

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

**APPLICATION OF CHISHOLM ENERGY OPERATING, LLC
FOR APPROVAL OF A 892.20-ACRE NON-STANDARD
PROJECT AREA AND NON-STANDARD SPACING UNIT
IN THE WOLFCAMP FORMATION COMPRISED OF
ACREAGE SUBJECT TO A PROPOSED COMMUNITIZATION
AGREEMENT, AND FOR APPROVAL OF A 892.20-ACRE
NON-STANDARD PROJECT AREA AND SPACING UNIT
IN THE BONE SPRING FORMATION COMPRISED OF
ACREAGE SUBJECT TO A PROPOSED COMMUNITIZATION
AGREEMENT, EDDY COUNTY, NEW MEXICO.**

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CASE NO. 15953

AMENDED APPLICATION

Chisholm Energy Operating, LLC ("Chisholm") through its undersigned attorneys, files this application with the Oil Conservation Division for an order 1) approving an approximately 892.20-acre non-standard project area and non-standard spacing unit in the Wolfcamp formation comprised of acreage subject to a proposed Communitization Agreement covering all of Section 29 and all of Irregular Section 32, Township 26 South, Range 26 East, NMPM Eddy County, New Mexico; and 2) approving an approximately 892.20-acre non-standard project area and non-standard spacing unit in the Bone Spring formation comprised of acreage subject to a proposed Communitization Agreement covering all of Section 29 and all of Irregular Section 32, Township 26 South, Range 26 East, NMPM Eddy County, New Mexico. In support of this application, Chisholm states:

1. Chisholm (OGRID No. 372137) is the only working interest owner in federal and state leases covering all of Section 29 and all of Irregular Section 32, Township 26 South, Range 26 East, NMPM Eddy County, New Mexico. Irregular Section 32 borders Texas.

2. With respect to the Wolfcamp formation, Chisholm has drilled or permitted the following horizontal wells in the Purple Sage; Wolfcamp Pool (Pool Code 98220) underlying the subject acreage:

- The Cottonwood 29-32 Fed Com WCA 3H (API No. 30-015-43703) and the Cottonwood 29-32 Fed Com WCA 3H (API No. 30-015-43705) in the E/2 E/2 of Section 29 and the W/2 W/2 of Irregular Section 32;
- The Cottonwood 29-32 Fed Com WCA 5H (API No. Pending) in the W/2 E/2 of 29 and the W/2 E/2 of Irregular Section 32;
- The Cottonwood 29-32 Fed Com WCA 9H (API No. Pending) in the E/2 W/2 of 29 and the E/2 W/2 of Irregular Section 32;
- The Cottonwood 29-32 Fed Com WCA 6H (API No. Pending) in the W/2 W/2 of 29 and the W/2 W/2 of Irregular Section 32.

3. The Purple Sage; Wolfcamp (Pool Code 98220) is subject to the Special Rules for the Purple Sage; Wolfcamp Gas Pool pursuant to Order No. R-14262. Chisholm's drilling program for the subject acreage will develop each of the tracts comprising the proposed non-standard project area.

4. With respect to the Bone Spring formation, Chisholm has drilled or permitted the following horizontal wells in the Welch; Bone Spring Pool (Pool Code 64010) underlying the subject acreage:

- The Cottonwood 29-32 Fed Com 2Bs 1H (API No. 30-015-43702) in the W/2 W/2 of Section 29 and the W/2 W/2 of Irregular Section 32;
- The Cottonwood 29-32 Fed Com 2Bs 2H (API No. 30-015-43704) in the E/2 W/2 of 29 and the E/2 W/2 of Irregular Section 32;

- The Cottonwood 29-32 Fed Com 2Bs 10H (API No. Pending) and the and the Cottonwood 29-32 Fed Com 2Bs 8H (API No. Pending) in the W/2 E/2 of 29 and the W/2 E/2 of Irregular Section 32;
- The Cottonwood 29-32 Fed Com 2Bs 7H (API No. Pending) in the E/2 E/2 of 29 and the E/2 E/2 of Irregular Section 32.

5. The Welch; Bone Spring Pool (Pool Code 64010) is subject to the Division's statewide rule providing for 40-acre spacing units. Chisholm's drilling program for the subject acreage will develop each of the 40-acre tracts comprising the proposed non-standard project area.

6. Chisholm seeks to minimize surface disturbance by consolidating facilities and commingling production from existing and future wells in the subject area for each of the two proposed non-standard project areas.

7. For the Wolfcamp formation, the New Mexico State Land Office and the Bureau of Land Management have informed Chisholm that they will approve a Communitization Agreement covering all of the subject acreage.

8. For the Bone Spring formation, The New Mexico State Land Office has approved a Communitization Agreement covering the subject acreage. The BLM has informed Chisholm that they will approve a Communitization Agreement covering all of the subject acreage.

9. In order to dedicate the existing wells to the acreage subject to the proposed Communitization Agreement, for each Communitization Agreement, Chisholm requires approval from the Division to treat the subject acreage as a single project area.

10. Division Rule 19.15.16.7.L recognizes a state exploratory unit and a participating area within a federal unit as an approved "project area" for purposes of efficient horizontal well

development. However, this rule currently does not expressly recognize a communitized area as a “project area” for horizontal well development.

11. Approval a 892.20-acre project area comprised of the subject acreage will allow Chisholm to efficiently locate surface facilities and minimize surface disturbances in a manner similar to that currently allowed for state exploratory units and participating areas within federal units.

12. Approval of a 892.20-acre project area comprised of the subject acreage is consistent with the intent of a “project area” expressed in Rule 19.15.16.7.L(2).

13. In addition, Chisholm seeks approval of this acreage as a non-standard spacing unit.


14. Pursuant to Rule 19.15.16.15.E, Chisholm will provide notice of this application to the affected persons in the offsetting spacing units located in the State of New Mexico that adjoin each proposed 892.20-acre project area. Chisholm will also provide notice to overriding royalty interest owners within each project area.

15. Approval of this application is in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Chisholm requests that this amended application be set for hearing before an Examiner of the Oil Conservation Division on January 25, 2018, and that after notice and hearing as required by law, the Division enter an order granting this application.

Respectfully submitted,

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**ATTORNEYS FOR CHISHOLM ENERGY OPERATING,
LLC**

CASE 15953:

Amended Application Of Chisholm Energy Operating, LLC For Approval Of A 892.20-Acre Non-Standard Project Area and Non-Standard Spacing Unit in the Wolfcamp Formation Comprised Of Acreage Subject To A Proposed Communitization Agreement, And For Approval Of A 892.20-Acre Non-Standard Project Area and Non-Standard Spacing Unit in the Bone Spring Formation Comprised Of Acreage Subject To A Proposed Communitization Agreement Eddy County, New Mexico. Applicant in the above-styled cause seeks an order 1) approving an approximately 892.20-acre non-standard project area and non-standard spacing unit in the Wolfcamp formation comprised of acreage subject to a proposed communitization agreement covering Section 29 and all of Irregular Section 32, Township 26 South, Range 26 East, NMPM Eddy County, New Mexico; and 2) approving an approximately 892.20-acre non-standard project area and non-standard spacing unit in the Bone Spring formation comprised of acreage subject to a proposed communitization agreement covering Section 29 and all of Irregular Section 32, Township 26 South, Range 26 East, NMPM Eddy County, New Mexico. The acreage in the proposed non-standard project area in the Wolfcamp formation has been placed in the Purple Sage; Wolfcamp Gas Pool and is subject to the Special Rules set forth in Order No. R-14262. The acreage in the proposed non-standard project area in the Bone Spring formation has been placed in the Welch; Bone Spring Pool (Pool Code 64010) and is subject to Division statewide rules for oil wells. This subject area is located approximately 20 miles southwest of Jal, New Mexico.