

BEFORE THE
OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION **RECEIVED**
OF CHI ENERGY, INC. FOR
COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

JUN 28 1996

Oil Conservation Division

CASE NO. 11573

APPLICATION

CHI ENERGY, INC. ("Chi"), through its undersigned attorneys, hereby makes application pursuant to the provisions of N.M.Stat.Ann. § 70-2-17, (1978), for an order pooling all mineral interests in all formations developed on 320-acres in the S/2 of Section 29, Township 18 South, Range 26 East, N.M.P.M., Eddy County, New Mexico, and in support thereof states:

1. Chi owns or represents approximately 87.5% of the working interest in and under the S/2 of said Section 29 and has the right to drill thereon.
2. Chi proposes to dedicate the above-referenced spacing or proration unit to its Ralph Nix Well No. 1 which it proposes to reenter located 1980 feet from the South and East lines of said Section 29 to test any and all formations from the surface to the base of the Morrow formation.
3. Chi has sought and been unable to obtain either voluntary agreement for pooling or farmout from certain interest owners in the subject spacing unit.

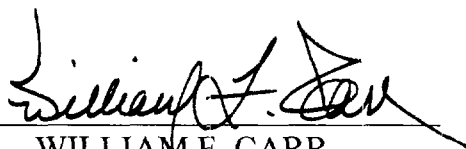
4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit Chi to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Chi should be designated the operator of the well to be drilled.

WHEREFORE, Chi Energy, Inc. prays that this application be set for hearing before an Examiner of the Oil Conservation Division on July 25, 1996 and, after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions for Chi to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling and after completion, including overhead charges, and imposing a risk factor for the risk assumed by the Chi in drilling, completing and equipping the well.

Respectfully submitted,

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.

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