

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

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**APPLICATION OF CHISHOLM ENERGY OPERATING, LLC
FOR AN UNORTHODOX WELL LOCATION, NON-STANDARD
SPACING AND PRORATION UNIT, AND COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.**

CASE NO. 16263

APPLICATION

Chisholm Energy Operating, LLC ("Chisholm") (OGRID No. 327137), through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order (1) creating a 320-acre, more or less, spacing and proration unit comprised of the E/2 E/2 of Section 24 and the E/2 E/2 of Section 25, Township 19 South, Range 32 East, NMPM, Lea County, New Mexico; (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage; and (3) approving the unorthodox well location. In support of its application, Chisholm states:

1. Chisholm Energy Operating, LLC is a working interest owner in the proposed non-standard spacing unit and has the right to drill thereon.
2. Chisholm proposes to dedicate the above-referenced spacing and proration unit as the project area for its proposed **Diamondback 24-25 Fed Com 2BS No. 2H Well** and **Diamondback 24-25 Fed Com 1BS No. 3H Well**, which will be horizontally drilled from surface locations in the NE/4 NE/4 (Unit A) of Section 24 to bottom hole locations in the SE/4 SE/4 (Unit P) of Section 25.
3. This project area is located within the Tonto; Bone Spring Pool (No. 59475). The completed interval for the **Diamondback 24-25 Fed Com 1BS No. 3H Well** will remain within

the 330-foot standard offset required by the Division's rules. The completed interval for the **Diamondback 24-25 Fed Com 2BS No. 2H Well** will be at an unorthodox location because it is closer to the western and southwestern boundary of the proposed spacing and proration unit than allowed by the statewide rules.

4. Chisholm has sought and been unable to obtain voluntary agreement for the development of these lands from all of the working interest owners in the subject spacing unit.

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

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

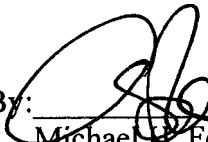
WHEREFORE, Chisholm requests that this application be set for hearing before an Examiner of the Oil Conservation Division on July 12, 2018, and, after notice and hearing as required by law, the Division enter an order:

- A. Creating a 320-acre, more or less, non-standard spacing and proration unit comprised of the E/2 E/2 of Section 24 and the E/2 E/2 of Section 25, Township 19 South, Range 32 East, NMPM, Lea County, New Mexico;
- B. Pooling all uncommitted interests in the non-standard spacing and proration unit;
- C. Designating Chisholm Energy Operating, LLC the operator of this non-standard spacing unit and the horizontal wells to be drilled thereon;
- D. Authorizing Chisholm to recover its costs of drilling, equipping, and completing the wells;

- E. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures;
- F. Imposing a 200% penalty for the risk assumed by Chisholm in drilling and completing the wells against any working interest owner who does not voluntarily participate in the drilling of the wells; and
- G. Approving the proposed unorthodox well location.

Respectfully submitted,

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**ATTORNEYS FOR
CHISHOLM ENERGY OPERATING, LLC**

CASE _____:

Application of Chisholm Energy Operating, LLC for an unorthodox well location, non-standard spacing and proration unit, and compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard 320-acre, more or less, spacing and proration unit comprised of the E/2 E/2 of Section 24 and the E/2 E/2 of Section 25, Township 19 South, Range 32 East, NMPM, Lea County, New Mexico; (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage; and (3) approving the proposed unorthodox well location. Said non-standard unit is to be dedicated to applicant's proposed **Diamondback 24-25 Fed Com 2BS No. 2H Well** and **Diamondback 24-25 Fed Com 1BS No. 3H Well**, which will be horizontally drilled from surface locations in the NE/4 NE/4 (Unit A) of Section 24 to bottom hole locations in the SE/4 SE/4 (Unit P) of Section 25. This project area is located within the Tonto; Bone Spring Pool (No. 59475). The completed interval for the **Diamondback 24-25 Fed Com 1BS No. 3H Well** will remain within the 330-foot standard offset required by the Division's rules. The completed interval for the **Diamondback 24-25 Fed Com 2BS No. 2H Well** will be at an unorthodox location because it is closer to the western and southwestern boundary of the proposed spacing and proration unit than allowed by the statewide rules. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Chisholm Energy Operating, LLC as operator of the well, and a 200% charge for risk involved in drilling said wells. Said area is located approximately 35 miles northwest of Carlsbad, New Mexico.