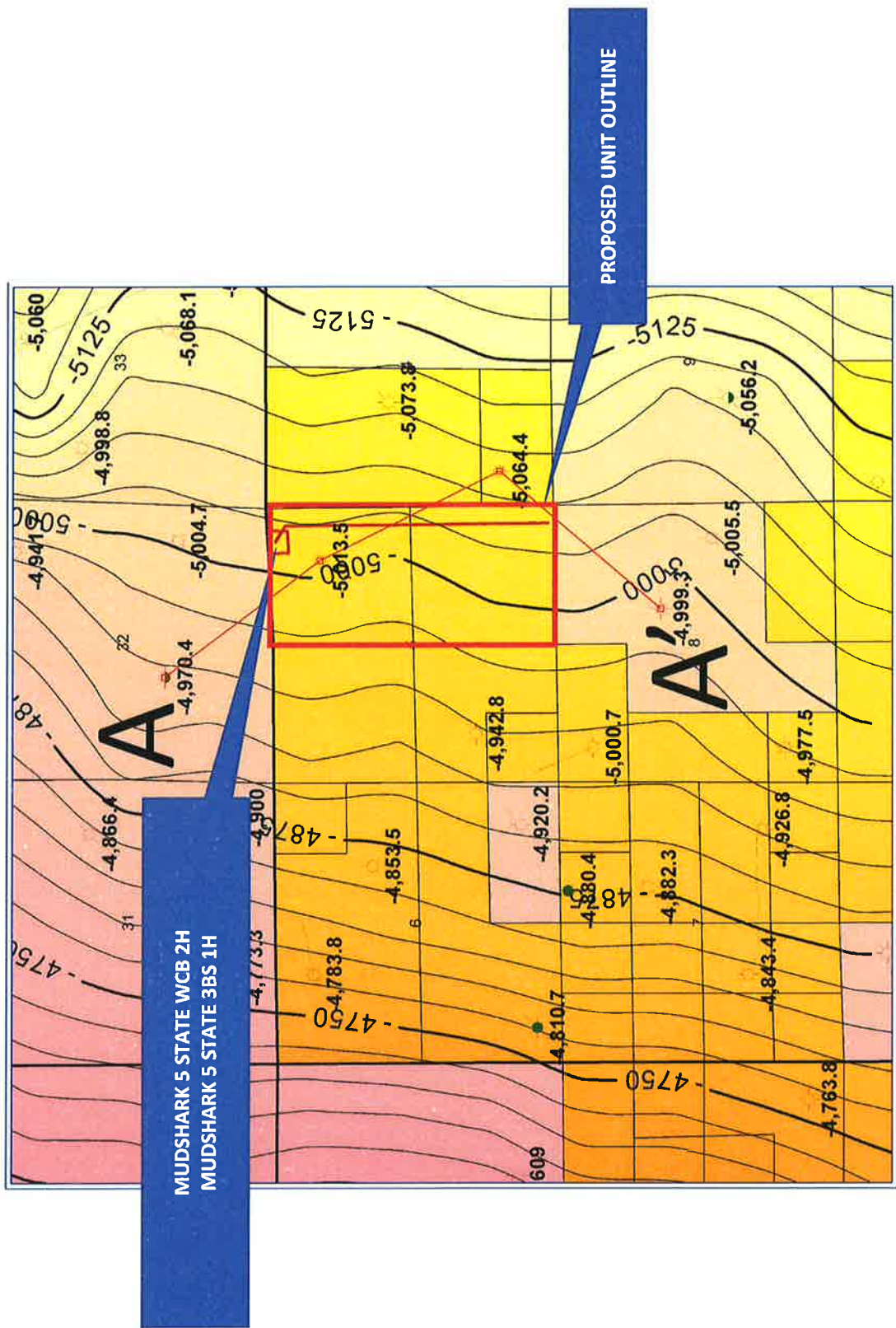
Exhibit No. 2B

Submitted by: Chisholm Energy Operating LLC

Hearing Date: November 15, 2018

Case No. 16456 & 16457

STRUCTURE TOP WOLFCAMP FM. MUDSHARK PROPSECT
C.I.= 25 FEET

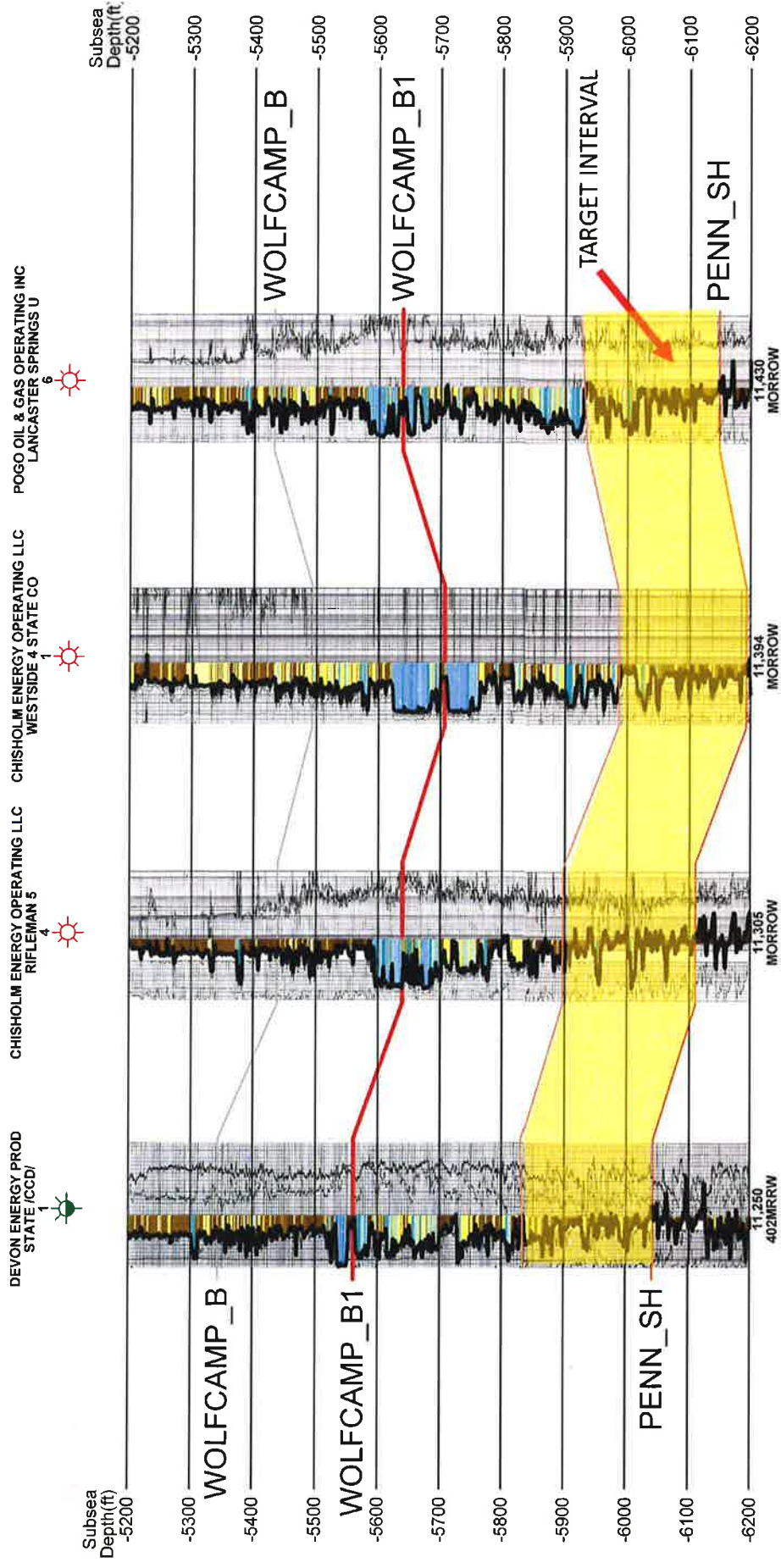


CHISHOLM ENERGY
HOLDINGS, LLC
LEASEHOLD

A

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

A'



BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. 2D

Submitted by: Chisholm Energy Operating LLC

Hearing Date: November 15, 2018

Case No. 16456 & 16457

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. 3
Submitted by: **Chisholm Energy Operating LLC**
Hearing Date: November 15, 2018
Case No. 16456 & 16457



Jordan L. Kessler
Associate
Phone (505) 988-4421
Fax (505) 983-6043
jlkessler@hollandhart.com

September 28, 2018

VIA CERTIFIED MAIL
CERTIFIED RECEIPT REQUESTED

TO: ALL INTEREST OWNERS SUBJECT TO POOLING PROCEEDINGS

**Re: Application of Chisholm Energy Operating LLC for compulsory pooling,
Eddy County, New Mexico.
Mudshark 5 State 3BS No. 1H 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 October 18, 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 Luke Shelton at (817) 953-0359 or lshelton@chisholmenergy.com.

Sincerely,

A handwritten signature in blue ink, appearing to read "J. Kessler", written over the typed name.

Jordan L. Kessler
ATTORNEY FOR CHISHOLM ENERGY
OPERATING LLC



Jordan L. Kessler
Associate
Phone (505) 988-4421
Fax (505) 983-6043
jlkessler@hollandhart.com

September 28, 2018

VIA CERTIFIED MAIL
CERTIFIED RECEIPT REQUESTED

TO: ALL INTEREST OWNERS SUBJECT TO POOLING PROCEEDINGS

**Re: Application of Chisholm Energy Operating LLC for compulsory pooling,
Eddy County, New Mexico.
Mudshark 5 State WCB No. 2H 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 October 18, 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.

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If you have any questions about this matter please contact Luke Shelton at (817) 953-0359 or lshelton@chisholmenergy.com.

Sincerely,

A handwritten signature in blue ink, appearing to read "J. Kessler", written over a printed name.

Jordan L. Kessler
**ATTORNEY FOR CHISHOLM ENERGY OPERATING
LLC**

	A	B	E	F	G	I	J	K
	MailClass	TrackingNo	ToCompanyName	ToName	DeliveryAddress	City	State	Zip
1	Certified with Return Receipt (Signature)	9414810898765019045476		Premier Oil & Gas, Inc.	P.O. Box 837205	Richardson	TX	75083-7205
2	Certified with Return Receipt (Signature)	9414810898765019045568	Trustee Of The Cornerstone Family Trust	John Kyle Thoma,	P.O. Box 558	Peyton	CO	80831-0558
3	Certified with Return Receipt (Signature)	9414810898765019045575		Crownrock Minerals, L.P.	P.O. Box 51933	Midland	TX	79710
4	Certified with Return Receipt (Signature)	9414810898765019045582		Penwell Employee Royalty Pool	200 N. Loraine, Ste. 1550	Midland	TX	79701
5	Certified with Return Receipt (Signature)	9414810898765019045599		Nolan H. Brunson	P.O. Box 297	Hobbs	NM	88241
6	Certified with Return Receipt (Signature)	9414810898765019045605		Clifford Price Brunson	P.O. Box 805	Hobbs	NM	88241
7	Certified with Return Receipt (Signature)	9414810898765019045612		Christopher Lee Brunson	11853 W. 75th Circle	Anvada	CO	80005
8	Certified with Return Receipt (Signature)	9414810898765019045629	F/B/O The Nearburg Producing Company Employee F	Nearburg Producing Company,	P.O. Box 823085	Dallas	TX	75382-3085
9	Certified with Return Receipt (Signature)	9414810898765019045636		Butkin Investment Company, LLC	P.O. Box 2090	Duncan	OK	73534-2090
10	Certified with Return Receipt (Signature)	9414810898765019045643		Jerry B. Elger	P.O. Box 2623	Midland	TX	79702-2623
11	Certified with Return Receipt (Signature)	9414810898765019045667		C. Mark Wheeler	719 W. Kansas Ave.	Midland	TX	79701
12	Certified with Return Receipt (Signature)	9414810898765019045650		Premier Oil & Gas, Inc.	P.O. Box 1246	Artesia	NM	88210
13	Certified with Return Receipt (Signature)	9414810898765019045483		Kimbell Royalty Holdings, LLC	777 Taylor St., Ste. 810	Ft. Worth	TX	76102
14	Certified with Return Receipt (Signature)	9414810898765019045667		Rusk Capital Management, LLC	7600 W. Tidwell Road, Ste. 800	Houston	TX	77040-6718
15	Certified with Return Receipt (Signature)	9414810898765019045674		Todd M. Kringen And Wife, Karla R. Kringen	8540 E McDowell Rd #59	Mesa	AZ	85207-1431
16	Certified with Return Receipt (Signature)	9414810898765019045681		Robin Oil & Gas Corporation	P.O. Box 720420	Okiahoma City	OK	73172-0420
17	Certified with Return Receipt (Signature)	9414810898765019045698		COG Operating LLC	600 West Illinois Ave	Midland	TX	79701
18	Certified with Return Receipt (Signature)	9414810898765019045490	Attn: Outside Operated Properties	Concho Oil & Gas LLC	600 West Illinois Ave	Midland	TX	79701
19	Certified with Return Receipt (Signature)	9414810898765019045506	Attn: Outside Operated Properties	Timothy MacDonald	3017 Avenue O	Galveston	TX	77550
20	Certified with Return Receipt (Signature)	9414810898765019045513		Apache Corporation	303 Veterans Park Lane	Midland	TX	79705-9909
21	Certified with Return Receipt (Signature)	9414810898765019045520	C/O Dutton, Harris & Co.	Paul R. Barwis	P.O. Box 230	Midland	TX	79702
22	Certified with Return Receipt (Signature)	9414810898765019045537		Jareed Partners, Ltd.	P.O. Box 51451	Midland	TX	79710-1451
23	Certified with Return Receipt (Signature)	9414810898765019045544		Durango Production Corp.	P.O. Box 4848	Wichita Falls	TX	76308-0848
24	Certified with Return Receipt (Signature)	9414810898765019045551						

	N	R	USPS_Status
1	MailDate	ERR_SigDate	
2	09/28/2018	10/05/2018	Your item was delivered at 10:33 am on October 4, 2018 in RICHARDSON, TX 75080.
3	09/28/2018	10/07/2018	Your item was delivered at 11:14 am on October 6, 2018 in PEYTON, CO 80831.
4	09/28/2018	10/16/2018	Your item was delivered at 12:20 pm on October 15, 2018 in MIDLAND, TX 79710.
5	09/28/2018	10/02/2018	Your item was delivered to an individual at the address at 4:16 pm on October 1, 2018 in MIDLAND, TX 79701.
6	09/28/2018	10/04/2018	Your item was delivered at 11:46 am on October 3, 2018 in HOBBS, NM 88240.
7	09/28/2018	10/03/2018	Your item was delivered at 11:57 am on October 2, 2018 in HOBBS, NM 88240.
8	09/28/2018	10/02/2018	Your item was delivered to an individual at the address at 3:07 pm on October 1, 2018 in ARVADA, CO 80005.
9	09/28/2018	10/04/2018	Your item was picked up at a postal facility at 11:11 am on October 3, 2018 in DALLAS, TX 75231.
10	09/28/2018	10/02/2018	Your item was delivered at 10:33 am on October 1, 2018 in DUNCAN, OK 73533.
11	09/28/2018	10/10/2018	Your item was delivered at 1:09 pm on October 9, 2018 in MIDLAND, TX 79701.
12	09/28/2018		Your item arrived at the Post Office at 4:29 am on October 1, 2018 in MIDLAND, TX 79705.
13	09/28/2018	10/02/2018	Your item was delivered at 10:04 am on October 1, 2018 in ARTESIA, NM 88210.
14	09/28/2018	10/03/2018	Your item has been delivered to the mail room at 3:27 pm on October 1, 2018 in FORT WORTH, TX 76102.
15	09/28/2018	10/03/2018	Your item was delivered to an individual at the address at 12:21 pm on October 1, 2018 in HOUSTON, TX 77040.
16	09/28/2018	10/02/2018	Your item was delivered to an individual at the address at 3:30 pm on October 1, 2018 in MESA, AZ 85207.
17	09/28/2018	10/06/2018	Your item was delivered at 5:09 pm on October 4, 2018 in OKLAHOMA CITY, OK 73162.
18	09/28/2018	10/02/2018	Your item was delivered to an individual at the address at 2:36 pm on October 1, 2018 in MIDLAND, TX 79701.
19	09/28/2018	10/03/2018	Your item was delivered to an individual at the address at 2:36 pm on October 1, 2018 in MIDLAND, TX 79701.
20	09/28/2018	10/12/2018	Your item was picked up at the post office at 10:58 am on October 11, 2018 in GALVESTON, TX 77551.
21	09/28/2018		We attempted to deliver your package at 12:02 pm on October 1, 2018 in ZIP Code 79705 but could not access the delivery location. We will redeliver on the next business day.
22	09/28/2018	10/06/2018	Your item was delivered at 12:05 pm on October 5, 2018 in MIDLAND, TX 79701.
23	09/28/2018	10/02/2018	Your item was delivered at 2:38 pm on October 1, 2018 in MIDLAND, TX 79705.
24	09/28/2018	10/03/2018	Your item was delivered at 9:19 am on October 2, 2018 in WICHITA FALLS, TX 76308.

CARLSBAD CURRENT-ARGUS

AFFIDAVIT OF PUBLICATION

Ad No.
0001263492


HOLLAND & HART
110 NORTH GUADALUPE, SUITE 1 PO BOX 2208
SANTA FE NM 87504

I, a legal clerk of the **Carlsbad Current-Argus**, a newspaper published daily at the City of Carlsbad, in said county of Eddy, state of New Mexico and of general paid circulation in said county; that the same is a duly qualified newspaper under the laws of the State wherein legal notices and advertisements may be published; that the printed notice attached hereto was published in the regular and entire edition of said newspaper and not in supplement thereof on the date as follows, to wit:

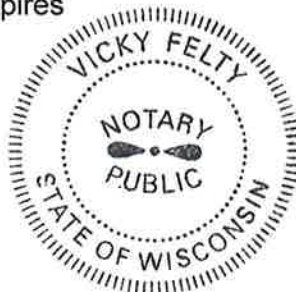
10/02/18


Legal Clerk

Subscribed and sworn before me this
2nd of October 2018.


State of WI, County of Brown
NOTARY PUBLIC

9-19-21
My Commission Expires



Ad#:0001263492
P O : 0001263492
of Affidavits :0.00

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 **October 18, 2018**, in the Oil Conservation Division Hearing Room at 1220 South St. Francis, Santa Fe, New Mexico, before an examiner duly appointed 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 **October 8, 2018**. 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 offset owners, overriding royalty interest owners, and pooled parties, including: Premier Oil & Gas, Inc.; COG Operating LLC Concho Oil & Gas LLC; Timothy MacDonald, his heirs and devisees; Apache Corporation; Paul R. Barwis, his heirs and devisees; Jared Partners, Ltd.; Durango Production Corp.; John Kyle Thoma, Trustee Of The Cornerstone Family Trust; Crownrock Minerals, L.P.; Penwell Employee Royalty Pool; Nolan H. Brunson, his heirs and devisees; Clifford Price Brunson, his heirs and devisees; Christopher Lee Brunson his heirs and devisees; Nearburg Producing Company, F/B/O The Nearburg Producing Company Employee Fund; Butkin Investment Company, LLC; Jerry B. Elger, his heirs and devisees; C. Mark Wheeler, his heirs and devisees; Kimbell Royalty Holdings, LLC; Rusk Capital Management, LLC; Todd M. Kringen And Wife, Karla R. Kringen, their heirs and devisees; Robin Oil & Gas Corporation.

Case No. 16456 Application of Chisholm Energy Operating LLC for compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order pooling all uncommitted interest owners in the Bone Spring formation underlying a 160.31-acre hori-

zontal spacing unit comprised of the E/2 E/2 of Section 5, Township 22 South, Range 26 East, NMPM, Eddy County, New Mexico. The above-referenced unit will be dedicated to the proposed **Mudshark 5 State 3BS No. 1H Well**, which will be horizontally drilled from a surface location in the NW/4NE/4 (Lot 2) to bottom hole location in the SE/4SE/4 (Unit P) of Section 5. The completed interval for the well will remain within the standard setbacks as required by the Statewide rules for oil wells. Also to be considered will be the cost of drilling and completing the well, the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Chisholm Energy Operating LLC as operator, and a 200% charge for risk involved in drilling and completing the well. Said area is located approximately 5 miles west of Carlsbad, New Mexico.

Pub: October 2, 2018 #1263492

CARLSBAD
CURRENT-ARGUS

AFFIDAVIT OF PUBLICATION

**Ad No.
0001263491**

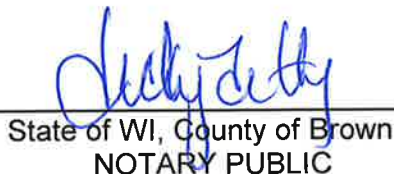
HOLLAND & HART
110 NORTH GUADALUPE, SUITE 1 PO BOX 2208
SANTA FE NM 87504

I, a legal clerk of the **Carlsbad Current-Argus**, a newspaper published daily at the City of Carlsbad, in said county of Eddy, state of New Mexico and of general paid circulation in said county; that the same is a duly qualified newspaper under the laws of the State wherein legal notices and advertisements may be published; that the printed notice attached hereto was published in the regular and entire edition of said newspaper and not in supplement thereof on the date as follows, to wit:

10/02/18

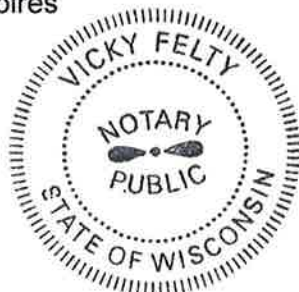

Legal Clerk

Subscribed and sworn before me this
2nd of October 2018.


State of WI, County of Brown
NOTARY PUBLIC


My Commission Expires

Ad#:0001263491
P O : 0001263491
of Affidavits :0.00



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

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Case No. 16457 Application of Chisholm Energy Operating LLC for compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order pooling all uncommitted interest owners in the Wolfcamp formation underlying a 320.64-acre horizontal

spacing unit comprised of the E/2 of Section 5, Township 22 South, Range 26 East, NMPM, Ed-
dy County, New Mexico. The above-referenced
unit will be dedicated to the proposed
Mudshark 5 State WCB No. 2H Well, which will
be horizontally drilled from a surface location in
the NW/4NE/4 (Lot 2) to bottom hole location
in the SE/4SE/4 (Unit P) of Section 5. The
completed interval for the well will remain
within the standard setbacks as required by the
Statewide rules for oil wells. Also to be consid-
ered will be the cost of drilling and completing
the well, the allocation of the cost thereof, as
well as actual operating costs and charges for
supervision, designation of Chisholm Energy
Operating LLC as operator, and a 200% charge
for risk involved in drilling and completing the
well. Said area is located approximately 5
miles west of Carlsbad, New Mexico.
Pub: October 2, 2018 #1263491