

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

**APPLICATION OF CHI ENERGY, INC. FOR APPROVAL OF A SECONDARY
RECOVERY PROJECT AND TO QUALIFY THE PROJECT FOR THE RECOVERED
OIL TAX RATE, EDDY COUNTY, NEW MEXICO.**

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CASE NO. 14353

**ENTRY OF APPEARANCE AND
PRE-HEARING STATEMENT OF THE OIL CONSERVATION DIVISION**

The Oil Conservation Division (OCD) submits this pre-hearing statement pursuant to 19.15.4.13(B) NMAC.

APPEARANCES

APPLICANT

Oil Conservation Division

APPLICANT'S ATTORNEY

Gail MacQuesten
Oil Conservation Division
Energy, Minerals and Natural
Resources Department
1220 S. St. Francis Drive
Santa Fe, NM 87505
(505) 476-3451
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RESPONDENT

Chi Operating, Inc.

RESPONDENT'S ATTORNEY

James Bruce
Post Office Box 1056
Santa Fe, NM 87504
(505) 982-2043

STATEMENT OF CASE

Chi Energy, Inc. (Chi) has applied for a waterflood project.

Rule 19.15.26.8 NMAC provides that the Oil Conservation Division may grant a permit for injection only to an operator who is in compliance with Subsection A of 19.15.5.9 NMAC. At this time, Chi is out of compliance with Subsection A of 19.15.5.9 NMAC because it is out of compliance with the Division's financial assurance requirements. Attached is a copy of the financial assurance report for Chi, showing that it needs to post a single-well financial assurance for one of its wells.

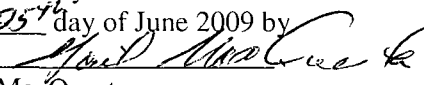
The Oil Conservation Division objects to the grant of an injection permit to Chi while it is out of compliance with 19.15.5.9 NMAC.

OCD'S PROPOSED EVIDENCE

WITNESS: Dorothy Phillips, OCD Financial Assurance Administrator
ESTIMATED TIME: Testimony by affidavit

Witness: Daniel Sanchez, OCD Compliance and Enforcement Manager
ESTIMATED TIME: 10 minutes

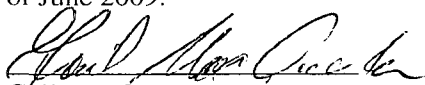
PROCEDURAL MATTERS

Respectfully submitted
this 25th day of June 2009 by

Gail MacQuesten
Oil Conservation Division
Energy, Minerals and Natural
Resources Department
1220 S. St. Francis Drive
Santa Fe, NM 87505
(505) 476-3451

Attorney for the Oil Conservation Division

Certificate of Service

I certify that I mailed a copy of this pleading to Mr. James Bruce at the address shown above this ____ day of June 2009.


Gail MacQuesten

Inactive Well Additional Financial Assurance Report

4378 CHI OPERATING INC

Total Well Count: 119

Printed On: Thursday, June 25 2009

Property	Well Name	Lease Type	ULSTR	OCD Unit Letter	API	Well Type	Last Prod/Inj	Inactive Additional Bond Due	Measured Depth	Required Bond Amount	Bond Required Now	Bond In Place	In Violation
305857	114 #114	F	H-21-21S-29E	H	30-015-26263	G	04/2006		13134			0	
34516	ALLEN #003	P	B-31-22S-27E	P	30-015-33788	O	04/2009	05/01/2011	5393	10393		0	
32340	ALLEN COM #002	P	H-31-22S-27E	H	30-015-32795	G	04/2009	05/01/2011	11830	16830		0	
18430	ARCO FEDERAL #001	F	E-34-19S-28E	E	30-015-20912	G	04/2009		11400			0	
	ARCO FEDERAL #002	F	N-34-19S-28E	N	30-015-28095	O	04/2009		6522			0	
	ARCO FEDERAL #003	F	L-34-19S-28E	L	30-015-33162	G			Unknown			0	
37072	ARTHUR #001	S	F-30-22S-27E	F	30-015-36231	O			9			0	
27788	ASPEN FEDERAL COM #001	F	C-31-16S-30E	C	30-015-31656	G	04/2009		11030			0	
35860	AVALON HILLS FEDERAL COM #001	F	1-5 -21S-27E	A	30-015-35007	G			Unknown			0	
32530	BEAVERTAIL STATE COM #001	S	O-36-16S-28E	O	30-015-32856	G	04/2009	05/01/2011	10350	15350		0	
34991	BERMUDA #001	P	A-7 -19S-26E	A	30-015-34268	G			Unknown			0	
20858	BIG EDDY UNIT #137	S	G-16-21S-29E	G	30-015-29613	G	04/2009	05/01/2011	13050	18050		0	
	BIG EDDY UNIT #140	S	E-16-21S-29E	E	30-015-30058	G	04/2009	05/01/2011	13019	18019		0	
29112	BIG RED FEDERAL COM #001	F	N-30-18S-31E	N	30-015-32113	G	04/2009		12245			0	
2749	BISON STATE #001	S	L-32-18S-33E	L	30-025-31583	O	04/2009	05/01/2011	Unknown	Unknown		0	
	BISON STATE #002	S	K-32-18S-33E	K	30-025-31697	O	04/2009	05/01/2011	Unknown	Unknown		0	
20367	C V 14 FEDERAL #001	F	L-14-16S-27E		30-015-27792	G	04/2009		9022			0	
20259	C V 23 FEDERAL #001	F	E-23-16S-27E		30-015-28570	O	04/2009		1574			0	
23640	CANNON BALL 9 STATE COM #001	S	K-9 -17S-28E	K	30-015-30388	O	04/2009	05/01/2011	10150	15150		0	
	CANNON BALL 9 STATE COM #002	F	F-9 -17S-28E	F	30-015-31219	G	04/2009		10070			0	
27870	CHI 16 STATE #001	S	D-16-21S-29E	D	30-015-31673	O	04/2009	05/01/2011	4524	9524		0	
	CHI 16 STATE #0022	S	C-16-21S-29E	C	30-015-32464	O	04/2009	05/01/2011	4600	9600		0	
24889	COAL TRAIN FEDERAL COM #001	F	M-10-17S-28E	M	30-015-30764	G	04/2009		10200			0	
2750	COLT FEDERAL #001	F	P-4 -20S-28E	P	30-015-27288	O	04/2009		7430			0	
25137	COYOTE SPECIAL 9 STATE COM #001	S	A-9 -17S-28E	A	30-015-30859	G	04/2009	05/01/2011	10055	15055		0	
18120	CR MARTIN #001	P	J-15-18S-26E	J	30-015-00282	G	04/2009	05/01/2011	1743	6743		0	
35619	CROW FLATS 18 FED COM #001	F	A-18-16S-28E		30-015-34808	G	04/2009		9420			0	
34589	CROW FLATS 9 STATE COM #001	S	M-9 -16S-28E	M	30-015-33909	G	11/2006	12/01/2008	9660	14660	Y	0	Y
36496	CROZIER 28 FEDERAL #001	F	B-33-21S-26E	B	30-015-35573	G	08/2008		11960			0	
35180	DIAMOND VISTA 10 FEDERAL COM #001	F	L-10-16S-28E	L	30-015-34393	G	04/2009		9615			0	
36083	ELKAN #002	P	H-11-14S-34E	H	30-025-38525	O			2930			0	
	ELKAN #002Y	P	H-11-14S-34E	H	30-025-38186	O			Unknown			0	
16899	EMPIRE 16 STATE COM #001	S	E-16-18S-29E	E	30-015-25056	O	04/2009	05/01/2011	11350	16350		0	
34499	FEDERAL COM #002	F	5-6 -21S-27E	S	30-015-33782	G	04/2009		11400			0	
36273	FIR FEDERAL COM #001	F	1-7 -17S-30E	D	30-015-35404	G			Unknown			0	
	FIR FEDERAL COM #002	F	4-7 -17S-30E	M	30-015-35405	G			Unknown			0	
34428	FOOTJOY 14 STATE #001	S	A-14-19S-27E	A	30-015-33721	G			Unknown			0	
34518	FREEWAY FEDERAL #001	F	F-30-19S-30E	F	30-015-33790	G	04/2009		12022			0	
23906	GIBLET STATE #001	S	3-1 -19S-29E		30-015-30513	G	04/2009	05/01/2011	12000	17000		0	
	GIBLET STATE #002	S	1-1 -19S-29E	A	30-015-36442	G			11830			0	
33448	HAGERMAN #001	P	K-30-22S-27E	K	30-015-29007	O	04/2009	05/01/2011	11840	16840		0	
25347	HEAVY HARRY STATE COM #001	S	N-4 -17S-28E	N	30-015-30963	G	04/2009	05/01/2011	10010	15010		0	
	HEAVY HARRY STATE COM #002	S	3-4 -17S-28E	C	30-015-31089	G	04/2009	05/01/2011	9972	14972		0	
32568	HENRY #003	S	N-22-22S-27E	N	30-015-32876	G	04/2009	05/01/2011	12115	17115		17115	
34848	HENRY GRANDI #001	P	I-26-22S-27E	I	30-015-34112	G	04/2009	05/01/2011	12375	17375		0	
25905	HIAWATHA FEDERAL COM #001	F	E-10-17S-28E	E	30-015-31159	G	04/2009		10198			0	
27479	IN BOUNDS COM #001	P	K-9 -22S-25E	K	30-015-31600	G			1860			0	
25499	IRON HORSE FEDERAL COM #001	F	17-3 -17S-28E	M	30-015-31023	G	04/2009		10090			0	
26000	IRONSIDES FEDERAL #001	F	5-3 -17S-28E	E	30-015-31171	G	04/2009		10023			0	
27709	JONES COM #001	P	I-9 -22S-25E	I	30-015-21859	G	04/2009	05/01/2011	10630	15630		0	
30903	KC STRIP STATE #001	S	P-32-18S-31E	P	30-015-32538	G	04/2009	05/01/2011	12191	17191		0	
	KC STRIP STATE #002	S	N-32-18S-31E	N	30-015-36068	G			12275			0	
34632	KODIAK #001	P	I-17-22S-27E	I	30-015-33961	G	04/2009	05/01/2011	11840	16840		0	
	KODIAK #002	P	O-17-22S-27E	O	30-015-33962	G	04/2009	05/01/2011	11990	16990		0	
23428	LAND RUSH 12 FEDERAL COM #002	F	A-12-19S-30E	A	30-015-31903	G	04/2009		12260			0	
303458	MENTAL FLOSS 18 FEDERAL #001	F	G-18-16S-27E	G	30-015-35229	G	04/2009		8352			0	
33302	MERLAND #002	P	C-30-22S-27E	C	30-015-33181	G	04/2009	05/01/2011	11815	16815		0	
36614	MERLAND B #001	P	G-30-22S-27E	G	30-015-20430	G	04/2001	05/01/2003	5196	10196	Y	0	
35428	MESA VERDE FEDERAL #001	F	J-1 -22S-33E		30-025-37701	G	11/2008		15050			0	
25074	MIDNIGHT SPECIAL 9 STATE COM #001	S	O-9 -17S-28E	O	30-015-30823	G	04/2009	05/01/2011	10130	15130		0	
37243	MOONSCRAPE 24 STATE #001	S	H-24-18S-37E	H	30-025-39006	O			Unknown			0	

27108	MUNCHKIN FEDERAL #001	F	N-1 -19S-30E	N	30-015-30715	O	04/2009		6707		0
	MUNCHKIN FEDERAL #002	F	M-1 -19S-30E	M	30-015-31778	O	04/2009		5350		0
	MUNCHKIN FEDERAL #004Q	F	C-12-19S-30E	C	30-015-33380	O	04/2009		5526		0
	MUNCHKIN FEDERAL #005Q	F	F-12-19S-30E	F	30-015-33725	O	04/2009		5400		0
	MUNCHKIN FEDERAL #006	F	D-12-19S-30E	D	30-015-33881	O	04/2009		5400		0
	MUNCHKIN FEDERAL #007	F	F-12-19S-30E	F	30-015-33933	O			Unknown		0
	MUNCHKIN FEDERAL #008	F	E-12-19S-30E		30-015-34816	O	04/2009		5351		0
	MUNCHKIN FEDERAL #009	F	A-11-19S-30E	A	30-015-34293	O	04/2009		5233		0
	MUNCHKIN FEDERAL #010	F	H-11-19S-30E		30-015-35085	O	04/2009		5258		0
	MUNCHKIN FEDERAL #011	F	E-12-19S-30E	E	30-015-35790	O			Unknown		0
	MUNCHKIN FEDERAL #012	F	E-12-19S-30E	E	30-015-35791	O	04/2009		5415		0
	MUNCHKIN FEDERAL #013	F	G-11-19S-30E		30-015-36425	O			8900		0
33663	NICHOLS 30 STATE COM #002	S	C-30-18S-28E	C	30-015-36788	G			9		0
34301	OTIS 33 #002	P	C-33-22S-27E	C	30-015-24810	G	04/2009	05/01/2011	12070	17070	0
	OTIS 33 #003	S	B-33-22S-27E	B	30-015-33943	G	06/2008	07/01/2010	12115	17115	0
303982	OXY MARSH HAWK STATE #002	S	F-21-16S-32E	F	30-025-38309	G			12860		0
23143	OXY RIBEYE FEDERAL #001	F	F-34-19S-28E	F	30-015-30173	G	01/2009		9072		0
303967	OXY WHIPSNAKE FEDERAL #001	F	J-8 -18S-27E	J	30-015-35031	G	04/2009		9640		0
303950	OXY WILD BURRO FEDERAL #001	F	19-4 -18S-27E	O	30-015-34916	G	10/2008		9845		0
17419	PALMILLA STATE #001	S	N-26-19S-28E	N	30-015-28620	G	04/2009	05/01/2011	11350	16350	0
35171	PARADISE 5 FEDERAL #001	F	I-5 -21S-27E	I	30-015-35630	G			Unknown		0
22332	PARDUE #001Q	P	C-21-24S-28E	C	30-015-31360	O	04/2009	05/01/2011	8730	13730	0
34111	PEACEKEEPER STATE #001	S	A-25-19S-29E	A	30-015-33493	G	04/2009	05/01/2011	12606	17606	0
36951	PINON FEDERAL COM #001	F	7-6 -17S-30E		30-015-36041	G	04/2009		11120		0
32112	PORTERHOUSE STATE COM #001	S	A-32-18S-31E	A	30-015-32682	G	02/2009	03/01/2011	12210	17210	0
32268	RAVEN STATE #001	S	J-16-18S-32E	J	30-025-36263	G	10/2007	11/01/2009	12915	17915	0
13052	REMINGTON FEDERAL #001	F	M-3 -20S-28E	M	30-015-27222	O	04/2009		6520		0
	REMINGTON FEDERAL #002	F	K-3 -20S-28E		30-015-27682	O	04/2009		6550		0
	REMINGTON FEDERAL #003	F	N-3 -20S-28E	N	30-015-27967	O	04/2009		6700		0
34348	ROGERS #001	P	I-29-22S-27E	L	30-015-33670	G	04/2009	05/01/2011	11865	16865	0
33041	RUNNING SHOE STATE #001	S	H-24-19S-27E	H	30-015-33052	G	04/2009	05/01/2011	11073	16073	0
36476	SALADO FEDERAL #001	F	K-8 -26S-34E	K	30-025-38402	O			5580		0
37472	SCREECH FEDERAL COM #001	F	M-4 -17S-32E	M	30-025-39249	G			Unknown		0
34229	SHUGART WEST 13 FEDERAL #001	F	O-13-18S-30E	O	30-015-33577	O	04/2009		8803		0
32056	SHUGART WEST 24 B FEDERAL #005	F	B-24-18S-30E	B	30-015-32130	O	04/2009		8383		0
14616	SILVER BULLET #001	S	J-16-24S-28E		30-015-21789	O			12833		0
34141	SKEEN #002	P	P-28-22S-27E	P	30-015-33527	G	04/2009	05/01/2011	12150	17150	0
2754	STATE 23 #001	S	J-23-19S-29E	J	30-015-22693	O	04/2009	05/01/2011	11718	16718	0
2755	STATE 23 A #001	S	L-23-19S-29E	L	30-015-22814	O	06/2007	07/01/2009	11775	16775	0
32990	STEPHENS A #002	P	P-7 -23S-27E	P	30-015-33019	G	04/2009	05/01/2011	12050	17050	0
37244	SUNRISE 25 STATE #001	S	A-25-18S-37E	A	30-025-39007	O	02/2009	03/01/2011	3500	8500	0
2756	USA 9 #001	F	I-9 -20S-28E	I	30-015-22021	G	04/2009		11386		0
15414	USA 9 FEDERAL #003	F	G-9 -20S-28E	G	30-015-33268	O	04/2009		6602		0
22234	USA 9 FEDERAL COM #002Q	F	A-9 -20S-28E	A	30-015-32202	G	04/2009		11440		0
34498	VALLE FELIZ #001	P	G-3 -22S-26E	G	30-015-21980	G	04/2009	05/01/2011	11453	16453	0
	VALLE FELIZ #002	P	4-3 -22S-26E	4	30-015-33781	G	04/2009	05/01/2011	11470	16470	0
22955	WALLACE STATE COM #004H	S	I-9 -17S-27E		30-015-36432	O			10700		0
28051	WC 3 #002	P	M-3 -22S-26E	M	30-015-31772	G	04/2009	05/01/2011	11476	16476	0
	WC 3 #003	P	P-3 -22S-26E	P	30-015-33258	G	04/2009	05/01/2011	11540	16540	0
28059	WC 4 #001	P	P-4 -22S-26E	P	30-015-31773	G			Unknown		0
	WC 4 #004	P	H-4 -22S-26E	H	30-015-34554	G	04/2009	05/01/2011	11538	16538	0
2757	WINCHESTER FEDERAL #001	F	H-4 -20S-28E	H	30-015-24146	O	04/2009		12000		0
	WINCHESTER FEDERAL #002	F	E-3 -20S-28E	E	30-015-27069	O	04/2009		7430		0
	WINCHESTER FEDERAL #003	F	F-3 -20S-28E	F	30-015-28038	O	04/2009		6525		0
	WINCHESTER FEDERAL #004	F	3-3 -20S-28E	C	30-015-28007	O	04/2009		6602		0
29492	WIZARD FEDERAL #003	F	J-1 -19S-30E	J	30-015-32210	O	04/2009		5500		0
27989	WIZARD FEDERAL COM #001	F	I-1 -19S-30E	I	30-015-31715	G	04/2009		12260		0
	WIZARD FEDERAL COM #002	F	H-1 -19S-30E	H	30-015-31875	G	04/2009		12300		0

WHERE Ogrid:4378