

**BEFORE THE OIL CONSERVATION DIVISION
NEW MEXICO ENERGY, MINERALS AND
NATURAL RESOURCES DEPARTMENT**

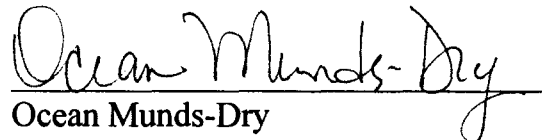
**APPLICATION OF CHI OPERATING INCORPORATED FOR
COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO.**

CASE NO. 13814

AFFIDAVIT

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

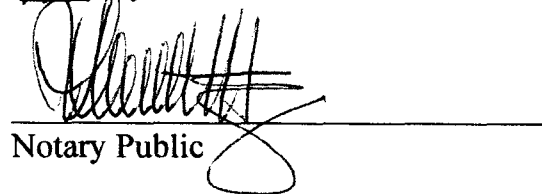
Ocean Munds-Dry, attorney in fact and authorized representative of Chi Operating, Incorporated, the Applicant herein, states that notice of the above-referenced Application was mailed to the interested parties shown on Exhibit "A" attached hereto in accordance with Oil Conservation Division Rules, and that true and correct copies of the notice letter and proof of notice are attached hereto.


Ocean Munds-Dry

SUBSCRIBED AND SWORN to before me this 18th day of October 2006.



**OFFICIAL SEAL
LISAMARIE ORTIZ
NOTARY PUBLIC-STATE OF NEW MEXICO**
My commission expires 01/14/07


Notary Public

My Commission Expires:

January 14, 2007

3619224_1.DOC

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 13814 Exhibit No. 6
Submitted by:
CHI OPERATING INC.
Hearing Date: November 9, 2006

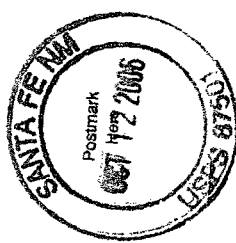
U.S. Postal Service
CERTIFIED MAIL RECEIPT
 (Domestic Mail Only - No Insurance Coverage Provided)

OFFICIAL USE

WFO Ch. 11411
 Postage \$ 1.87
 Certified Fee 2.40
 Return Receipt Fee (Endorsement Required) 1.85
 Restricted Delivery Fee (Endorsement Required)
 Total Postage & Fees \$ 5.12

Sent To Jerry Cox
 Street, Apt. No., or PO Box No. 1603 Riverside Drive
 City, State, ZIP+4 Carlsbad, NM 88220
 PS Form 3800

7001 1140 0002 9558 7370



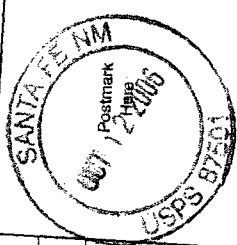
U.S. Postal Service
CERTIFIED MAIL RECEIPT
 (Domestic Mail Only - No Insurance Coverage Provided)

OFFICIAL USE

WFO Ch. 11411
 Postage \$ 1.87
 Certified Fee 2.40
 Return Receipt Fee (Endorsement Required) 1.85
 Restricted Delivery Fee (Endorsement Required)
 Total Postage & Fees \$ 5.12

Sent To Virginia Franks & Holly Lawson
 Street, Apt. No., or PO Box No. 1011 Eddy
 City, State, ZIP+4 Carlsbad, NM 88220
 PS Form 3800

7001 1140 0002 9558 7356



SENDER: COMPLETE THIS SECTION

Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
 Print your name and address on the reverse so that we can return the card to you.
 Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
 Jerry Cox
 1603 Riverside Drive
 Carlsbad, NM 88220

2. Article Number (Copy) 7001 1140 0002 9558 7370
 PS Form 3811, July 1999 Domestic Return Receipt 102595-00-M-0952

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery
 JERRY COX JUL 12 1999

C. Signature
 [Signature]

D. Is delivery address different from item 1? ☐ Yes ☐ No
 If YES, enter delivery address below:

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☒ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

SENDER: COMPLETE THIS SECTION

Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
 Print your name and address on the reverse so that we can return the card to you.
 Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
 Virginia Franks & Holly Lawson
 1011 Eddy
 Carlsbad, NM 88220

2. Article Number (Copy) 7001 1140 0002 9558 7356
 PS Form 3811, July 1999 Domestic Return Receipt 102595-00-M-0952

COMPLETE THIS SECTION ON DELIVERY

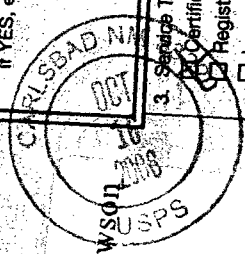
A. Received by (Please Print Clearly) B. Date of Delivery
 VIRGINIA FRANKS JUL 12 1999

C. Signature
 [Signature]

D. Is delivery address different from item 1? ☐ Yes ☐ No
 If YES, enter delivery address below:

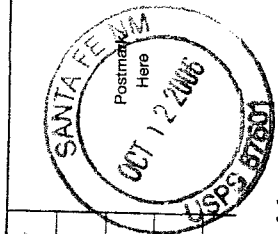
3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☒ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes



U.S. Postal Service
CERTIFIED MAIL RECEIPT
 (Domestic Mail Only - No Insurance Coverage Provided)

0 7 3 0 1 4 3 3



WFC Ch. "4"	Postage \$	1.87
we	Certified Fee	2.40
	Return Receipt Fee (Endorsement Required)	1.85
	Restricted Delivery Fee (Endorsement Required)	
	Total Postage & Fees \$	5.12

Sent To
 Shirley K. Washburn
 Street, Apt. No.; or PO Box No. 4410 Harmon Lane
 City, State, ZIP+4 Carlsbad, NM 88220

PS Form 3800

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Shirley K. Washburn
 4410 Harmon Lane
 Carlsbad, NM 88220

COMPLETE THIS SECTION ON DELIVERY

- A. Received by (Please Print Clearly) Shirley K. Washburn B. Date of Delivery 12/19
- C. Signature Shirley K. Washburn Agent ☐ Addressee ☒
- D. Is delivery address different from item 1? ☐ Yes ☐ No
 If YES, enter delivery address below:

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☒ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.
4. Restricted Delivery? (Extra Fee) ☐ Yes ☐ No

2. Article Number (Qty) **7001 1140 0002 9558 7363**

PS Form 3811, July 1998 Domestic Return Receipt

102595-00-4-0962

EXHIBIT A

**APPLICATION OF CHI OPERATING, INC.
FOR COMPULSORY POOLING
SECTION 4, TOWNSHIP 22 SOUTH, RANGE 26 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO.**

Virginia Franks & Holly Lawson
1011 Eddy
Carlsbad, New Mexico 88220

Shirley K. Washburn
4410 Harmon Lane
Carlsbad, New Mexico 88220

Jerry Cox
1603 Riverside Drive
Carlsbad, New Mexico 88220

HOLLAND & HART



Ocean Munds-Dry
omundsdry@hollandhart.com

October 10, 2006

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

AFFECTED INTEREST OWNERS

Re: Application of Chi Operating, Inc. for compulsory pooling, Eddy County, New Mexico.

Ladies and Gentlemen:

This letter is to advise you that Chi Operating, Inc. has filed the enclosed application with the New Mexico Oil Conservation Division seeking the compulsory pooling of certain spacing and proration units in the E/2 of Section 4, Township 22 South, Range 26 East, NMPM, Eddy County, New Mexico. Said units will be dedicated to its WC "4" Well No. 4 which it proposes to drill at a surface location 1100 feet from the North line and 990 feet from the East line and a bottomhole location 1060 feet from the North line and 660 feet from the East line of Section 4 to test all formations from the surface to the base of the Morrow formation.

This application has been set for hearing before a Division Examiner on November 9, 2006. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Pre-Hearing Statement with the Oil Conservation Division's Santa Fe office located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505, four days in advance of a scheduled hearing, but at least on the Thursday preceding the hearing. This statement must include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Sincerely,


Ocean Munds-Dry
ATTORNEY FOR CHI OPERATING, INC.

Holland & Hart LLP

Phone (505) 988-4421 Fax (505) 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Billings Boise Boulder Cheyenne Colorado Springs Denver Denver Tech Center Jackson Hole Salt Lake City Santa Fe Washington, D.C. 25

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION OF CHI OPERATING INCORPORATED FOR
COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO.**

CASE NO. _____

APPLICATION

Chi Operating, Inc. ("Chi") through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17 (2006), for an order pooling all mineral interests from the surface to the base of the Morrow formation in the following described spacing and proration units located in the E/2 of Section 4, Township 22 South, Range 26 East, N.M.P.M., Eddy County, New Mexico: the E/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Happy Valley-Morrow Gas Pool and the Happy Valley Atoka Gas Pool; the NE/4 for all formations and/or pools developed on 160-acre spacing within this vertical extent; and the NE/4 NE/4 for all formations and/or pools developed on 40-acre spacing which includes but is not necessarily limited to the Undesignated West Carlsbad-Delaware Pool and in support of its application states:

1. Chi is a working interest owner in the E/2 of said Section 4 and has the right to drill thereon.
2. Chi proposes to dedicate the above-referenced spacing or proration unit to its WC "4" Well No. 4 to be drilled as a directional well at an unorthodox surface location 1100 feet from the North line and 990 feet from the East line and a bottomhole location of 1060 feet from the North line and 660 feet from the East line (Unit A) of said Section 4, NMPM, Eddy County, New Mexico, to an approximate depth of 11,500 feet to test any and all formations from the surface to the base of the Morrow formation.
3. Chi has sought and been unable to obtain a voluntary agreement for the development of these lands from certain interest owners in the subject spacing unit who are identified on **Exhibit A** to this application.
4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

APPLICATION

Page 1

5. In order to permit Chi to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Chi should be designated the operator of the well to be drilled.

WHEREFORE, Chi Operating, Inc. requests this application be set for hearing before a Division Examiner on November 9, 2006 and, after notice and hearing as required by law, the Division enter its order:

- A. pooling all mineral interests in the subject spacing and proration units,
- B. designating Chi operator of these units and the well to be drilled thereon,
- C. authorizing Chi to recover its costs of drilling, equipping and completing the well,
- D. approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures, and
- E. imposing a penalty for the risk assumed by Chi in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

HOLLAND & HART LLP

By: 

WILLIAM F. CARR
OCEAN MUNDS-DRY
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR CHI OPERATING INC.

CASE _____:

Application of Chi Operating, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests from the surface to the base of the Morrow formation in the following described spacing and proration units located in the E/2 of Section 4, Township 22 South, Range 26 East, N.M.P.M., Eddy County, New Mexico: the E/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Happy Valley-Morrow Gas Pool and the Happy Valley-Atoka Gas Pool; the NE/4 for all formation and/or pools developed on 160-acre spacing within this vertical extent; and the NE/4 NE/4 for all formation and/or pools developed on 40-acre spacing which includes but is not necessarily limited to the Undesignated West Carlsbad-Delaware Pool. Said unit is to be dedicated to its WC "4" Well No. 4 to be horizontally drilled from a non-standard surface location 1100 feet from the North line and 990 feet from the East line (Unit A) and a bottomhole location 1060 feet from the North line and 660 feet from the East line of said Section 4 to an approximate depth 11,500 feet. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Chi Operating, Inc. as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 1 mile west of Carlsbad, New Mexico.

Affidavit of Publication

NO. 19456

STATE OF NEW MEXICO

County of Eddy:

Gary D. Scott being duly

sworn, says: That he is the Publisher of The

Artesia Daily Press, a daily newspaper of general

circulation, published in English at Artesia, said county

and county and state, and that the here to attached

Legal Notice

was published in a regular and entire issue of the said

Artesia Daily Press, a daily newspaper duly qualified

for that purpose within the meaning of Chapter 167 of

the 1937 Session Laws of the state of New Mexico for

1 Consecutiv week/days on the same

day as follows:

First Publication October 15 2006

Second Publication

Third Publication

Fourth Publication

Copy of Pub

LEGAL NOTICE

be provided in various accessible forms. Please contact Florena Davidson if a summary or other type of accessible form is needed.

STATE OF NEW

MEXICO TO:

All named parties and persons having any right, title, interest or claim in the following cases and notice to the public:

(NOTE: All land descriptions herein refer to the New Mexico Principal Meridian whether or not so stated.)

CASE 13814:

Application of Citi Operating, Inc. for compulsory pooling, Eddy County, New Mexico.

Applicant in the

above-styled cause

seeks an order pooling

all mineral interests from

the surface to the base

of the Morrow formation

in the following described

spacing and proration

units located in the E/2 of

Section 4, Township 22

South, Range 26 East

N.M.P.M., Eddy County,

New Mexico; the E/2 for

formations and/or

pools developed on

320-acre spacing, which

is but is not nec-

essarily limited to, the

Happy Valley-Morrow

Gas Pool and the Happy

Valley-Atoka Gas Pool;

the NE/4 for all forma-

tions and/or pools developed

on 160-acre spacing

within this vertical extent

and the NE/4 NE/4 for all

formations and/or pools

developed on 40-acre

spacing, which includes

but is not necessarily limited

to the Undesignated

Well Correlated-Delaware

Pool. Said unit is to be

dedicated to its WC 4

Well No. 4 to be horizon-

tally drilled from a

non-saturated surface loca-

tion 1100 feet from the

North line and 990 feet

from the East line (Unit

A) and a horizontal lo-

cation 1060 feet from the

North line and 880 feet

from the East line of said

Section 4 to an approxi-

mately depth 11,500 feet.

Also to be considered

will be the cost of drilling

and completing said well

and the allocation of the

cost thereof as well as

actual operating costs

and charges for supervi-

sion, designation of Citi

Operating, Inc. as opera-

tor of the well and a

charge for risk involved

in drilling said well. Said

area is located approxi-

mately 1 mile west of

Corfield, New Mexico.

Given under the Seal of

the State of New Mexi-

co: Oil Conservation

Commission at Santa

Fe, New Mexico on this

12th day of October

2006.

STATE OF NEW

MEXICO

OIL CONSERVATION

DIVISION

Mark E. Feasire, P.E.,

Director

Published in the Artesia

Daily Press, Artesia,

NOTICE OF PUBLICATION STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION SANTA FE, NEW MEXICO

The State of New Mexico, through its Oil Conservation Division hereby gives notice pursuant to law and the Rules and Regulations of the Division of the following public hearing to be held at 8:15 A.M. on November 9, 2006, in the

STATE OF NEW

MEXICO

OIL CONSERVATION

DIVISION

Mark E. Feasire, P.E.,

Director

Published in the Artesia

Daily Press, Artesia,