

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

NO. 11794

APPLICATION

Chi Energy, Inc. hereby applies for an order pooling all mineral interests from the surface to the base of the Cisco formation underlying the E½ of Section 3, Township 19 South, Range 27 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 said Section 3, and has the right to drill a well thereon.

2. Applicant proposes to drill its Angell Fed. Com. Well No. 1 at an orthodox location 1980 feet from the South line and 660 feet from the East line of the section, to a depth sufficient to test the Cisco formation, and seeks to dedicate the E½ of Section 3 for all pools or formations spaced on 320 acres.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the E½ of Section 3 for the purposes set forth herein.

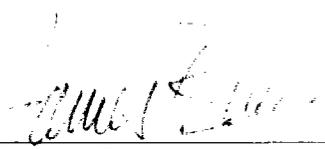
4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the E½ of Section 3, pursuant to *N.M. Stat. Ann. § 70-2-17 (1995 Repl. Pamp.)*.

5. The pooling of all mineral interests underlying the E½ of Section 3 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 3, from the surface to the base of the Cisco formation;
- (b) Designating applicant 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 said rates per 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,



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