

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

RECEIVED
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No. 11857

APPLICATION

Chi Energy, Inc. applies for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the S½ of Section 4, Township 17 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 S½ of said Section 4, and has the right to drill a well thereon.

2. Applicant proposes to drill its LD Fed. "4" Well No. 1 at an orthodox location 660 feet from the South line and 1980 feet from the East line of Section 4, to a depth sufficient to test the Morrow formation, and seeks to dedicate the following acreage to the well:

(a) The S½ of Section 4 for all pools or formations spaced on 320 acres, including the Undesignated Crow Flats-Morrow Gas Pool;

(b) The SE¼ of Section 4 for all pools or formations spaced on 160 acres; and

(c) The SW¼SE¼ of Section 4 for all pools or formations spaced on 40 acres, including the Undesignated Daugherity Grayburg-San Andres Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the S½ of Section 4 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 S½ of Section 4, pursuant to N.M. Stat. Ann. § 70-2-17 (1995 Repl. Pamp.).

5. The pooling of all mineral interests underlying the S½ of Section 4 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 S½ of Section 4, from the surface to the base of the Morrow formation, as set forth above;
- (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,

A handwritten signature in cursive script that reads "James Bruce". The signature is written in black ink and is positioned above a horizontal line.

James Bruce
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Attorney for Chi Energy, Inc.