

**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. 13078
ORDER NO. R-12009**

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on May 22, 2003, at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 20th day of August, 2003, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) Chi Energy, Inc., ("Applicant"), seeks an order pooling all uncommitted mineral interests from the base of the Queen formation to the base of the Morrow formation underlying the N/2 of Section 32, Township 18 South, Range 31 East, NMPM, Eddy County, New Mexico, in the following manner:

The N/2, forming a standard 320-acre gas spacing and proration unit for all formations or pools spaced on 320 acres within this vertical extent, which presently include, but are not necessarily limited to, the Undesignated North Shugart-Atoka Gas Pool and Undesignated North Shugart-Morrow Gas Pool.

(3) The above-described unit (the Unit) is to be dedicated to Applicant's proposed Porter House 32 State Com. Well No. 1, to be drilled at a standard gas well location within the NE/4 NE/4 of Section 32.

(4) Two or more separately owned tracts are embraced within the Unit, and/or there are interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(5) Applicant is an owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill its Porter House State Com. Well No. 1 (the "well") to a common source of supply at a standard gas well location within the NE/4 NE/4 of Section 32.

(6) All of the working interests, operating rights and royalty interests in the Unit have been voluntarily pooled. However, there are owners of record title to leases included in the Unit that have not agreed to pool their interests.

(7) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests within the Unit.

(8) Applicant should be designated the operator of the proposed well and of the Unit.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Chi Energy, Inc., all uncommitted record title interests from the base of the Queen formation to the base of the Morrow formation underlying the N/2 of Section 32, Township 18 South, Range 31 East, N.M.P.M., Eddy County, New Mexico, are hereby pooled, as follows:

The N/2, forming a standard 320-acre gas spacing and proration unit for all formations or pools spaced on 320 acres within this vertical extent, which presently include, but are not necessarily limited to, the Undesignated North Shugart-Atoka Gas Pool and Undesignated North Shugart-Morrow Gas Pool.

The Unit shall be dedicated to Applicant's proposed Porter House State Com. Well No. 1, to be drilled at a standard gas well location within the NE/4 NE/4 of Section 32.

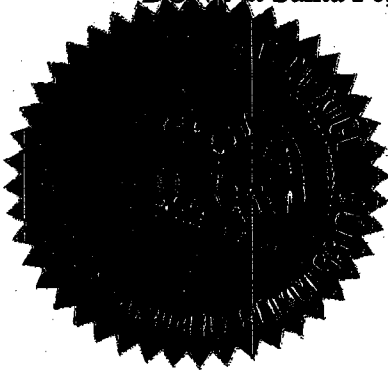
(2) Applicant is hereby designated the operator of the proposed well and of the Unit.

(3) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(4) The operator of the well and Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the compulsory pooling provisions of this order.

(5) Jurisdiction of this case 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

Lori Wrotenbery
LORI WROTENBERY
Director