

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

No. 12654

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OIL CONSERVATION DIV.

APPLICATION

Chi Energy, Inc. applies for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the W $\frac{1}{2}$  of Section 9, Township 22 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the W $\frac{1}{2}$  of Section 9, and has the right to drill a well thereon.

2. Applicant proposes to drill its In Bounds Well No. 1, at an orthodox location in the NE $\frac{1}{4}$ SW $\frac{1}{4}$  of the section, to a depth sufficient to test the Morrow formation, and seeks to dedicate the following acreage to the well:

(a) The NE $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 9 to form a standard 40 acre oil spacing and proration unit for any and all formations and/or pools developed on 40 acre spacing within that vertical extent;

(b) The SW $\frac{1}{4}$  of Section 9 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

(c) The W $\frac{1}{2}$  of Section 9 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 Undesignated Revelation-Strawn Gas Pool

and Undesignated Revelation-Morrow Gas Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the W½ of Section 9 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 W½ of Section 9, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral interests underlying the W½ of Section 9, as set forth above, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

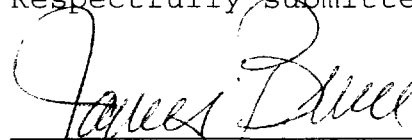
**WHEREFORE**, Applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral interests in the W½ of Section 9 from the surface to the base of the Morrow 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 the rates pursuant to 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", written over a horizontal line.

James Bruce  
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Attorney for Chi Energy, Inc.