

**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 NO. 16365

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 Sections 13 and 24 in Township 19 South, Range 33 East, NMPM, Lea County, New Mexico and (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage. 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 to its proposed **Stetson 13-24 Fed Com 1BS No. 6H Well**, which will be horizontally drilled from a surface location in the NE/4 NE/4 (Unit A) of Section 13 to a bottom hole location in the SE/4 SE/4 (Unit P) of Section 24.
3. This area is located within the Tonto; Bone Spring Pool (Pool Code 59475) and the completed interval for this well will comply with the setback requirements for this pool.

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

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

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

WHEREFORE, Chisholm requests that this application be set for hearing before an Examiner of the Oil Conservation Division on August 23, 2018, and, after notice and hearing as required by law, the Division enter an order:

- A. Creating, if necessary, the proposed non-standard spacing and proration unit;
- B. Pooling all uncommitted interests in the proposed spacing and proration unit;
- C. Designating Chisholm Energy Operating, LLC the operator of this spacing unit and the horizontal well to be drilled thereon;
- D. Authorizing Chisholm to recover its costs of drilling, equipping, and completing the well;
- 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; and
- F. Imposing a 200% penalty for the risk assumed by Chisholm in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

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**ATTORNEYS FOR
CHISHOLM ENERGY OPERATING, LLC**

CASE 16365:

Application of Chisholm Energy Operating, LLC for a 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 320-acre, more or less, spacing and proration unit comprised of the E/2 E/2 of Sections 13 and 24 in Township 19 South, Range 33 East, NMPM, Lea County, New Mexico and (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage. The proposed spacing and proration unit will be dedicated to applicant's proposed **Stetson 13-24 Fed Com 1BS No. 6H Well**, which will be horizontally drilled from a surface location in the NE/4 NE/4 (Unit A) of Section 13 to a bottom hole location in the SE/4 SE/4 (Unit P) of Section 24. This area is located within the Tonto; Bone Spring Pool (Pool Code 59475) and the completed interval for this well will comply with the setback requirements for this pool. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Chisholm Energy Operating, LLC as operator of the well, and imposing a 200% charge for risk involved in drilling said well. Said area is located approximately 28 miles West of Hobbs, New Mexico.