

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

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

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.

Case No. 14,353

APPLICATION OF CHI ENERGY, INC. FOR
STATUTORY UNITIZATION, EDDY COUNTY,
NEW MEXICO.

Case No. 14,354

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by applicant as required by the Oil Conservation Division.

APPEARANCES

APPLICANT

Chi Energy, Inc.
P.O. Box 1799
Midland, Texas 79702

Attention: John W. Qualls
(432) 685-5001

APPLICANT'S ATTORNEY

James Bruce
P.O. Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

OPPONENT

Gail MacQuesten

OPPONENT'S ATTORNEY

Oil Conservation Division

STATEMENT OF THE CASE

APPLICANT

In Case No. 14353, applicant seeks approval to institute a waterflood project in the Brushy Canyon member of the Delaware formation (Benson-Delaware Pool) by the injection of water into nine wells located on federal lands covering parts of Sections 1, 11, and 12, Township 19

South, Range 30 East, N.M.P.M. Applicant further seeks to qualify the project for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1-5).

In Case No. 14354, applicant seeks an order unitizing all mineral interests in the Brushy Canyon member of the Delaware formation (Benson-Delaware Pool) underlying parts of Sections 1, 11, and 12, Township 19 South, Range 30 East, N.M.P.M., comprising 640.00 acres of federal lands for its proposed Benson Delaware Unit. Among the matters to be considered at hearing, pursuant to the New Mexico Statutory Unitization Act, NMSA 1978 §§70-7-1 *et seq.*, will be: The necessity of unit operations; the determination of horizontal and vertical limits of the unit area; the designation of Chi Operating, Inc. as unit operator; the determination of the fair, reasonable, and equitable allocation of production and costs of production, including capital investments, to each of the tracts in the unit area; the determination of credits and charges to be made among the various owners in the unit area for their investment in wells and equipment; and such other matters as may be necessary and appropriate.

OPPONENT

PROPOSED EVIDENCE

APPLICANT

<u>WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
John W. Qualls (landman)	25 min.	Approx. 10
Dave Shatzer (geologist)	20 min.	Approx. 6
Gary Womack (engineer)	30 min.	Approx. 6

OPPONENT

<u>WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
------------------	------------------	-----------------

PROCEDURAL MATTERS

1. Applicant requests that these two cases be consolidated for hearing.

2. Division counsel has entered an appearance requesting that Chi Operating, Inc., the unit operator, submit additional financial assurance for one well on its non-compliance list. Applicant will submit evidence that it has satisfied the Division's compliance rules.

Respectfully submitted,



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

Attorney for Chi Energy, Inc.

cc: Gail MacQuesten (via e-mail)