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August 22, 2003

Hand Delivered

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

*Case 13149*

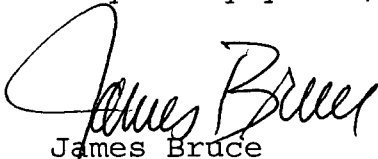
**RECEIVED**  
AUG 22 2003  
Oil Conservation Division

Dear Florene:

Enclosed are an original and one copy of an application for compulsory pooling, together with a proposed advertisement, filed on behalf of Chi Energy, Inc. Please set this matter for the September 18, 2003 Examiner hearing. Thank you.

The advertisement is also on the enclosed disk.

Very truly yours,



James Bruce

Attorney for Chi Energy, Inc.

PARTIES BEING POOLED

Mission Resources Corp.  
Suite 1455  
1331 Lamar Street  
Houston, Texas 77010

Pure Energy Group, Inc.  
Suite 220  
153 Treeline Park  
San Antonio, Texas 78209-1880

Roca Exploration LLC  
P.O. Box 1981  
Midland, Texas 79702

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

Case No. 13149

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AUG 22 2003

Oil Conservation Division

APPLICATION

Chi Energy, Inc. applies for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the E½ of Section 36, Township 16 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 E½ of Section 36, and has the right to drill a well thereon.

2. Applicant proposes to drill its Beaver Tail State Com. Well No. 1, at an orthodox location in the SW¼SE¼ of Section 36, to test the Morrow formation, and seeks to dedicate the following acreage to the well:

(a) The SE¼ of Section 36 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

(b) The E½ of Section 36 to form a standard 320 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 Undesignated North Empire-Atoka Gas Pool and Undesignated Southeast Crow Flats-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 36 for the purposes set forth herein.

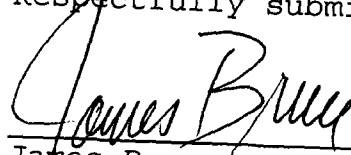
4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the E½ of Section 36, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral interests underlying the E½ of Section 36, 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 E½ of Section 36 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 the well; and
- F. Granting such further relief as the Division deems proper.

Respectfully submitted,

A handwritten signature in cursive script, reading "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.