

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

*CASE NO. 10602*  
*ORDER NO. R-9595-A*

**APPLICATION OF CHI OPERATING, INC.  
FOR COMPULSORY POOLING, ROOSEVELT  
COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on November 19, 1992, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 30th day of December, 1992 the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) Division Order No. R-9595, issued in Case No. 10389 and dated October 10, 1991, compulsorily pooled all mineral interests from the surface to the base of the San Andres formation underlying Lots 1 and 2, S/2 NW/4 and SW/4 (W/2 equivalent) of Section 5, Township 8 South, Range 37 East, NMPM, Roosevelt County, New Mexico, forming a 319.09-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, which was and is currently applicable only to gas wells drilled in the Undesignated Bluitt-San Andres Associated Pool. Said unit was to be dedicated to a well to be drilled by January 1, 1992 at a standard gas well location in the SW/4 of said Section 5. Also included and considered in said order were provisions for the costs of drilling said well and the allocation of costs and charges for supervision, the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

(3) Due to economics and land title problems, Chi Operating, Inc. requested and was granted, on two occasions, time extensions to begin drilling the subject well.

(4) The time extension from the Division by letter dated February 26, 1992 provided that if the well could not be "spudded" before June 1, 1992, Chi Operating, Inc. could petition the Division to reconsider the original application for hearing if all applicable notification was done.

(5) No changes in land ownership have occurred during the time since said Order No. R-9595 was originally issued.

(6) Proper notification pursuant to Division Rules has been attempted to the one outstanding mineral interest affected by this order.

(7) The customary 90-day, more or less, time period assigned operators in forced pooling orders should be incorporated into the provisions of said Order No. R-9595; furthermore, all other provisions therein should remain in full force and effect.

IT IS THEREFORE ORDERED THAT:

(1) Decretory Paragraph No. (1) of Division Order No. R-9595, dated October 10, 1991, be and the same, is hereby amended to read in its entirety as follows:

"(1) All mineral interests, whatever they may be, from the surface to the base of the San Andres formation underlying Lots 1 and 2, S/2 NW/4 and SW/4 (W/2 equivalent) of Section 5, Township 8 South, Range 37 East, NMPM, Roosevelt County, New Mexico, are hereby pooled forming a 319.09-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing which presently is only applicable to gas wells drilled in the Undesignated Bluit-San Andres Associated Pool. Said unit shall be dedicated to a well to be drilled at a standard gas well location in the SW/4 of said Section 5.

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the 31st day of March, 1993, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the San Andres formation.

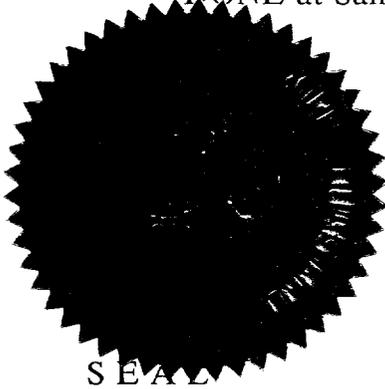
PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 31st day of March, 1993, Ordering Paragraph No. (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division Director for good cause shown.

PROVIDED HOWEVER THAT, should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Ordering Paragraph No. (1) of this order should not be rescinded."

(2) All other provisions contained in Division Order No. R-9595 shall remain in full force and effect.

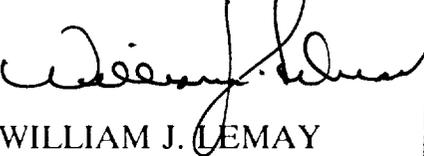
(3) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY  
Director