BEFORE THE OIL CONSERVATION DIVISION EXAMINER HEARING OCTOBER 12, 2017

CASE NO. 15851 AND 15852

GAZELLE 32 STATE 2BS NO. 1H WELL

~AND~

GAZELLE 32 STATE 2BS NO. 2H WELL

LEA COUNTY, NEW MEXICO



DISTRICT I 1035 M. French Dr., Robbs, FM 68240 Frame (FF) 855-400 Frez (578) 045-6780 DISTRICT II 811 5. Frai L. Artoria, M. 88210 DISTRICT III 1000 Rio Brazos Rd., Artoc, NM 67410 Frame (600) Sol-4107 Frame DISTRICT IV 1556 5. St. Francis Dr., Sente Fe. NM 67050

State of New Mexico Energy, Minerals and Natural Resources Department

Revised August 1, 2011 Submit one copy to appropriate District Office

Form C-102

OIL CONSERVATION DIVISION 1226 South St. Francis Dr. Santa Fe, New Mexico 87505

AMENDED REPORT

Aff Headler 30-025-3306 Peet Scale Corbin: Bone Spring South Progenty Case (GAZELLE "32" STATE 28S Ith 06800 No. 327137 CHISHOLM ENERGY OPERATING, LLC 3759" 09000 Store 327137 CHISHOLM ENERGY OPERATING, LLC 3759" 00000 Store 327137 CHISHOLM ENERGY OPERATING, LLC 3759" 00000 Store 0 32 18 S 33 E Ist Ma The Tore to Store 100				WELL LO	DCATION	AND A	CRE	AGE DEDICATI	ON PLAT	LI AMENDE	DREPORT
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	E.: 738075.5				8. 740718.8						(]]

BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Exhibit No. 1 Submitted by: CHISHOLM ENERGY OPERATING LLC Hearing Date: October 12, 2017 DISTRICT I 1825 M. French Dr., Hobbs, NM 88240 Phone (270) 383-8161 Fact (370) 393-0720 DISTRICT II 811 S. First St., Ariceis, NM 88210 Phone (375) 748-1235 Fact (376) 748-9720 DISTRICT III 1000 Rio Brancos Rd., Aztec, NM 87410 Phone (308) 854-8178 Fact (508) 854-8170 DISTRICT IV 1828 S. St. Francis Dr., Santa Po, FM 87505 Fhome (509) 475-3460 Fact (508) 478-3463

State of New Mexico Energy, Minerals and Natural Resources Department

Form C-102 Revised August 1, 2011

D AMENDED REPORT

OIL CONSERVATION DIVISION 1226 South St. Francis Dr. Santa Fe, New Mexico 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

Submit one copy to appropriate District Office

API Number 30-025-43907			Pool Code 13160 Corbin: Bone S			Peol Name e Spring Sout			
Property (Property Name GAZELLE "32" STATE 2BS				Well Number 2H	
OGRID No 37213	7 		CH	Operator Name HISHOLM ENERGY OPERATING, LLC			Eleva 375		
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UL or lot No.	Section	Township	Range	Lot Idn	FEET from the	North/SOUTH LINE	FERT from the	East/West Line	County
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UL or lot No.	Section	Township	Range	Lot idn	FEET from the	North/SOUTH LINE	FEET from the	East/West Line	County
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Dedicated Acres	Joint of	r Infill Con	nsolidation (Code Ord	ler No.	L	<u> </u>		<u> </u>
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0 3755.8' 3.	759.1	SL. 	& FTP	Lot - N Long - W 1 NMSPCE- N (NAD (NAD HAD XAD N LANDIN 480' FNL Lot - N		E.: 743319.9 (NAD 83)	OPERATO I harreby cer contained harret the best of my this organization intervent or unless location or has the location pro- owner of such a or to a voluntar computiony pooli the division. Signature <u>Bettie Wats</u> Printed Name <u>bwatson@ci</u> Emeil Address SURVEYO.	on , hisholmenergy.co	ation ele to end that try to the well at with an enterest, or o misred by 8/9/17 Date 000 000 000
N.: 620407.3 E.: 730055.2 (NAD 63)				BOTTOM HC		н. 500-518 E : 74337.6 (NAD 83)	on this plat wa actual surveys supervison, and carreat to the Date Server Signature & Professional Certifica	a platled from field made by me or that the same is been on y beliaf. 11, 11, 11, 11, 11, 11, 11, 11, 11, 11,	notes of under my true and 7977
NL: 617766.0 E.: 738075.5 (NAD 83)	1830'	330		N.: 617793.5 E.: 740716.8 (NAD 63)	 			2000' 3000' LE: 1" = 2000' Num.: 33206	4000'1

BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Exhibit No. 2 Submitted by: <u>CHISHOLM ENERGY OPERATING LLC</u> Hearing Date: <u>October 12, 2017</u>

Gazelle Bone Spring Ownership

Township 18 South, Range 33 East, Section 32

<u>NW4</u>	WI	NRI	TPF All	WI	NRI
Chisholm Energy Operating, LLC	0.6661	0.5698	0.5000	0.3331	0.2849
MRC Deleware Resources, LLC	0.2098	0.1810	0.5000	0.1049	0.0905
MRC Explorers Resources, LLC	0.0392	0.0338	0.5000	0.0196	0.0169
MRC Sprial Resources, LLC	0.0392	0.0338	0.5000	0.0196	0.0169
Nadel & Gussman Capitan	0.0392	0.0338	0.5000	0.0196	0.0169
Rohoel	0.0060	0.0051	0.5000	0.0030	0.0026
Tim MacDonald	0.0006	0.0005	0.5000	0.0003	0.0002
	1.0000	0.8578			

<u>SW4</u>	WI	NRI	TPF All	WI	NRI
Chisholm Energy Operating, LLC	0.6661	0.4896	0.5000	0.3331	0.2448
MRC Deleware Resources, LLC	0.2933	0.2375	0.5000	0.1467	0.1188
MRC Explorers Resources, LLC	0.0133	0.0108	0.5000	0.0067	0.0054
MRC Sprial Resources, LLC	0.0133	0.0108	0.5000	0.0067	0.0054
Nadel & Gussman Capitan	0.0133	0.0108	0.5000	0.0067	0.0054
Rohoel	0.0000	0.0000	0.5000	0.0000	0.0000
Tim MacDonald	0.0006	0.0004	0.5000	0.0003	0.0002
	1.0000	0.7600			

SEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Exhibit No. 3 Submitted by: CHISHOLM ENERGY OPERATING LLC Hearing Date: October 12, 2017

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	•	Totals		
	Gazelle Wells	WI	NRI	Elect to Participate
	Chisholm Energy Operating, LLC	0.66611112	0.52969342	Yes
	MRC Deleware Resources, LLC	0.25159106	0.20924729	No
	MRC Explorers Resources, LLC	0.02625426	0.02231097	No
	MRC Sprial Resources, LLC	0.02625426	0.02231097	No
	Nadel & Gussman Capitan	0.02625426	0.02231097	Yes
	Rohoel	0.00297949	0.00256981	Yes
•	Tim MacDonald	0.00055555	0.00043163	Yes
		1.00000000	0.80887505	·



July 27, 2017

VIA CERTIFIED MAIL

MRC Spiral Resources, LLC Attn: John Filbert 5400 LBJ Freeway, Suite 1500 Dallas, TX 75240

RE: Gazelle 32 2BS 1H W2W2 Section 32: T18S-R33E Lea County, New Mexico

Dear Mr. Filbert,

Chisholm Energy Operating, LLC ("Chisholm") hereby proposes the drilling of the Gazelle 32 2BS 1H in Section 32, Township 18 South, Range 33 East, Lea County, New Mexico. The surface location for this well is proposed at a legal location in Unit C with a bottom hole at a legal location in Unit M (see attached plat for further detail). The well will have a targeted interval in the Bone Spring formation to a Measured Depth of approximately 14,800'. Included herewith is our Authority for Expenditure ("AFE") in the gross amount of \$4,137,334, being the total estimated cost to drill and complete said well.

Chisholm is proposing to drill this well under the terms of the modified 1989 AAPL form of Operating Agreement which is enclosed for your review and approval. The Operating Agreement covers W/2 of Section 32, Township 18 South, Range 33 East, limited to the Bone Spring Formation. It has the following general provisions:

- 100/300 Non-consenting penalty
- \$10,000/\$1,000 Drilling and Production rate
- Chisholm Energy Operating, LLC named as Operator
- Initial Well Gazelle 32 2BS 1H

MRC Spiral Resources, LLC will own an approximate 2.63% working interest in the well, subject to title verification. Please indicate your participation election in the space provided below, sign and return this letter, along with a signed copy of the enclosed AFE and a copy of your geologic well requirements, to my attention at the letterhead address. You may also email your response to darmour@chisholmenergy.com

Should you have any questions, please do not hesitate to contact myself at 817-953-0480.

Very truly yours,

Chisholm Epergy Operating, LLC

Davis Armour Senior Landman

_____ I/We hereby elect to participate in the Gazelle 32 2BS 1H.

I/We hereby elect NOT to participate in the Gazelle 32 2BS 1H.

Company: MRC Spiral Resources, LLC

By:	
Name: _	
Title: _	
Nato	

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. 4 Submitted by: <u>CHISHOLM ENERGY OPERATING LLC</u> Hearing Date: <u>October 12, 2017</u>



Statement of Estimated Well Cost (100%)

Well	Gazelle 32 2BS 1H
Field	2nd Bone Spring
County, State:	Lea, NM
BHL:	Horizontal
Proposed TD:	14,800 MD 9,640 TVD
ormal Pressure?	Yes

Normal Pressure?

		BCP	ACP	TOTAL
	COSTS TO CASING POINT: TANGIBLES			
8510-400	Conductor Casing or Drive Pipe	\$15,000		\$15,000
8510-405	Surface Casing	\$43,291		\$43,29
8510-410	Intermediate Casing/Drig Liner	\$127,270		\$127,27
8510-415	Wellhead Equipment - Surface & MLS	\$10,500		\$10,50
8510-420	Other Sub-Surface Equipment	SO		
8510-425	Cementing Equipment	\$14,050		\$14,056
8510-600	Nonoperated	S0		
8510-700	Impairment	SO		
8510-999	Accruals	SO		
	TOTAL COST TO CASING POINT - TANGIBLES	\$210,111		\$210,111
	COSTS TO CASING POINT: INTANGIBLES			
8500-100	Roads/Location	\$50,000		\$50,000
8500-105	Drilling Turnkey	SO		
8500-110	Drilling Daywork	\$363,000		\$363,000
8500-115	Fuel/Power	\$88,000		\$88,000
8500-125	Equipment Rental	\$125,380		\$125,380
8500-130	Legal Fees	SO		
8500-135	Bonds, Permits and Inspection	\$50,000		\$50,000
8500-155	Mud and Chemicals	\$60,000		\$60,000
8500-160	Cementing Services	\$29,000		\$29,000
8500-170	Supervision/Consulting	\$51,600		\$51,600
8500-175	Casing and Other Tangible Crew	\$24,000		\$24,000
8500-180	Damages/Penalties	SO		
8500-185	Coring and Analysis	SO		
8500-190	Cuttings/Fluids Disposal	\$125,000		\$125,000
8500-195	Directional Drilling Services	\$162,500		\$162,500
8500-200	Drill Bits	\$51,000		\$51,000
8500-210	Surface Damages/ROW	50		
8500-215	Contract Labor and Services	\$1,100		\$1,100
8500-220	Mud Logging	\$25,000		\$25,000
8500-235	Reclamation	SO		
8500-240	Rig Mobilization/Demob	\$202,500		\$202,500
8500-245	Fishing Tools and Services	50		
8500-250	Testing-Drill Stem/Production	S 0		
8500-260	Wireline Services	SO		
8500-265	Water	\$16,250		\$16,250
8500-270	Camp Expenses	\$40,200		\$40,200
8500-285	Contingencies	SO		
8500-290	Environmental	SO		
8500-300	Overhead	S 0		
8500-350	Insurance	SO		
8500-600	Nonoperated	\$0		
8500-700	Impairment	\$0		
8500-999	Accruals	SO		
	TOTAL COST TO CASING POINT - INTANGIBLES	\$1,464,530		\$1,464,530
میں اور اغامی ہے ۔	COMPLETION COSTS: TANGIBLES			
8530-415	Wellhead		\$21,900	\$21,900
8530-420	Subsurface Equipment		\$15,000	\$15,000

8530-500	Production Casing	\$188,70	5188,7
8530-510	Tabing	\$43,38	\$43,3
8530-515	Røds	SI	
8530-525	Artificial Lift Equipment	\$25,000	\$25,0
8530-530	Gas Metering Equipment	\$48,000	\$48,0
8530-535	LACT Unit	S	
8530-540	Production Facilities and Flowlines	\$120,000	\$120,0
8530-545	Pumping Unit	SC SC	
8530-550	Separator, Heater, Treater	\$75,000	\$75,0
8530-555	Tank Battery	\$55,000	\$55,00
8530-560	Vapor Recovery Unit	\$0	
8530-590	Other Misc Equipment	\$21,500	\$21,50
8530-600	Nonoperated	St.	
8530-700	Impairment	SO	
8530-999	Accruals	50	
	TOTAL COMPLETION COST - TANGIBLES	\$613,480	\$613,4
	COMPLETION COSTS: INTANGIBLES	1	1
8520-100	Roads/Location		
8520-120	Perforating Services	\$66,500	
8520-125	Equipment Rental	\$193,000	
8520-135	Bonds, Permits and Inspection		+
8520-145	Completion Unit	\$20,000	1
8520-145 8520-150	Frac Plugs	\$28,500	
8520-155	Mud and Chemicals	\$90,000	and the second se
8520-160	Cementing Services	\$90,000	the second s
8520-165	Acidizing and Fracturing	\$70,000	
8520-170	Supervision/Consulting		
8520-175	Casing and Other Tangible Crew		
8520-190	Cuttings/Fluids Disposal		······································
8520-200	Drill Bits	\$60,000	÷
	Surface Damages/ROW	\$3,000	
8520-210	Contract Labor and Services	<u>\$0</u>	
8520-215 8520-230	Pump/Vacuum Trucks	\$5,000	
	Rectamation	\$20,000	• • • • • • • • • • • • • • • • • • •
8520-235	Fishing Tools and Services		the second s
8520-245		\$9	
8520-250 8520-255	Well Testing Trucking and Hauling	\$84,000	
	Wireline Services	<u>\$0</u>	· · · · · · · · · · · · · · · · · · ·
8520-260		\$5,000	
8520-270	Camp Expenses	\$6,900	
8520-275	Coiled Tubing Services Frac Water	\$54,490	
8520-280		\$275,000	the second s
8529-285	Contingencies	<u></u>	
8520-290	Environmental	SO	
8520-300	Overhead	50	
8520-350	Insurance	\$0	
8520-600	Nonoperated	50	
8520-700	Impairment	\$0	
8520-999	Acernals		
	TOTAL COMPLETION COST - INTANGIBLES	\$1,849,213	\$1,849,21
	TOTAL WELL COST	1	

- - -

Approved by:

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Approved by:

Approved by:

_____. ___. ____

Date:

.

Date:

Date:



July 27, 2017

VIA CERTIFIED MAIL

MRC Delaware Resources, LLC Attn: John Filbert 5400 LBJ Freeway, Suite 1500 Dallas, TX 75240

RE: Gazelle 32 2BS 2H E2W2 Section 32: T18S-R33E Lea County, New Mexico

Dear Mr. Filbert,

Chisholm Energy Operating, LLC ("Chisholm") hereby proposes the drilling of the Gazelle 32 2BS 2H in Section 32, Township 18 South, Range 33 East, Lea County, New Mexico. The surface location for this well is proposed at a legal location in Unit C with a bottom hole at a legal location in Unit N (see attached plat for further detail). The well will have a targeted interval in the Bone Spring formation to a Measured Depth of approximately 14,800'. Included herewith is our Authority for Expenditure ("AFE") in the gross amount of \$4,137,334, being the total estimated cost to drill and complete said well.

Chisholm is proposing to drill this well under the terms of the modified 1989 AAPL form of Operating Agreement which is enclosed for your review and approval. The Operating Agreement covers W/2 of Section 32, Township 18 South, Range 33 East, limited to the Bone Spring Formation. It has the following general provisions:

- 100/300 Non-consenting penalty
- \$10,000/\$1,000 Drilling and Production rate
- Chisholm Energy Operating, LLC named as Operator
- Initial Weil Gazelle 32 285 1H

MRC Delaware Resources, LLC will own an approximate 24.49% working interest in the well, subject to title verification. Please indicate your participation election in the space provided below, sign and return this letter, along with a signed copy of the enclosed AFE and a copy of your geologic well requirements, to my attention at the letterhead address. You may also email your response to darmour@chisholmenergy.com

Should you have any questions, please do not hesitate to contact myself at 817-953-0480.

Very truly yours,

Chishoim Energy Operating, LLC

Davis Armour

Senior Landman

I/We hereby elect to participate in the Gazelle 32 2BS 2H.

I/We hereby elect NOT to participate in the Gazelle 32 2BS 2H.

Company: MRC Delaware Resources, LLC

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. 5 Submitted by: CHISHOLM ENERGY OPERATING LLC Hearing Date: October 12, 2017



Statement of Estimated Well Cost (100%)

Well	Gazelle 32 2BS 2H				
Field	2nd Bone Spring				
County, State:	Lea, NM				
BHL:	Horizontal				
Proposed TD:	14,800 MD 9,640 TVD				

Normal Pressure? Yes

		BCP	ACP	TOTAL
	COSTS TO CASING POINT: TANGIBLES			
8510-400	Conductor Casing or Drive Pipe	\$15,000		\$15,00
8510-405	Surface Casing	\$43,291		\$43,29
8510-410	Intermediate Casing/Drig Liner	\$127,270		\$127,27
8510-415	Wellhead Equipment - Surface & MLS	\$10,500		\$10,500
8510-420	Other Sub-Surface Equipment	S0		
8510-425	Cementing Equipment	\$14,050		\$14,050
8510-600	Nonoperated	\$0		
8510-700	Impairment	\$0		
8510-999	Accruals	\$0		
	TOTAL COST TO CASING POINT - TANGIBLES	\$210,111		\$210,111
	COSTS TO CASING POINT: INTANGIBLES			-
8500-100	Roads/Location	\$50,000		\$50,000
8500-105	Drilling Turnkey	\$0		
8500-110	Drilling Daywork	\$363,000		\$363,000
8500-115	Fuel/Power	\$88,000		\$88,000
8500-125	Equipment Rental	\$125,380		\$125,380
8500-130	Legal Fees	SO SO		<u> </u>
8500-135	Bonds, Permits and Inspection	\$50,000		\$50,000
8500-155	Mud and Chemicals	\$60,000		\$60,000
8500-160	Cementing Services	\$29,000		\$29,000
8500-170	Supervision/Consulting	\$51,600		\$51,600
8500-175	Casing and Other Tangible Crew	\$24,000	•	\$24,000
8500-180	Damages/Penalties	SO	·	
8500-185	Coring and Analysis	SO		
8500-190	Cuttings/Fluids Disposal	\$125,000	******	\$125,000
8500-195	Directional Drilling Services	\$162,500		\$162,500
8500-200	Drill Bits	\$51,000		\$51,000
8500-210	Surface Damages/ROW	S 0		
8500-215	Contract Labor and Services	\$1,100		\$1,100
8500-220	Mud Logging	\$25,000		\$25,000
8500-235	Reclamation	S 0		
8500-240	Rig Mobilization/Demob	\$202,500		\$202,500
8500-245	Fishing Tools and Services	S 0		
8500-250	Testing-Drill Stem/Production	\$0		
8500-260	Wireline Services	S 0		
8500-265	Water	\$16,250		\$16,250
8500-270	Camp Expenses	\$40,200		\$40,200
8500-285	Contingencies	S 0		
8500-290	Environmental	S 0		
8500-300	Overhead	S 0		
8500-350	Insurance	S 0		
8500-600	Nonoperated	S 0		
8500-700	Impairment	SO		
8500-999	Accruals	SO		
	TOTAL COST TO CASING POINT - INTANGIBLES	\$1,464,530		\$1,464,530
	COMPLETION COSTS: TANGIBLES			
8530-415	Wellhead		\$21,900	\$21,900
8530-420	Subsurface Equipment	····	\$15,000	\$15,000

0000 000	Mandanating Costing	C199 70	0 5199 700
8530-500	Production Casing	\$188,70	
8530-510	Tabing	\$43,38	
8530-515	Rods	\$	
8530-525	Artificial Lift Equipment	\$25,00	
8530-530	Gas Metering Equipment	\$48,00	
8530-535	LACT Unit	S	-
8530-540	Production Facilities and Flowlines	\$120,00	
8530-545	Pumping Unit	S	- · · · · · · · · · · · · · · · · · · ·
8530-550	Separator, Heater, Treater	\$75,00	
8530-555	Tank Battery	\$55,00	
8530-560	Vapor Recovery Unit	\$	
8530-590	Other Misc Equipment	\$21,50	÷
<u>8530-600</u>	Nonoperated	SI	
8530-700	Impairment	S	
8530-999	Accruais	S(D[
	TOTAL COMPLETION COST - TANGIBLES	\$613,48	5613,480
	COMPLETION COSTS: INTANGIBLES		1
8520-100	Roads/Location	SI	
8520-120	Perforating Services	\$66,50	\$66,500
8520-125	Equipment Rental	\$193,000	
8520-135	Bonds, Permits and Inspection	SI	
8520-145	Completion Unit	\$20,000	
8520-150	Frac Plugs	\$28,50	
8520-155	Mud and Chemicals	\$90,000	
8520-160	Cementing Services	\$70,000	
8520-165	Acidizing and Fracturing	\$811,81	
8520-170	Supervision/Consulting	\$42,000	
8520-175	Casing and Other Tangible Crew	\$15,000	
8520-175 8520-190	Cuttings/Fluids Disposal	\$60,000	
8520-200	Drill Bits	\$3,000	
8520-210	Surface Damages/ROW		
8520-215	Contract Labor and Services	\$5,000	
8520-213	Pump/Vacuum Trucks	\$20,000	
8520-235	Reclamation		
8520-245	Fishing Tools and Services		
8520-245	Well Testing	\$84,000	
8520-255	Trucking and Hauling	507,000	
8520-255	Wireline Services	\$5,000	·
8520-200	Camp Expenses		
8520-275	Coiled Tubing Services	\$54,400	
8520-275	Frac Water	\$34,400	
8520-285	Contingencies Environmental	SU SU	
8520-290	Overhead		
8520-300		SU SU	
8520-350	Insurance		
8520-600	Nonoperated		
8520-700	Impairment		
8520-999	Accruals	<u>\$0</u>	
	TOTAL COMPLETION COST - INTANGIBLES	\$1,849,213	\$1,849,213
	TOTAL WELL COST	61 (7) (1) 50 4(0 (0)	64 137 334
	TOTAL WELL COST	\$1,674,641 \$2,462,693	\$4,137,334

Approved by:

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Approved by:

Approved by:

Date:

Date:_____

Date:

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, LEA COUNTY, NEW MEXICO.

CASE NOS. 15851 and 15852

AFFIDAVIT

STATE OF NEW MEXICO)) ss. COUNTY OF SANTA FE)

Michael H. Feldewert, attorney in fact and authorized representative of Chisholm Energy Operating, LLC, the Applicant herein, being first duly sworn, upon oath, states that the abovereferenced Applications have been provided under the notice letters and proof of receipts attached hereto.

Michael H. Feldewert

SUBSCRIBED AND SWORN to before me this 11th day of October, 2017 by Michael H.

Feldewert.



Charves Notary Public

EFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Exhibit No. 6 Submitted by: CHISHOLM ENERGY OPERATING LLC Hearing Date: October 12, 2017



September 22, 2017

<u>VIA CERTIFIED MAIL</u> CERTIFIED RECEIPT REQUESTED

TO: ALL INTEREST OWNERS SUBJECT TO POOLING PROCEEDINGS

Re: Application of Chisholm Energy Operating, LLC for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. <u>Gazelle 32 State 2 BS No. 1H</u>

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 12, 2017. 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 Davis Armour, at (817) 953-0480 or <u>darmour@chisholmenergy.com</u>.

Sincerely. ordan L. Kessler

ATTORNEY FOR CHISHOLM ENERGY OPERATING, LLC



September 22, 2017

VIA CERTIFIED MAIL CERTIFIED RECEIPT REQUESTED

TO: ALL INTEREST OWNERS SUBJECT TO POOLING PROCEEDINGS

Re: Application of Chisholm Energy Operating, LLC for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. <u>Gazelle 32 State 2 BS No. 2H</u>

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 12, 2017. 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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Sincerely,

Jordan L. Kessler ATTORNEY FOR CHISHOLM ENERGY OPERATING, LLC



September 22, 2017

VIA CERTIFIED MAIL RETURN RECEIPT REQUESTED

TO: OFFSETTING LESSEES AND OPERATORS

Re: Application of Chisholm Energy Operating, LLC for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. <u>Gazelle 32 State 2 BS No. 1H</u>

This letter is to advise you that Chisholm Energy Operating, LLC has filed the enclosed application with the New Mexico Oil Conservation Division. *Your interests are not being pooled under this application*, but as a lessee or operator in an offsetting tract, you are entitled to notice of this application.

This application has been set for hearing before a Division Examiner at 8:15 AM on October 12, 2017. 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 Davis Armour, at (817) 953-0480 or darmour@chisholmenergy.com

Sincerely,

Jordan L. Kessler Attorney for Chisholm Energy Operating, LLC



September 22, 2017

VIA CERTIFIED MAIL RETURN RECEIPT REQUESTED

TO: OFFSETTING LESSEES AND OPERATORS

Re: Application of Chisholm Energy Operating, LLC for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. <u>Gazelle 32 State 2 BS No. 2H</u>

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If you have any questions about this matter please contact Davis Armour, at (817) 953-0480 or <u>darmour@chisholmenergy.com</u>

Sincerely,

Jordan L. Kessler ATTORNEY FOR CHISHOLM ENERGY OPERATING, LLC

Holland & Hart up

110 North Guadalupe Suite 1 Santa Fe, New Mexico 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Boulder Carson City Colorado Springs Denver Denver Tech Center Billings Boise Cheyenne Jackson Hole Las Vegas Reno Salt Lake City Santa Fe Washington, D.C. O

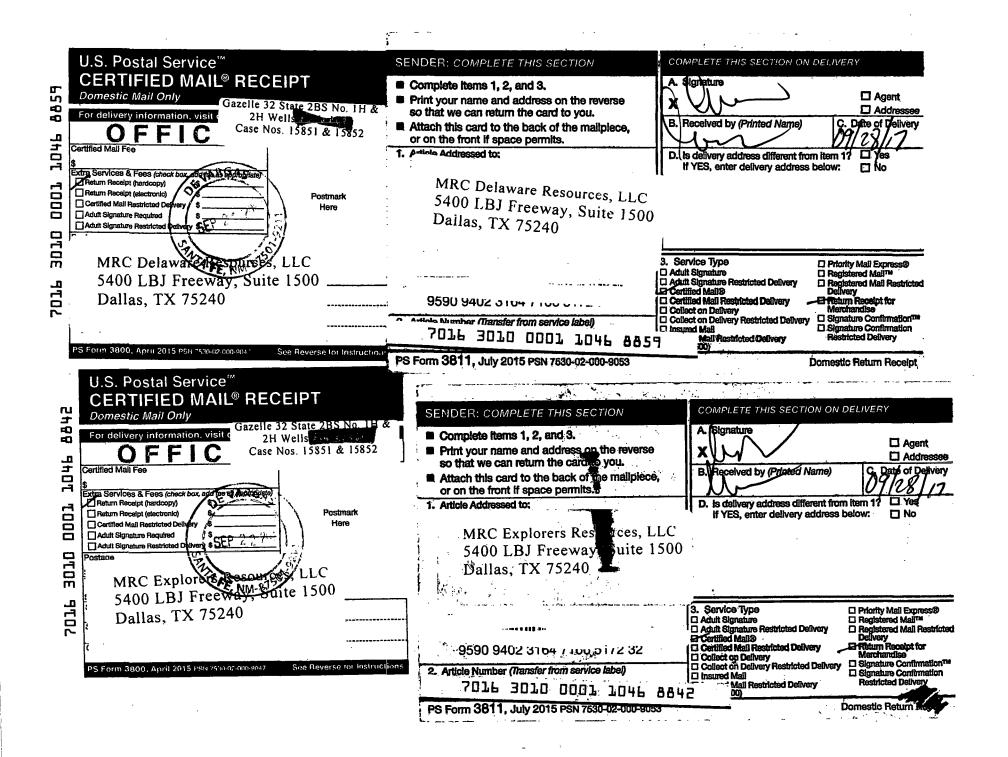
Gazelle 32 State 2BS No. 1H & 2H Wells Case Nos. 15851 & 15852 Pooled Parties (3)

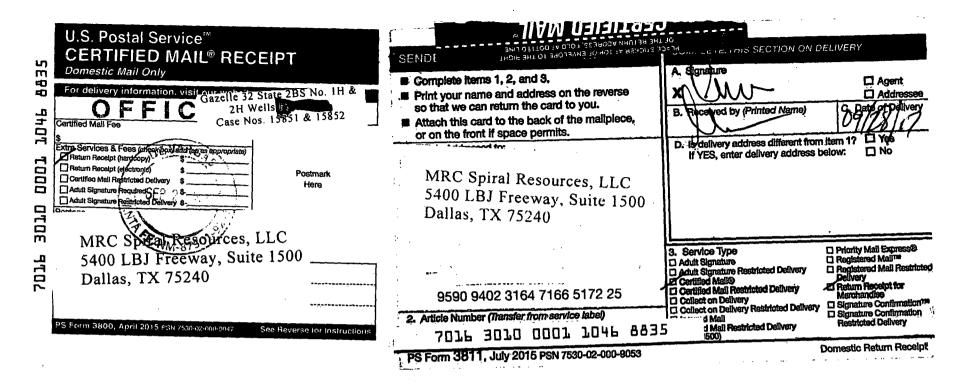
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MRC Delaware Resources, LLC 5400 LBJ Freeway, Suite 1500 Dallas, TX 75240

MRC Explorers Resources, LLC 5400 LBJ Freeway, Suite 1500 Dallas, TX 75240

MRC Spiral Resources, LLC 5400 LBJ Freeway, Suite 1500 Dallas, TX 75240





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Gazelle 32 State 2BS No. 1H & 2H Wells Case Nos. 15851 & 15852 Offset List (9)

Cimarex Energy Co Of Colorado 202 S Cheyenne Ave. Ste 1000 Tulsa, OK 74103

Chisholm Energy Operating 801 Cherry St Ste 1200 Fort Worth, TX 76102

Legacy Reserves Operating, LP 303 W. Wall St Ste 1800 Midland, TX 79701

MRC Delaware Resources, LLC 5400 LBJ Freeway, Suite 1500 Dallas, TX 75240

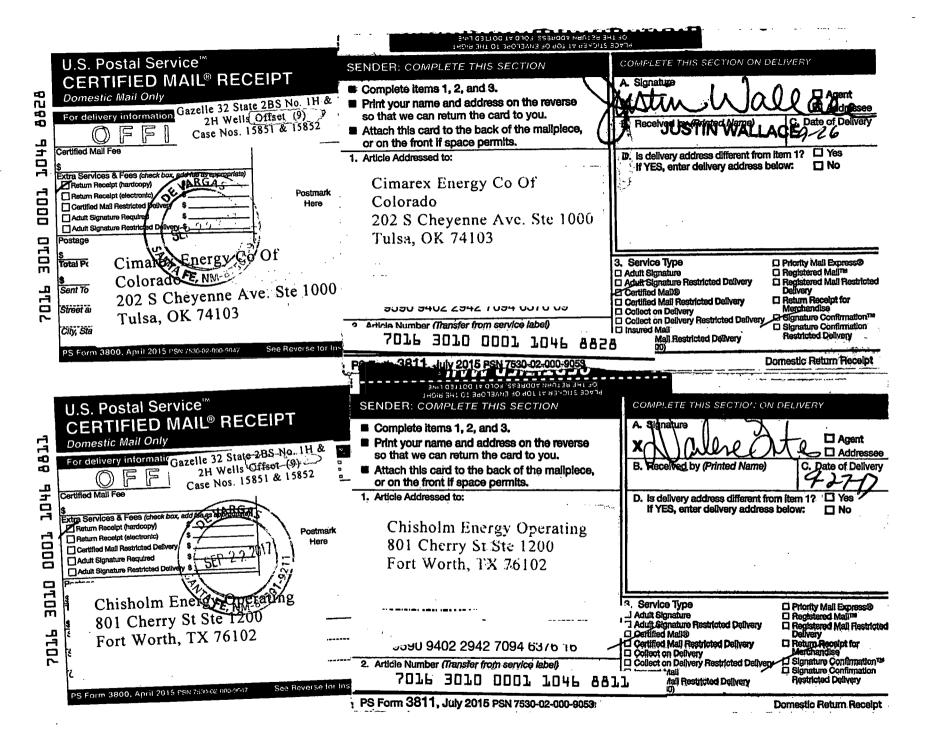
MRC Explorers Resources, LLC 5400 LBJ Freeway, Suite 1500 Dallas, TX 75240

MRC Spiral Resources, LLC 5400 LBJ Freeway, Suite 1500 Dallas, TX 75240

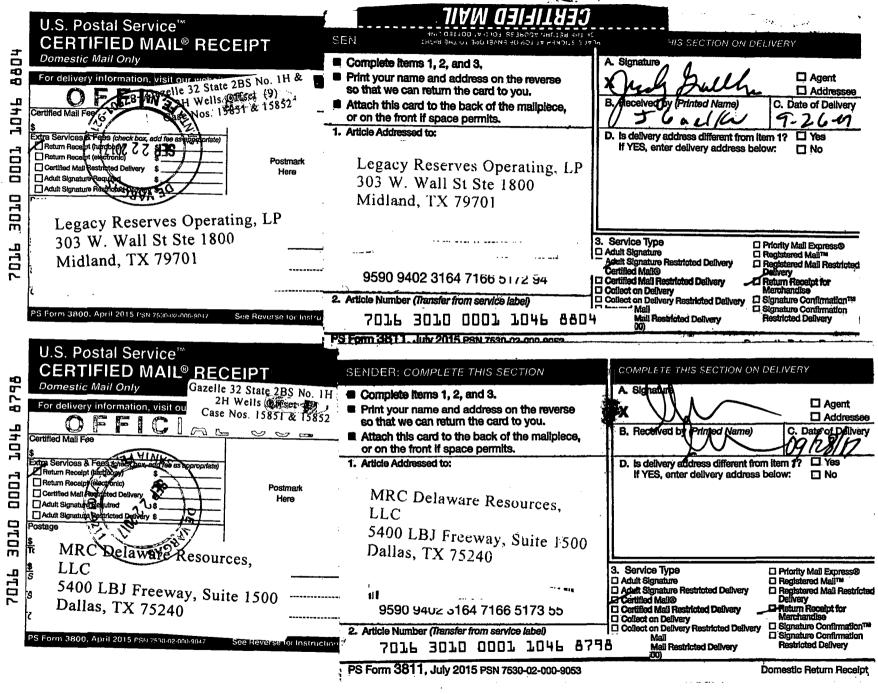
Rohoel, Inc. 1600 Broadway, Suite 1050 Denver, CO 80202

Nadel & Gussman Capitan, LLC 15 E 5th Street, Suite 3200 Tulsa, OK 74103

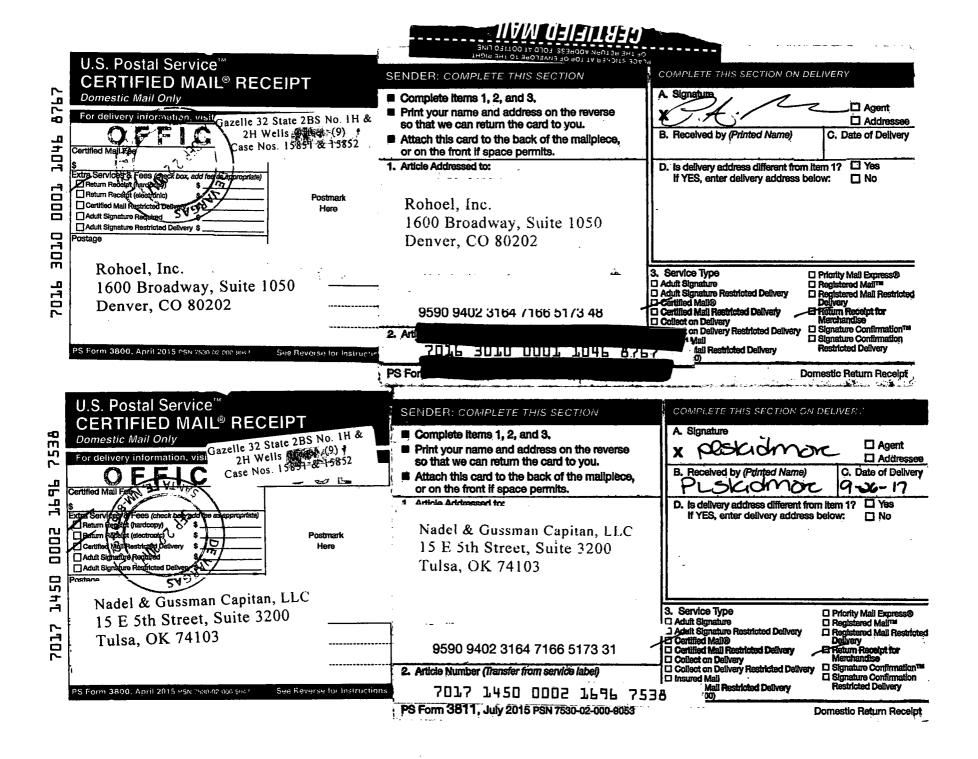
Tim MacDonald 3017 Avenue O Galveston, TX 77550

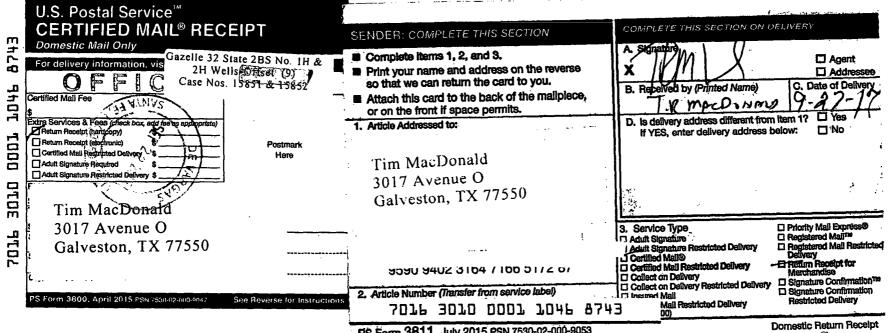


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PS Form 3811, July 2015 PSN 7530-02-000-9053

Affidavit of Publication

STATE OF NEW MEXICO COUNTY OF LEA

I, Daniel Russell, Publisher of the Hobbs News-Sun, a newspaper published at Hobbs, New Mexico, solemnly swear that the clipping attached hereto was published in the regular and entire issue of said newspaper, and not a supplement thereof for a period of 1 issue(s).

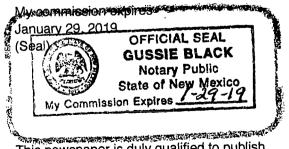
> Beginning with the issue dated September 27, 2017 and ending with the issue dated September 27, 2017.

usse la

Publisher

Sworn and subscribed to before me this 27th day of September 2017.

Business Manager



This newspaper is duly qualified to publish legal notices or advertisements within the meaning of Section 3, Chapter 167, Laws of 1937 and payment of fees for said

12.00 Mac II د. • LEGAL NOTICE September 27, 2017 STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION SANTA FE, NEW MEXICO The State of New Mexico through its Oll 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 12**, 2017, in the Oli Conservation Division Hearing Room at 1220 South St. Francis, Santa Fe, New Mexico, before an examiner duly appoint 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 auxillary 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 2, 2017. 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 The State of New Mexico through its Oil Conservation 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 cases and notice to the public. nn n NOTE: All land descriptions herein refer to the New Mexico Principal Meridian whether or not so stated.) To: All offset owners and pooled parties, including: MRC Delaware Resources, LLC; MRC Explorers Resources, LLC; and MRC Spiral Resources, LLC. Case No. 15851: Application of Chisholm Energy Operating, LLC for a non-standard spacing and protein-unit and compulsory pooling, Lea County, New Mexico. Applicant In the above-styled cause seeks an order (1) creating a non-standard 160-acre, more or less, spacing-and protation unit comprised of the W/2 W/2 of Section 52, Township 18 South, Range 33 East, NMPM, Lea 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 Gazelle 32 State 2BS No. 1H Well, which, Will be horizontally drilled from a surface location in the NW/4 NW/4 (Unit D) to a standard bottom hole location in the GW/4SW/4 (Unit M) of Section 32. The completed intervar for this well will remain within the 330-foot offset as required by the Statewide rules for oil wells. Also to be considered will be the cost of drilling and completing said operating costs and charges for supervision, designation of operating costs and charges for supervision, designation of Chistochi Energy Operating, LLC as operator of the well and a 200% charge for risk involved in drilling said well. Said the supervision of the New Nex 10, 432100 00200203 67100754 HOLLAND & HART LLC PO BOX 2208

SANTA FE,, NM 87504-2208

BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Exhibit No. 7 Submitted by: CHISHOLM ENERGY OPERATING LLC Hearing Date: October 12, 2017

Affidavit of Publication

STATE OF NEW MEXICO COUNTY OF LEA

I, Daniel Russell, Publisher of the Hobbs News-Sun, a newspaper published at Hobbs, New Mexico, solemnly swear that the clipping attached hereto was published in the regular and entire issue of said newspaper, and not a supplement thereof for a period of 1 issue(s).

> Beginning with the issue dated September 27, 2017 and ending with the issue dated September 27, 2017.

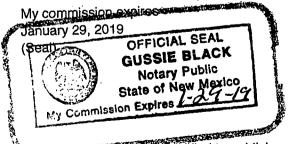
iel Pussell

Publisher

Sworn and subscribed to before me this 27th day of September 2017.

Black

Business Manager



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> STATE OF NEW MEXICO TO: All named parties and persons having any right, title, interest or claim in the following cases 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 and pooled parties, including: MRC Delaware Resources, LLC; MRC Explorers Resources, LLC; and MRC Spiral Resources, LLC.

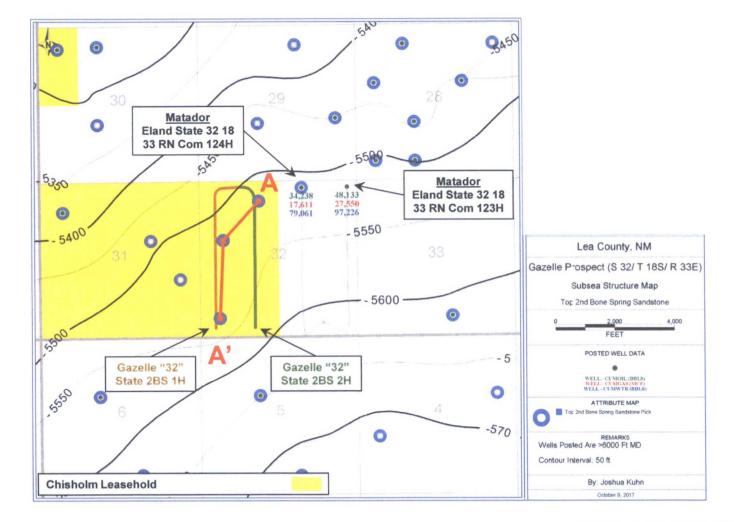
Case No. 15852: Application of Chisholm Energy Operating, LLC for a non-standard spacing and protection unit and compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard 160-acre, more or less, spacing and protation unit comprised of the E/2 W/2 of Section 32, Township 18 South, Range 33 East, NMPM, Lea County New Mexico; and (2) póoling all uncommitted interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed Gazelle 32 State 2BS No. 2H Well, which will be horizontally drilled from a surface location in the NE/4 NW/4 (Unit C) to a standard bottom hole location in the SE/4 SW/4-(Unit H) of Section 32. The completed interval for this well will remain within the 300-foot offset as required by the Statewide rules for oil wells. Also to bé 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 Said area is located approximately 32 miles west of Hobbs, New Mexico. #32101

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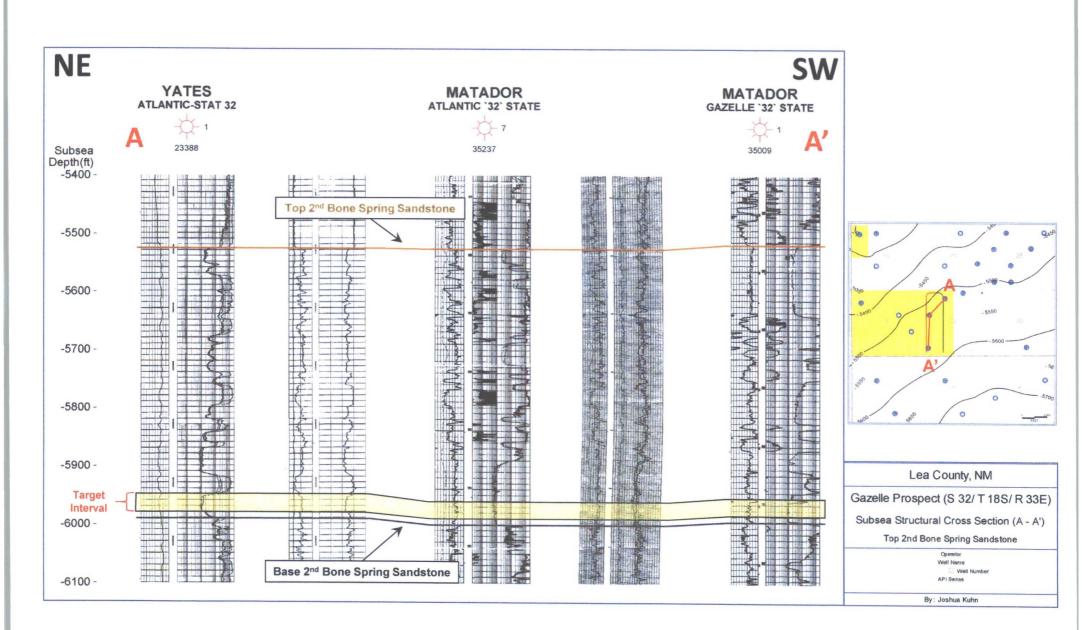
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HOLLAND & HART LLC PO BOX 2208 SANTA FE,, NM 87504-2208

> BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Exhibit No. 8 Submitted by: <u>CHISHOLM ENERGY OPERATING LLC</u> Hearing Date: <u>October 12, 2017</u>



*Matador production data (2/1/17-6/30/17) from IHS



BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Exhibit No. 10 Submitted by: <u>CHISHOLM ENERGY OPERATING LLC</u> Hearing Date: <u>October 12, 2017</u>