

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

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

APPLICATION OF CHI ENERGY, INC.
FOR AN UNORTHODOX GAS WELL LOCATION
OR IN THE ALTERNATIVE FOR NON-
STANDARD SUBSURFACE GAS WELL
LOCATION/PRODUCING AREA,
LEA COUNTY, NEW MEXICO.

CASE NO. 12158

OIL CONSERVATION DIV.
99 APR 13 PM 2:11

PRE-HEARING STATEMENT

This Prehearing Statement is submitted by Campbell, Carr & Berge & Sheridan, P.A.,
as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

ATTORNEY

Chi Energy, Inc.
c/o John Qualls
212 N. Main Street, Suite 200
Midland, TX 79701
(915) 685-5001

William F. Carr, Esq.
Campbell, Carr, Berge & Sheridan, P.A.
Post Office Box 2208
Santa Fe, New Mexico 87504
(505) 988-4421

name, address, phone and
contact person

OTHER PARTY

ATTORNEY

Santa Fe Energy, Inc. _____

W. Thomas Kellahin, Esq.
Kellahin & Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504-2265
(505) 982-4285

name, address, phone and
contact person

STATEMENT OF CASE

APPLICANT

(Please make a concise statement of what is being sought with this application and the reasons therefore.)

Chi Energy, Inc., applicant in the above-captioned case, seeks approval to drill its Greenstone Federal Com. Well No. 1 as a straight hole from an unorthodox gas well location 480 feet from the South line and 1650 feet from the East line (Unit O) of Section 19, Township 20 South, Range 34 East, in order to test either the Undesignated West Lynch-Morrow Gas Pool or the Undesignated Quail Ridge-Morrow Gas Pool underlying the E/2 of Section 19, being a standard 320-acre gas spacing and proration unit. In the alternative, applicant in accordance with Division Rules 104.F and 111(C)2, seeks approval for a non-standard subsurface gas well location producing area to be applicable to either the Undesignated West Lynch-Morrow Gas Pool or the Undesignated Quail Ridge-Morrow Gas Pool, for its proposed Greenstone Federal Com. Well No. 1 to be drilled from the above-described surface location to a proposed bottomhole location that is to be no closer than 760 feet to the South line of Section 19 nor closer than 990 feet to the western boundary of the proposed 320-acre unit.

OTHER PARTY

(Please make a concise statement of the basis for opposing this application or otherwise state the position of the party filing this statement.)

PROPOSED EVIDENCE

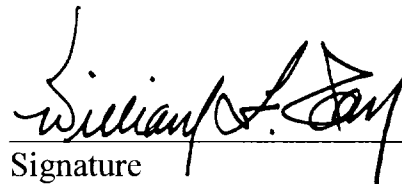
APPLICANT

WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
John Qualls, Land	15 Min.	Approximately 4
Kurt Anderson, Geologist	10 Min.	Approximately 3
Jay Gabbard, Petroleum Engineer	15 Min.	Approximately 4

WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
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PROCEDURAL MATTERS

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



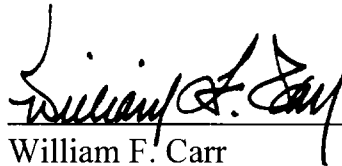
Signature

CERTIFICATE OF SERVICE

I hereby certify that I have caused a true and correct copy of the foregoing Pre-Hearing Statement to be hand-delivered on this 13th day of April, 1999 to the following counsel of record:

W. Thomas Kellahin, Esq.
Kellahin & Kellahin
117 North Guadalupe Street
Santa Fe, New Mexico 87501

Attorney for Santa Fe Energy, Inc.



William F. Carr