

DATE IN <u>11.12.10</u>	SUSPENSE	ENGINEER <u>DKB.</u>	LOGGED IN <u>11.12.10</u>	TYPE <u>NSL</u>	APP NO. <u>1031643380</u>
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PTGW

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



Chief Operating
 4378
 Munchkin Fed #15

ADMINISTRATIVE APPLICATION CHECKLIST 30-015

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

Eddy

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR

- [D] Other: Specify _____

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

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[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

James Bruce
 Print or Type Name

James Bruce
 Signature

Attorney
 Title

11/10/10
 Date

jamesbruc@aol.com
 e-mail Address

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)
(505) 660-6612 (Cell)
(505) 982-2151 (Fax)

jamesbruc@aol.com

November 10, 2010

Mark E. Fesmire, P.E.
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Dear Mr. Fesmire:

Pursuant to Division Rule NMAC 19.15.15.13, Chi Operating, Inc. applies for approval of an unorthodox oil well location for the following well:

<u>Well name:</u>	Munchkin Fed. Well No. 15
<u>Location:</u>	150 feet FSL & 1550 feet FWL
<u>Well unit:</u>	SE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 1, Township 19 South, Range 30 East, N.M.P.M., Eddy County, New Mexico

The well will be drilled to test the Delaware formation (Benson-Delaware Pool). Under the Division's statewide rules, spacing in the Delaware formation is 40 acres, with wells to be at least 330 feet from a quarter-quarter section line. A Form C-102 is attached as **Exhibit A**.

The well is in the potash area, and the BLM severely restricts well locations in that area. This well is in the Benson Delaware Unit, recently approved by the Division by Order No. R-13262. The well will initially be a producer, and will later be converted to injection (and re-named the Benson Delaware Unit No. 15, when the unit is finally approved by the BLM).¹ The well's location was selected for its location as an injector.

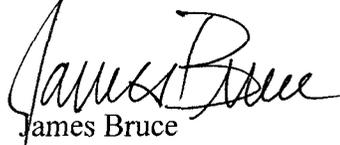
Exhibit B to the Unit Agreement is attached hereto as **Exhibit B**. Please see Tract 2C (the wellsite tract) and Tracts 2E and 2F (the offset tracts): The tracts are all within Federal Lease NM 0560353, but there is slightly different overriding royalty ownership in the tracts (royalty and working interest ownership is identical). However, all overriding royalty owners have

¹ The unit should be finally approved by the BLM by the end of this month.

ratified the Unit Agreement, **Exhibit C**, and the well will not be produced until the unit is effective. Therefore, no one has been notified of this application.

Please call me if you have any questions concerning this application.

Very truly yours,

A handwritten signature in black ink that reads "James Bruce". The signature is written in a cursive style with a large, prominent initial "J".

James Bruce

Attorney for Chi Operating, Inc.

DISTRICT I
1625 N. FRENCH DR., HOBBS, NM 88240

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102

DISTRICT II
1301 W. GRAND AVENUE, ARTESIA, NM 88210

OIL CONSERVATION DIVISION

Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT III
1000 RIO BRAZOS RD., AZTEC, NM 87410

1300 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

DISTRICT IV
1300 S. ST. FRANCIS DR., SANTA FE, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number		Pool Code 97083	Pool Name Benson Delaware
Property Code 27108	Property Name MUNCHKIN FEDERAL		Well Number 15
OGRID No. 4378	Operator Name CHI OPERATING		Elevation 3473'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	1	19-S	30-E		150	SOUTH	1550	WEST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 40'	Joint or Infill	Consolidation Code	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

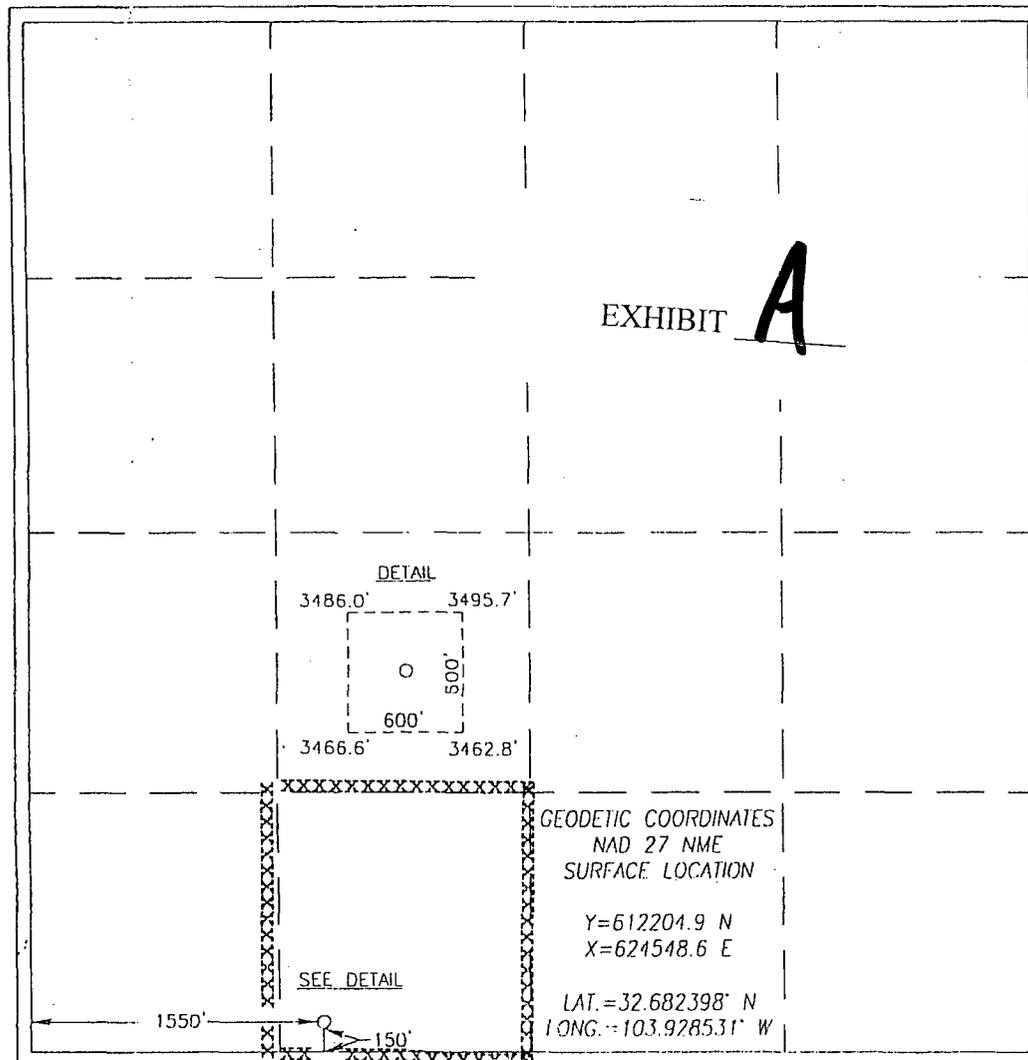


EXHIBIT **A**

OPERATOR CERTIFICATION

I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

George R. Smith 3/23/10
Signature Date
George R. Smith, agent
Printed Name

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Ronald J. Eidson 7/14/09
Date Surveyed Signature & Seal of Professional Surveyor
LA
09-11-0618

Certificate No. GARY G. EIDSON 12641
RONALD J. EIDSON 3239

EXHIBIT "B"
SCHEDULE OF OWNERSHIP

Schedule showing all lands and leases within the
BENSON DELAWARE UNIT
Eddy County, New Mexico

TRACT NO.	DESCRIPTION OF LANDS	ACRES	SERIAL NO. & EXPIRATION DATE	BASIC ROYALTY	LESSEE OF RECORD & PERCENTAGE	OVERRIDING ROYALTY & PERCENTAGE	WORKING INTEREST & PERCENTAGE
1	19S-30E §1: NW¼SE¼	40.00 acres	LC 063613 HBP	12½%	Crescent Porter Hale Foundation 100%	Crescent Porter Hale Foundation 10.00% Chi Royalty Pool 1.50%	Chi Energy, Inc. 14.50% Murchison Oil & Gas, Inc. 10.00% McCombs Energy, Ltd. 64.92% Westbrook Energy, Inc. 0.50% Pocahontas Oil Co., Inc. 0.50% John W. Qualls 0.50% Ken Seligman 0.50% Rio Lobo Resources 0.75% Gary Green 1.50%

EXHIBIT **B**

Brazos Limited Partnership
 5.00%
 Gene Shumate
 1.33%
 Chi Energy, Inc.
 14.50%
 Murchison Oil & Gas, Inc.
 10.00%
 McCombs Energy, Ltd.
 64.92%
 Westbrook Energy, Inc.
 0.50%
 Pochontas Oil Co., Inc.
 0.50%
 John W. Qualls
 0.50%
 Ken Seligman
 0.50%
 Rio Lobo Resources
 0.75%
 Gary Green
 1.50%
 Brazos Limited Partnership
 5.00%
 Gene Shumate
 1.33%

Crescent Porter
 Hale Foundation
 15.00%
 Chi Royalty Pool
 1.50%

Crescent Porter
 Hale Foundation
 100%

12 1/2%

NM 0560353
 HBP

160.00 acres

19S-30E
 §1: NE 1/4 SW 1/4
 §11: E 1/2 NE 1/4
 §12: SW 1/4 NW 1/4

2A

Pocahontas Oil Co., Inc.
0.50%

John W. Qualls
0.50%

Ken Seligman
0.50%

Rio Lobo Resources
0.75%

Gary Green
1.50%

Brazos Limited Partnership
5.00%

Gene Shumate
1.33%

Chi Energy, Inc.
14.50%

Murchison Oil & Gas, Inc.
10.00%

McCombs Energy, Ltd.
64.92%

Westbrook Energy, Inc.
0.50%

Pocahontas Oil Co., Inc.
0.50%

John W. Qualls
0.50%

Crescent Porter
Hale Foundation
15.00%

Curtis and Edna
Anderson, J.T.
0.25%

Gene Davis
0.25%

Chi Royalty Pool
1.50%

Crescent Porter
Hale Foundation
100%

12 1/2%

NM 0560353
HBP

40.00 acres

19S-30E
§12: NE 1/4 NW 1/4

2E

Ken Seligman
0.50%

Rio Lobo Resources
0.75%

Gary Green
1.50%

Brazos Limited Partnership
5.00%

Gene Shumate
1.33%

Chi Energy, Inc.
14.50%

Murchison Oil & Gas, Inc.
10.00%

McCombs Energy, Ltd.
64.92%

Westbrook Energy, Inc.
0.50%

Pocahontas Oil Co., Inc.
0.50%

John W. Qualls
0.50%

Ken Seligman
0.50%

Rio Lobo Resources
0.75%

Crescent Porter
Hale Foundation
15.00%

Curtis and Edna
Anderson, J.T.
0.25%

David C. Shatzer
0.20%

John W. Qualls
0.20%

Chi Royalty Pool
1.50%

Crescent Porter
Hale Foundation
100%

12 1/2%

NM 0560353
HBP

80.00 acres
§12. NW 1/4 NW 1/4, SE 1/4 NW 1/4

19S-30E

2F

Gary Green
1.50%
Brazos Limited Partnership
5.00%
Gene Shumate
1.33%

RECAPITULATION

560.00 acres of Federal Lands = 100%
TOTAL: 560.00 acres = 100%

RATIFICATION OF UNIT AGREEMENT

The undersigned owner of a royalty interest, working interest, or other interest in production in the unit area for the Benson Delaware Unit, comprising the NE¼SW¼, S½SW¼, and W½SE¼ of Section 1, NE¼NE¼ and S½NE¼ of Section 11, and NW¼ and N½SW¼ of Section 12, Township 19 South, Range 30 East, N.M.P.M., Eddy County, New Mexico, consents to the inclusion of (his/her/its) interest in the unit area, and expressly ratifies, approves, and adopts the Unit Agreement for the Development and Operation of the Benson Delaware Unit, and agrees that the terms of any lease given by the undersigned, or under which the undersigned claims an interest, is extended and modified to the extent necessary to make the same conform to the terms of the Unit Agreement.

This instrument shall be binding upon the undersigned and (his/her/its) successors and assigns.

Executed this 28th day of July, 2010 ~~October, 2009.~~

Crescent Porter Hale Foundation

Name: A. L. Ballard
By: [Signature]
Title: Director

EXHIBIT C

STATE OF TEXAS

§
§
§

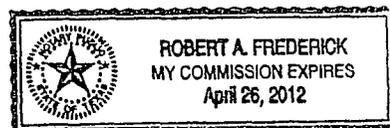
COUNTY OF HARRIS

July, 2010

The foregoing instrument was acknowledged before me, a Notary Public, on the 28th day of ~~October, 2009~~, by A. L. Ballard, Director of Crescent Porter Hale Foundation, on behalf of said foundation.

My commission expires: _____

Robert A. Frederick
Notary Public



RATIFICATION OF UNIT AGREEMENT

The undersigned owner of a royalty interest, working interest, or other interest in production in the unit area for the Benson Delaware Unit, comprising the NE $\frac{1}{4}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ SW $\frac{1}{4}$, and W $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 1, NE $\frac{1}{4}$ NE $\frac{1}{4}$ and S $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 11, and NW $\frac{1}{4}$ and N $\frac{1}{2}$ SW $\frac{1}{4}$ of Section 12, Township 19 South, Range 30 East, N.M.P.M., Eddy County, New Mexico, consents to the inclusion of (his/her/its) interest in the unit area, and expressly ratifies, approves, and adopts the Unit Agreement for the Development and Operation of the Benson Delaware Unit, and agrees that the terms of any lease given by the undersigned, or under which the undersigned claims an interest, is extended and modified to the extent necessary to make the same conform to the terms of the Unit Agreement.

This instrument shall be binding upon the undersigned and (his/her/its) successors and assigns.

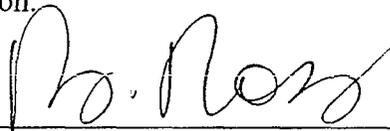
Executed this 12th day of October, 2009.

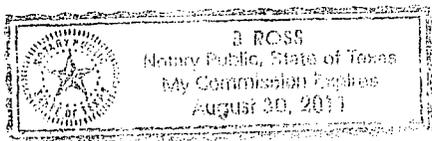
Name: 
Curtis Anderson
Name: 
Edna Anderson

STATE OF Texas §
COUNTY OF Midland §

The foregoing instrument was acknowledged before me, a Notary Public, on the 12th day of October, 2009, by Curtis Anderson and Edna Anderson.

My commission expires: 08-30-2011


Notary Public



RATIFICATION OF UNIT AGREEMENT

The undersigned owner of a royalty interest, working interest, or other interest in production in the unit area for the Benson Delaware Unit, comprising the NE $\frac{1}{4}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ SW $\frac{1}{4}$, and W $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 1, NE $\frac{1}{4}$ NE $\frac{1}{4}$ and S $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 11, and NW $\frac{1}{4}$ and N $\frac{1}{2}$ SW $\frac{1}{4}$ of Section 12, Township 19 South, Range 30 East, N.M.P.M., Eddy County, New Mexico, consents to the inclusion of (his/her/its) interest in the unit area, and expressly ratifies, approves, and adopts the Unit Agreement for the Development and Operation of the Benson Delaware Unit, and agrees that the terms of any lease given by the undersigned, or under which the undersigned claims an interest, is extended and modified to the extent necessary to make the same conform to the terms of the Unit Agreement.

This instrument shall be binding upon the undersigned and (his/her/its) successors and assigns.

Executed this 19th day of October, 2009.

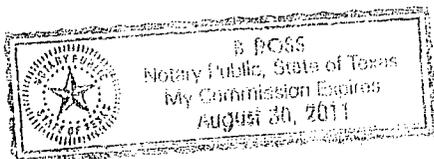
Name: Allan C. Anderson
By: *Allan C. Anderson*
Title: Individual

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

The foregoing instrument was acknowledged before me, a Notary Public, on the 19th day of October, 2009, by Allan C. Anderson.

My commission expires: 08-30-2011

B. Ross
Notary Public



RATIFICATION OF UNIT AGREEMENT

The undersigned owner of a royalty interest, working interest, or other interest in production in the unit area for the Benson Delaware Unit, comprising the NE $\frac{1}{4}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ SW $\frac{1}{4}$, and W $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 1, NE $\frac{1}{4}$ NE $\frac{1}{4}$ and S $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 11, and NW $\frac{1}{4}$ and N $\frac{1}{2}$ SW $\frac{1}{4}$ of Section 12, Township 19 South, Range 30 East, N.M.P.M., Eddy County, New Mexico, consents to the inclusion of (his/her/its) interest in the unit area, and expressly ratifies, approves, and adopts the Unit Agreement for the Development and Operation of the Benson Delaware Unit, and agrees that the terms of any lease given by the undersigned, or under which the undersigned claims an interest, is extended and modified to the extent necessary to make the same conform to the terms of the Unit Agreement.

This instrument shall be binding upon the undersigned and (his/her/its) successors and assigns.

Executed this 5th day of October, 2009.

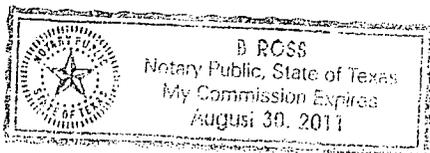
Name: Dave Shatzer
By: *Dave Shatzer*
Title: Individual

STATE OF TEXAS §
 §
COUNTY OF MIDLAND §

The foregoing instrument was acknowledged before me, a Notary Public, on the 5th day of October, 2009, by Dave Shatzer.

My commission expires: 08.30.2011

D. Ross
Notary Public

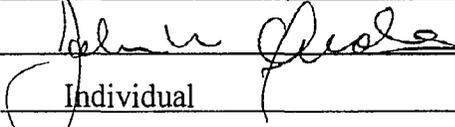


RATIFICATION OF UNIT AGREEMENT

The undersigned owner of a royalty interest, working interest, or other interest in production in the unit area for the Benson Delaware Unit, comprising the NE $\frac{1}{4}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ SW $\frac{1}{4}$, and W $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 1, NE $\frac{1}{4}$ NE $\frac{1}{4}$ and S $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 11, and NW $\frac{1}{4}$ and N $\frac{1}{2}$ SW $\frac{1}{4}$ of Section 12, Township 19 South, Range 30 East, N.M.P.M., Eddy County, New Mexico, consents to the inclusion of (his/her/its) interest in the unit area, and expressly ratifies, approves, and adopts the Unit Agreement for the Development and Operation of the Benson Delaware Unit, and agrees that the terms of any lease given by the undersigned, or under which the undersigned claims an interest, is extended and modified to the extent necessary to make the same conform to the terms of the Unit Agreement.

This instrument shall be binding upon the undersigned and (his/her/its) successors and assigns.

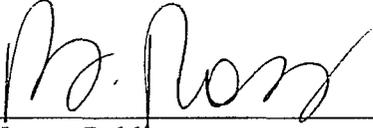
Executed this 5th day of October, 2009.

Name: John W. Qualls
By: 
Title: Individual

STATE OF TEXAS §
 §
COUNTY OF MIDLAND §

The foregoing instrument was acknowledged before me, a Notary Public, on the 5th day of October, 2009, by John W. Qualls.

My commission expires: 08-30-2011


Notary Public

