District
1625 N. French Drive, Hobbs, NM 88240
District II
1301 W, Grand Ave, Artesia, NM \$8210
District III
1000 Rio Brazos Rond, Aztoc, NM 87410
District IV
1220 S. St Francis Dr., Santa Fe, NM
87505

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State of New Mexico Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION 1220 S. St Francis Drive Santa Fe, New Mexico 87505

Submit the original application to the Santa Fe office with one copy to the appropriate District Office.

Hearing Date: September 28, 2006

APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)

OPERATOR NAME: Chi Operating, inc.

OPERATOR ADDRESS: P. O. Box 1799, Midland, Texas 79702

APPLICATION TYPE:

Pool Commingling Dicase Commingling Pool and Lease Commingling DOff-Lease Storage and Measurement (Only if not Surface Commingled)

LEASE TYPE: 🖏 Fee 🔲 State 🔲 Federal

Is this an Amendment to existing Order? Yes 'No If 'Yes', please include the appropriate Order No. Have the Bureau of Land Management (BLM) and State Land office (SLO) been notified in writing of the proposed commingling Yes No

(A) POOL COMMINGLING Please attach sheets with the following information									
(1) Pool Names and Codes	Gravitics / BTU of Non-Commingled Production	Calculated Gravities / BTU of Commingled Production		Calculated Value of Commingled Production	Volumes				
]							
]							
]							
]]					
 Are any wells producing at top allows (3) Has all interest owners been notified b (4) Measurement type:Metering	y certified mail of the pro	posed comminging?	Yes No.	ing should be sowowed					

(B) LEASE COMMINGLING Please attach sheets with the following information

(1) Pool Name and Code.

(2) Is all production from same source of supply? UVes UNo

- (3) Has all interest owners been potified by certified mail of the proposed commingling?
 (4) Measurement type: Metering Other (Specify)
 - (C) POOL and LEASE COMMINGLING Please attach sheets with the following information
- (1) Complete Sections A and E.

(D) OFF-LEASE STORAGE and MEASUREMENT Please attached sheets with the following information

Is all production from same source of supply? X's: No
 Include proof of notice to all interest owners.

(E) ADDITIONAL INFORMATION (for all application types) Please attach sheets with the following information						
 A schematic diagram of facility, including legal location. A plat with lease boundaries showing all well and facility locations. Include lease numbers if Fed. Lease Names, Lease and Well Numbers, and API Numbers. 	and or State lands are involved,					
I hereby certify that the information above is true and complete to the best of my knowledge and belief.						
SIGNATURE Dah U.P.	DATE 8-2-06					
TYPE OR PRINENAME John h Quells	TELEPHONE NO .: 432-685-50					
E-MAIL ADDRESS: john g @ chithereline, com	-					
J / C	BEFORE THE OIL CONSERVATION DIVISION					
	Santa Fe, New Mexico					
	Case No. 13788 Exhibit No. 7					
	Submitted by:					
08/29/2006	CHI OPERATING INC.					

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Hagerman #1 1650' FSL & 2200' FWL Section 30-T-22S-R-27E Allen #3 660' FNL & 1980' FEL Section 31-T22S-R-27E Eddy County, New Mexico

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