

**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:**

2006 NOV 2 PM 12:57
CASE NO. 13815

**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 NE/4 of Section 11, Township 14 South, Range 34 East, N.M.P.M., Lea County, New Mexico: the NE/4 for all formations and/or pools developed on 160-acre spacing which includes but is not necessarily limited to the Undesignated Cerca-Upper Pennsylvanian Pool, and the SE/4 NE/4 for all formation and/or pools developed on 40-acre

spacing. Said unit is to be dedicated to its Elkan Well No. 2 to be drilled 1980 feet from the North line and 660 feet from the East line (Unit H) of said Section 11 to an approximate depth 10,600 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 11 miles northwest of Lovington, New Mexico.

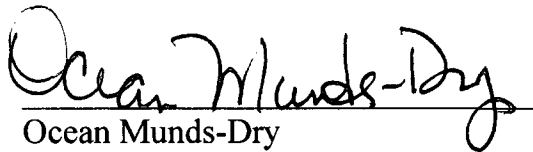
PROPOSED EVIDENCE

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.