

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF CHI ENERGY,
INC. FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

NO. _____

APPLICATION

Chi Energy, Inc. hereby applies for an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the E½ of Section 16, Township 21 South, Range 29 East, N.M.P.M., Eddy County, New Mexico, and in support thereof states:

1. Applicant is a working interest owner in the E½ of said Section 16, and has the right to drill a well thereon.

2. Applicant proposes to drill a well at an orthodox location, to a depth sufficient to test the Morrow formation, and seeks to dedicate the E½ of Section 16 for all pools or formations spaced on 320 acres, including the Undesignated Quahada Ridge-Atoka Gas Pool and the Undesignated Golden Lane-Morrow Gas Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the E½ of Section 16 for the purposes set forth herein.

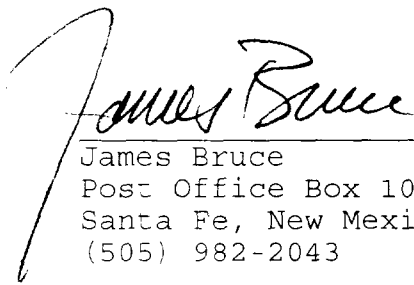
4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the E½ of Section 16, pursuant to N.M. Stat. Ann. § 70-2-17 (1995 Repl. Pam.).

5. The pooling of all mineral interests underlying the E½ of Section 16 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Applicant requests that, after notice and hearing, the Division enter its order:

- (a) Pooling all mineral interests in the E½ of Section 16, from the top of the Wolfcamp formation to the base of the Morrow formation;
- (b) Designating applicant as operator of the well;
- (c) Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;
- (d) Approving actual operating charges and costs charged for supervision, together with a provision adjusting said rates per the COPAS accounting procedure;
- (e) Setting a penalty for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well; and
- (f) Granting such further relief as the Division deems proper.

Respectfully submitted,



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PROPOSED ADVERTISEMENT

Case 11777: Application of Chi Energy, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the E½ of Section 16, Township 21 South, Range 29 East, NMPM, to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within said vertical extent, including the Undesignated Quahada Ridge-Atoka Gas Pool and the Undesignated Golden Lane-Morrow Gas Pool. Said unit is to be dedicated a well to be drilled at an orthodox location in said Section 16. 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 applicant as operator of the well, and a charge for the risk involved in drilling and the well. Said unit is located approximately 15 miles Northeast of Carlsbad, New Mexico.