

District I  
1625 N. French Drive, Hobbs, NM 88240  
District II  
1301 W. Grand Ave, Artesia, NM 88210  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
District IV  
1220 S. St Francis Dr, Santa Fe, NM  
87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

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

Form C-107-B  
Revised June 10, 2003

30-015-33788  
Submit the original  
application to the Santa Fe  
office with one copy to the  
appropriate District Office.

APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)

OPERATOR NAME: Chi Operating, Inc.  
OPERATOR ADDRESS: P.O. Box 1799, Midland, TX 79702  
APPLICATION TYPE:

☐ Pool Commingling ☒ Lease Commingling ☐ Pool and Lease Commingling ☐ Off-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	Gravities / BTU of Non-Commingled Production	Calculated Gravities / BTU of Commingled Production		Calculated Value of Commingled Production	Volumes

- (2) Are any wells producing at top allowables? ☐ Yes ☐ No  
(3) Has all interest owners been notified by certified mail of the proposed commingling? ☐ Yes ☐ No.  
(4) Measurement type: ☐ Metering ☐ Other (Specify)  
(5) Will commingling decrease the value of production? ☐ Yes ☐ No If "yes", describe why commingling should be approved

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(B) LEASE COMMINGLING

Please attach sheets with the following information

- (1) Pool Name and Code. South Carlsbad Delaware  
(2) Is all production from same source of supply? ☒ Yes ☐ No  
(3) Has all interest owners been notified by certified mail of the proposed commingling? ☒ Yes ☐ No  
(4) Measurement type: ☒ Metering ☐ Other (Specify)

JAN 24 2006

OCN-ARTESIA

(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

- (1) Is all production from same source of supply? ☐ Yes ☐ No  
(2) Include proof of notice to all interest owners.

(E) ADDITIONAL INFORMATION (for all application types)

Please attach sheets with the following information

- (1) A schematic diagram of facility, including legal location.  
(2) A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved.  
(3) Lease Names, Lease and Well Numbers, and API Numbers. Allen #3 30-015-33788  
Hagerman #1 30-015-29007

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE: John W. Dalls TITLE: V.P. DATE: 1-11-06  
TYPE OR PRINT NAME: John W. Dalls TELEPHONE NO.: 432-685-5001  
E-MAIL ADDRESS: \_\_\_\_\_

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Case No. 13788 Exhibit No. 2  
Submitted by:  
CHI OPERATING INC.  
Hearing Date: September 28, 2006

SBAD

ONE TREE DRAW

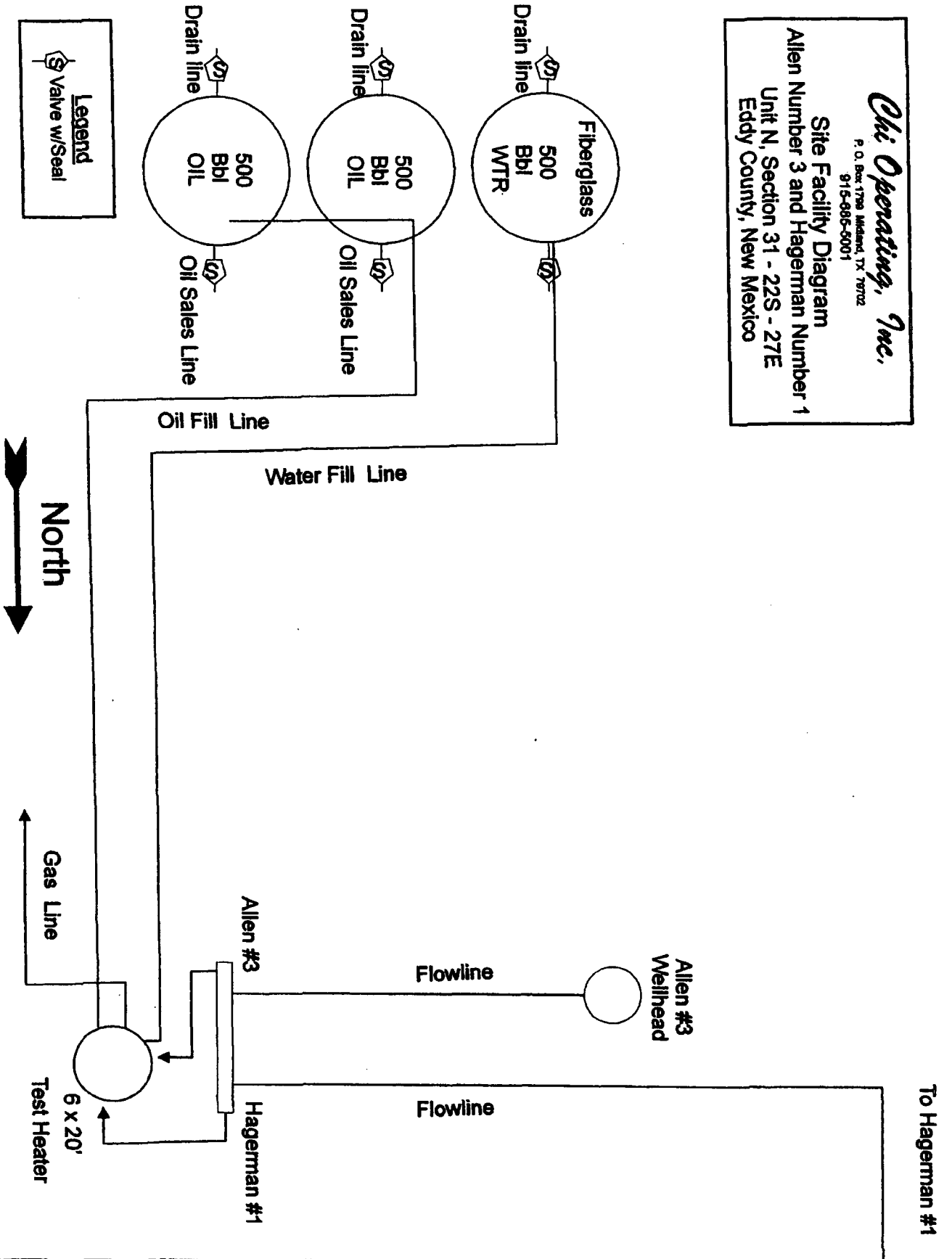
CARLSBAD, E

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

*Chi Operating, Inc.*

P. O. Box 1700 Midland, TX 79702  
915-686-5001

Site Facility Diagram  
Allen Number 3 and Hagerman Number 1  
Unit N, Section 31 - 22S - 27E  
Eddy County, New Mexico



January 16, 2005

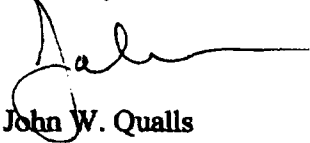
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JAN 24 2006  
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To: Interest owners

**"Certified-Return Receipt"**

Enclosed is a copy of an application filed by Chi Operating, Inc. with the New Mexico Oil Conservation Division, seeking authorization to surface commingle production from the South Carlsbad Delaware Pool originating from wells located on certain Fee leases covering parts of Sections 30, 31, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico. Chi also seeks an exception to the metering requirements of Rule 303.B by authorizing the allocation of production from these wells on the basis of periodic well tests. If you object to the application you must notify the Division (1220 South St. Francis Drive, Santa Fe, New Mexico 87505) within 20 days of the date of this letter. Failure to object will preclude you from contesting this matter at a latter date.

Sincerely,



John W. Qualls

JWQ/fh