

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

2005 NOV 2 PM 12 56

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

CASE NO. 13814

**APPLICATION OF CHI OPERATING, INC., FOR
COMPULSORY POOLING, LEA COUNTY, NEW
MEXICO.**

PRE-HEARING STATEMENT

This Pre-Hearing Statement is submitted by Holland & Hart LLP as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

Chi Operating, Inc.
Attn: John Qualls
212 N. Main Street
P. O. Box 1799
Midland, TX 79702
(432) 685-5001

ATTORNEY

Ocean Munds-Dry, Esq.
Holland & Hart LLP
Post Office Box 2297
Santa Fe, New Mexico 87504-2208
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STATEMENT OF CASE

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.

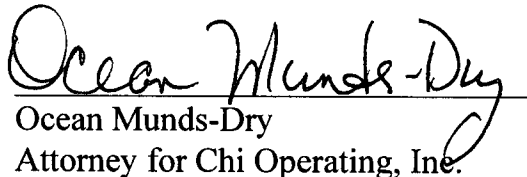
PROPOSED EVIDENCE

APPLICANT

WITNESSES (Name and Expertise)	ESTIMATED TIME	EXHIBITS
John Qualls (Land)	Approx. 10 Minutes	Approx. 6

PROCEDURAL MATTERS

Chi Operating, Inc., has none at this time.


Ocean Munds-Dry
Attorney for Chi Operating, Inc.