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2005 SEP 13 PM 3 15

September 13, 2005

Hand Delivered

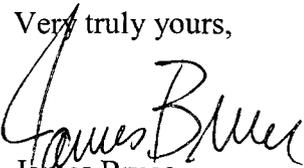
Case 13565

Florene Davidson
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed for filing, on behalf of Chi Energy, Inc., are an original and one copy of an application for compulsory pooling, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please set this matter for the October 6, 2005 Examiner hearing. Thank you.

Very truly yours,


James Bruce

Attorney for Chi Energy, Inc.

PERSONS BEING POOLED

Abo Petroleum Corporation
MYCO Industries, Inc.
Yates Drilling Company
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Sharbro Oil, Ltd. Co.
105 South Fourth Street
Artesia, New Mexico 88210

Brian Scott Manning
P.O. Box 52812
Irvine, California 92619

Fred Bohannon
Fred Bohannon Royalty Trust
5242 South Columbia
Tulsa, Oklahoma 74105

Joe M. Bohannon
4157 South Harvard Avenue
Tulsa, Oklahoma 74135

Marvin Bohannon
c/o Joe M. Bohannon
4157 South Harvard Avenue
Tulsa, Oklahoma 74135

Marianne B. Jost
2248 NW 56th Street
Oklahoma City, Oklahoma 73112

Gail Bohannon
Suite 84
1911 Douglas Boulevard
Roseville, California 95661

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

2005 SEP 13 PM 3 15

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

Case No. 13565

APPLICATION

Chi Energy, Inc. applies for an order pooling all mineral interests from the base of the Wolfcamp formation to the base of the Morrow formation underlying the E½ of Section 7, Township 19 South, Range 26 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. Applicant is an interest owner in the E½ of Section 7, and has the right to drill a well thereon.
2. Applicant proposes to drill its Bermuda Well No. 1, at an orthodox well location in the NE¼NE¼ of Section 7, to a depth sufficient to test the Morrow formation, and seeks to dedicate the E½ of Section 7 to the well to form a standard 320 acre gas and spacing and proration unit for any formations and/or pools developed on 320 acre spacing within that vertical extent, including the Undesignated West Four Mile Draw-Strawn Gas Pool and West Four Mile Draw-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 7 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.

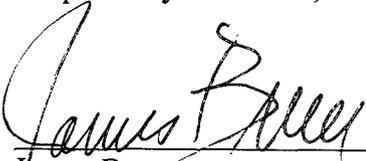
Therefore, applicant seeks an order pooling all mineral interest owners in the E½ of Section 7, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral interests underlying the E½ of Section 7 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 7, from the surface to the base of the Morrow formation; 7
- B. Designating Chi Operating, Inc. as operator of the well;
- C. Considering the cost of drilling and completing the well, and allocating the cost 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; and
- E. Setting a 200% charge 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,



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

Attorney for Chi Energy, Inc.

Case No. 13565: Application of Chi Energy, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the base of the Wolfcamp formation to the base of the Morrow formation underlying the E/2 of Section 7, Township 19 South, Range 26 East, NMPM, to form a standard 320-acre gas spacing and proration unit for any and all formations or pools developed on 320-acre spacing within that vertical extent, including the Undesignated West Four Mile Draw-Strawn Gas Pool and West Four Mile Draw-Morrow Gas Pool. The unit is to be dedicated to the Bermuda Well No. 1, to be drilled at an orthodox gas well location in the NE/4NE/4 of Section 7. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Chi Operating, Inc. as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 4 miles northwest of Lakewood, New Mexico.

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