

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION 2005 JUL 20 PM 2 48

**APPLICATION OF PALADIN ENERGY
CORPORATION FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

Case No. 13530

APPLICANT'S PRE-HEARING STATEMENT

Applicant hereby submits this Pre-Hearing Statement pursuant to the rules of the Oil Conservation Division.

APPEARANCES

APPLICANT

Paladin Energy Corporation
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ATTORNEY

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APPLICANT'S STATEMENT OF CASE

Applicant in the above-styled cause seeks an order pooling all uncommitted mineral interests in all formations below the base of the Queen formation underlying the S/2 of Section 22, Township 18 South, Range 35 East, N.M.P.M., Lea County, New Mexico, to form a standard 320-acre spacing and proration unit for all formations and/or pools developed on 320-acre spacing within that vertical extent, which presently includes but is not necessarily limited to the undesignated South Vacuum-McKee Gas Pool. This unit is to be dedicated to the South Vacuum 22 Well No. 1, to be drilled at a standard location 660 feet from the South line and 1980 feet from the West line in the SW/4 SE/4 (Unit O) of said Section 22 to test the McKee formation at a depth of approximately 15,000 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 applicant as operator of the well and, pursuant to NMRA 19.15.1.35, the imposition of a 200% risk charge against the working interest of any party that elects not to participate in this project. Said area is located approximately 19 miles northwest of Hobbs and 4 miles southwest of Buckeye, New Mexico.

APPLICANT'S PROPOSED EVIDENCE

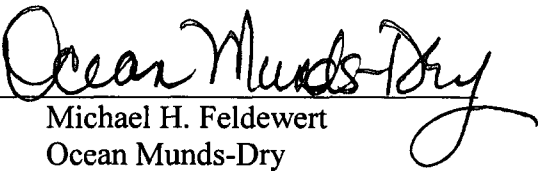
WITNESS (Name and Expertise)	ESTIMATED TIME	EXHIBITS
Gail Cotton - Landman	Approx. 10 minutes	Approx. 6

PROCEDURAL MATTERS

Paladin is not aware of any procedural matters at this time.

Respectfully submitted,

HOLLAND & HART, LLP

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