

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

1987 No. 11895

APPLICATION

Chi Energy, Inc. applies for an order pooling all mineral interests from the surface to the base of the Bone Spring formation underlying the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 21, Township 24 South, Range 28 East, N.M.P.M., Eddy County, New Mexico, and in support thereof states:

1. Applicant is a working interest owner in the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of said Section 21, and has the right to drill a well thereon.

2. Applicant proposes to drill its Pardue Well No. 1 at an orthodox oil well location 1650 feet from the North line and 1980 feet from the East line of the section, to a depth sufficient to test the Bone Spring formation, and seeks to dedicate the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 21 for all pools or formations spaced on 40 acres, including the Undesignated North Willow Lake-Delaware Pool and the Undesignated Malaga-Bone Spring Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 21 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

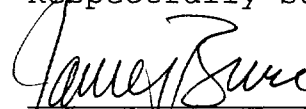
pooling all mineral interest owners in the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 21, pursuant to NMSA §70-2-17 (1995 Repl. Pamp.).

5. The pooling of all mineral interests underlying the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 21 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 SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 21, from the surface to the base of the Bone Spring 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 as provided in 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,



James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Chi Energy, Inc.

PROPOSED ADVERTISEMENT

Case 11895: Application of Chi Energy, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Bone Spring formation underlying the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 21, Township 24 South, Range 28 East, NMPM, to form a standard 40-acre oil spacing and proration unit for any formations and/or pools developed on 40-acre spacing within said vertical extent, including but not limited to the Undesignated North Willow Lake-Delaware Pool and the Undesignated Malaga-Bone Spring Pool. Said unit is to be dedicated a well to be drilled at an orthodox oil well location in said Section 21. 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 2 miles southwest of Malaga, New Mexico.

JAMES BRUCE
ATTORNEY AT LAW

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November 24, 1997

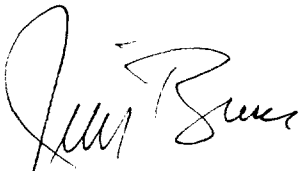
Hand Delivered

Florene Davidson
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed are an original and two copies of an application for compulsory pooling, together with a proposed advertisement, filed on behalf of Chi Energy, Inc. Please set this matter for the December 18th hearing. Thank you.

Very truly yours,



James Bruce
Attorney for Chi Energy, Inc.