

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

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:**

**APPLICATION OF CHI OPERATING INC. FOR
APPROVAL OF OFF-LEASE STORAGE AND
MEASUREMENT, EDDY COUNTY, NEW MEXICO.**

Case No. 13,788

ENTRY OF APPEARANCE

Ernest L. Padilla, Padilla Law Firm, P.A., hereby enters his appearance on behalf of CHARLES De. B. HAGERMAN in the above captioned matter.

Respectfully submitted,

PADILLA LAW FIRM, P.A.

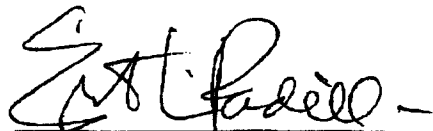


Ernest L. Padilla
Post Office Box 2523
Santa Fe, New Mexico 87504
(505) 988-7577

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon the following counsel of record this 26th day of September, 2006 by facsimile transmission:

William F. Carr
Holland & Hart LLP
Post Office Box 2208
Santa Fe, New Mexico 87504
Fax (505) 983-6043



Ernest L. Padilla

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PRE-HEARING STATEMENT

This Pre-hearing Statement is submitted by Charles De B. Hagerman., by and through his undersigned counsel, Ernest L. Padilla, Padilla Law Firm, P.A. as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

ATTORNEY

APPLICANT:

CHI OPERATING INC.

**William F. Carr
Ocean Munds-Dry
Holland & Hart LLP
Post Office Box 2208
Santa Fe, New Mexico 87504
(505) 988-4421**

OPPOSITON OR OTHER PARTY:

CHARLES De B. HAGERMAN.

**Ernest L. Padilla
PADILLA LAW FIRM, P.A.
P.O. Box 2523
Santa Fe, NM 87504
(505) 988-7577**

STATEMENT OF CASE

APPLICANT:

Applicant seeks an order pursuant to the provisions of Oil Conservation Division Rule 303.B authorizing the Off-Lease Storage and Measurement of Delaware production South Carlsbad-Delaware Pool, from its Hagerman Well No. 1, located at a point 1650 from the south line and 2200 feet from the west line of Section 30, Township 22 South, Range 27 East, NMPM, at the well site of its Allen Well No. 3, which located at a point 660 feet from the north line and 1980 feet from the east line of Section 31, Township 22 South, Range 27 East, NMPM.

OPPOSITION OR OTHER PARTY:

The application submitted by Applicant seeks to solve Applicant's past noncompliance with the Division's regulations with regard to surface commingling of production from the Hagerman No. 1 Well and the Allen No. 3 Well. However, the Applicant should be required to allocate past production from these wells pursuant to Division Rule 303.B. Past production from both wells has been reported and attributed to the Allen No. 3 Well.

PROPOSED EVIDENCE

APPLICANT

WITNESSES
(Name and Expertise)

EST. TIME

EXHIBITS

Unknown

OPPOSITION

WITNESSES

EST. TIME

EXHIBITS

Charles De B. Hagerman

30 min.

1. Prior schematic of surface comingling
2. Well Production data
3. Pictures of production facilities

PROCEDURAL MATTERS

(Please identify any procedural matters which need to be resolved prior to hearing.)

None


PADILLA LAW FIRM, P.A.

ERNEST L. PADILLA

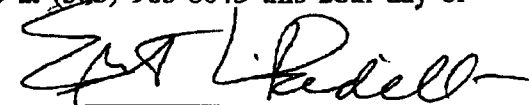
P.O. Box 2523

Santa Fe, New Mexico 87504-2523

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CERTIFICATE OF SERVICE

I hereby certify that I caused a copy of this Pre-Hearing Statement to be served upon William F. Carr and Ocean Munds-Dry, Holland & Hart LLP, Post Office Box 2208, Santa Fe, New Mexico 87504, by facsimile at (505) 983-6043 this 26th day of September, 2006.



ERNEST L. PADILLA