

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

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No. 12514

APPLICATION

Chi Energy, Inc. applies for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the W $\frac{1}{2}$ of Section 11, Township 22 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the W $\frac{1}{2}$ of Section 11, and has the right to drill a well thereon.

2. Applicant proposes to drill its Big Mac "11" Fed. Com. Well No. 1, at a location 1980 feet from the north and west lines of Section 11, to a depth sufficient to test the Morrow formation, and seeks to dedicate the following acreage to the well:

(a) The SE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 11 for all pools or formations developed on 40 acre spacing, including the Undesignated Azotea Mesa-Bone Spring Pool;

(b) The NW $\frac{1}{4}$ of Section 11 for all pools or formations developed on 160 acre spacing; and

(c) The W $\frac{1}{2}$ of Section 11 for all pools or formations developed on 320 acre spacing, including the Undesignated Catclaw Draw-Wolfcamp Gas Pool, Undesignated McKittrick Canyon-Upper Pennsylvanian Gas Pool, Undesignated Hackberry Hills-Canyon Gas Pool, Undesignated Revelation-Strawn Gas Pool, and Revelation-Morrow Gas Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the W½ of Section 11 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 W½ of Section 11, pursuant to NMSA 1978 §70-2-17.

5. Applicant requests that Chi Operating, Inc. be designated operator of the well.

6. The pooling of all mineral interests underlying the W½ of Section 11, as set forth above, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

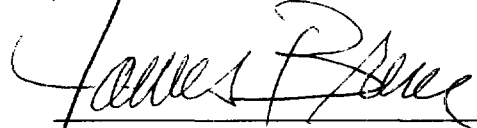
WHEREFORE, Applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral interests in the W½ of Section 11, from the surface to the base of the Morrow formation;
- B. Designating Chi Operating, Inc. 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 the rates pursuant to 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 drilling the well; and

F. Granting such further relief as the Division deems proper.

Respectfully submitted,

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

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

Attorney for Chi Energy, Inc.