

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

No. 12881

APPLICATION

Chi Energy, Inc. applies for an order pooling all uncommitted overriding royalty owners from the surface to the base of the Morrow formation underlying the S½ of Section 10, Township 17 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 S½ of Section 10, and has drilled its Coal Train Fed. Com. Well No. 1 at an orthodox location in the SW¼SW¼ of Section 10. The well was completed in the Morrow formation.

2. Applicant seeks to dedicate the following acreage to the well:

(a) The SW¼ of Section 10 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 S½ of Section 10 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 Southeast Crow Flats-Morrow Gas Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all overriding royalty owners in the S½ of Section 10 for the purposes set forth herein.

4. Although applicant attempted to obtain voluntary agreements from all overriding royalty owners to commit their interests to the well, certain overriding royalty owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all overriding royalty owners in the S½ of Section 10, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all overriding royalty owners underlying the S½ of Section 10, as set forth above, will prevent waste and protect correlative rights.

**WHEREFORE**, Applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all overriding royalty in the S½ of Section 10 from the surface to the base of the Morrow formation, effective as of the date of first production; and
- B. Designating Chi Operating, Inc. as operator of the well.

Respectfully submitted,

A handwritten signature in cursive script, reading "James Bruce", written over a horizontal line.

James Bruce  
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Attorney for Chi Energy, Inc.