

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
COMPULSORY POOLING, EDDY COUNTY, NEW
MEXICO.

No. 13193

PRE-HEARING STATEMENT

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

APPEARANCES

APPLICANT

Chi Energy, Inc.
Post Office Box 1799
Midland, Texas 79702

Attention: John Oualls
(915) 685-5001

APPLICANT'S ATTORNEY

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

OPPONENT

OPPONENT'S ATTORNEY

STATEMENT OF THE CASE

APPLICANT

Applicant seeks an order pooling all mineral interests from the
surface to the base of the Morrow formation underlying the
following described acreage in Section 3, Township 22 South, Range
26 East, NMPM, and in the following manner: The S $\frac{1}{2}$ to form a
standard 320-acre gas spacing and proration unit for any and all
formations and/or pools developed on 320-acre spacing within that
vertical extent, including the Undesignated Happy Valley-Strawn Gas
Pool, Undesignated Happy Valley-Atoka Gas Pool, and Undesignated
Happy Valley-Morrow Gas Pool; the SW $\frac{1}{4}$ to form a standard 160-acre
gas spacing and proration unit for any and all formations and/or
pools developed on 160-acre spacing within that vertical extent;
and the SW $\frac{1}{4}$ SW $\frac{1}{4}$ to form a standard 40-acre oil spacing and proration
unit for any and all formations and/or pools developed on 160-acre
spacing within that vertical extent. The units are to be dedicated
to applicant's West Carlsbad 3 Well No. 2, to be located at an
orthodox location in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 3. Also to be
considered will be the cost of drilling and completing the well and
the allocation of the cost thereof, as well as actual operating

KVT 12/15/03

costs and charges for supervision, designation of Chi Operating, Inc. as operator of the well, and a cost plus 200% charge for the risk involved in drilling and completing the well. The units are located approximately 3 miles west of Carlsbad, New Mexico.

OPPONENT

PROPOSED EVIDENCE

APPLICANT

WITNESSES
John Qualls
(landman)

EST. TIME
15 Min.

EXHIBITS
Approx. 4

OPPONENT

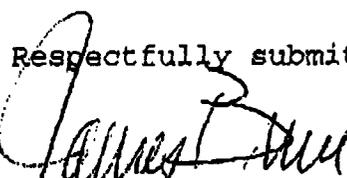
WITNESSES

EST. TIME

EXHIBITS

PROCEDURAL MATTERS

-None-

Respectfully submitted,


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

Attorney for Chi Energy, Inc.