

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

OL OCELF-1-CH DN
02 JUN -4 PM 2:50

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

No. 12879

APPLICATION

Chi Energy, Inc. applies for an order pooling all uncommitted overriding royalty owners from the surface to the base of the Morrow formation underlying Lots 3, 4, S $\frac{1}{2}$ NW $\frac{1}{4}$, and SW $\frac{1}{4}$ (the W $\frac{1}{2}$) of Section 4, Township 17 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 W $\frac{1}{2}$ of Section 4, and has drilled (a) its Heavy Harry State Com. Well No. 1 at an orthodox location in the SE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 4, and (b) its Heavy Harry State Com. Well No. 2 at an orthodox location in Lot 3 of Section 4. Both wells were completed in the Morrow formation.

2. Applicant seeks to dedicate the following acreage:

(a) The NW $\frac{1}{4}$ of Section 4 to the Heavy Harry State Com. Well No. 2 to form a standard 159.28 acre gas spacing and proration unit for any and all formations and/or pools developed on 160 acre spacing within that vertical extent;

(b) The SW $\frac{1}{4}$ of Section 4 to the Heavy Harry State Com. Well No. 1 to form a standard 160 acre gas spacing and proration unit for any and all formations and/or pools developed on 160 acre spacing within that vertical extent; and

(c) The W $\frac{1}{2}$ of Section 4 to both wells to form a standard 319.28 acre gas spacing and proration unit for any and all formations and/or pools developed on 320 acre spacing within

that vertical extent, including the Southeast Crow Flats-Morrow Gas Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all overriding royalty owners in the W½ of Section 4 for the purposes set forth herein.

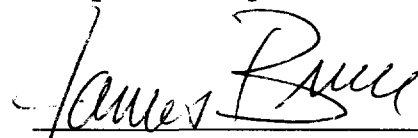
4. Although applicant attempted to obtain voluntary agreements from all overriding royalty owners to commit their interests to the well, certain overriding royalty owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all overriding royalty owners in the W½ of Section 4, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all overriding royalty owners underlying the W½ of Section 4, as set forth above, will prevent waste and protect correlative rights.

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

- A. Pooling all overriding royalty in the W½ of Section 4 from the surface to the base of the Morrow formation, effective as of the date of first production; and
- B. Designating Chi Operating, Inc. as operator of the well.

Respectfully submitted,



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

Attorney for Chi Energy, Inc.