

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

No. 11957

APPLICATION

Chi Energy, Inc. applies for an order pooling all mineral interests from the surface to the base of the Bone Spring formation underlying the NW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 21, Township 24 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 NW $\frac{1}{4}$ NE $\frac{1}{4}$ of said Section 21, and has the right to drill or re-enter a well thereon.

2. Applicant proposes to re-enter the Pardue Farms "21" Well No. 1, located at an orthodox oil well location 990 feet from the North line and 1980 feet from the East line of the section, to test the Bone Spring formation, and seeks to dedicate the NW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 21 for all pools or formations spaced on 40 acres, including the Undesignated North Willow Lake-Delaware Pool and the Undesignated Malaga-Bone Spring Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the NW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 21 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

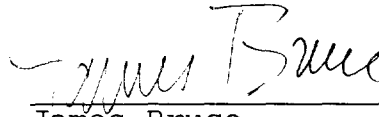
dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the NW~~1~~/~~4~~NE~~1~~/~~4~~ of Section 21, pursuant to NMSA 1978 §70-2-17 (1995 Repl. Pamp.).

5. The pooling of all mineral interests underlying the NW~~1~~/~~4~~NE~~1~~/~~4~~ of Section 21 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 NW~~1~~/~~4~~NE~~1~~/~~4~~ of Section 21, from the surface to the base of the Bone Spring formation;
- (b) Designating applicant as operator of the well;
- (c) Considering the cost of re-entering 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 as provided in 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, appearing to read "James Bruce", is written over a horizontal line.

James Bruce
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