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OIL CONSERVATION DIV.

99 MAR -9 PM 3:34

March 9, 1998

**Hand Delivered**

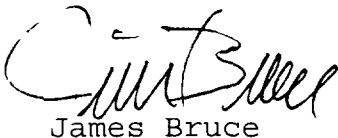
Florene Davidson  
Oil Conservation Division  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

12157

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 April 1, 1999 Examiner hearing. Thank you.

Very truly yours,



James Bruce

Attorney for Chi Energy, Inc.

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

OIL CONSERVATION DIV.

99 MAR -9 PM 3:34

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

No. 12157

APPLICATION

Chi Energy, Inc. 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 19, Township 20 South, Range 34 East, N.M.P.M., Lea County, New Mexico, and in support thereof states:

1. Applicant is a working interest owner in the E½ of said Section 19, and has the right to drill a well thereon.

2. Applicant proposes to drill its Greenstone Fed. Com. Well No. 1 at the following unorthodox gas well location:

Surface location: 480 feet from the South line  
and 1650 feet from the East  
line

Bottomhole location: Same as surface location or 760  
feet from the South line and  
1650 feet from the East line

(The unorthodox location is the subject of a separate case set for the April 1, 1999 Division hearing.) The well will be drilled to a depth sufficient to test the Morrow formation, and the E½ of Section 19 will be dedicated to the well for all pools or formations spaced on 320 acres, including the Undesignated Quail Ridge-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 19 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 19, pursuant to N.M. Stat. Ann. § 70-2-17 (1996 Supp.).

5. The pooling of all mineral interests underlying the E½ of Section 19, as set forth above, 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 19, 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; and
- 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.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "James Bruce", is written over a horizontal line.

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

Attorney for Chi Energy, Inc.

OIL CONSERVATION DIV.

PROPOSED ADVERTISEMENT

12157

Case 99 MAR -9 PM 3:49

Application of Chi Energy, Inc. for compulsory pooling, Lea 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 19, Township 20 South, Range 34 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 but not limited to the Undesignated Quail Ridge-Morrow Gas Pool. Said unit is to be dedicated to the Greenstone Fed. Com. Well No. 1, located at an unorthodox surface/bottomhole location 480 feet from the South line and 1650 feet from the East line of the section, or in the alternative directionally drilled from the above surface location to an unorthodox gas well bottomhole location 760 feet from the South line and 1650 feet from the East line of the section. 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 completing the well. Said unit is located approximately 20 miles west-southwest of Monument, New Mexico.