

Big Three Energy Group, LLC

P.O. Box 429 Roswell, NM 88202-0429

575-623-2432 office

575-622-1707 fax

tres@fdcenenergy.com

RECEIVED OCD

2010 JUL -2 P 2: 59

July 1, 2010

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

Re: Objection to Application for an unorthodox location

Case 14524

Dear Mr. Fesmire:

Big Three Energy Group OBJECTS to Chi Operating's Application of an unorthodox well location for the following well:

Well Name:	Munchkin Fed. Well No. 22
Surface Location:	750 feet FNL & 1805 feet FWL
Bottom Hole Location:	750 feet FNL & 2620 feet FWL
Well Unit:	NE4NW4 of Section 12, Township 19 South, Range 30 East, N.M.P.M., Eddy County, New Mexico

The object on the following basis:

We hold an assigned interest in Lease VO-6639 (NW4NE4 of Section 12, T19S R30E) which is immediately east of Chi's requested unorthodox location. Our interest in this lease is subject to the Joint Operating Agreement for the Chi Landrush 12 Fed. Com. # 2 covering the East ½ of Section 12.

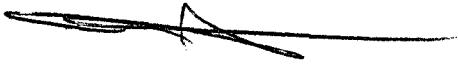
For several years, we have requested that Chi (as operator of the East ½ of section 12) drill a Delaware test on our lease as an extension of their Munchkin Delaware program. Chi has refused repeatedly over the past 5 years.

Chi is now requesting a bottom hole location only 20 feet from our lease line with the intent to attempt a completion as a Delaware oil producer. Regardless of whether or not this well eventually becomes an injection well, any attempt at completing this well as a Delaware producer would result in drainage of our lease and loss of correlative rights.

Big Three Energy Group, LLC requests that this application for an unorthodox location be DENIED.

Thank you for your time and your consideration of this objection.

Respectfully,

A handwritten signature in black ink, appearing to read "Olen F. (Tres) Featherstone III", with a long horizontal stroke extending to the right.

Olen F. (Tres) Featherstone III
Managing member

cc: James Bruce, Atty. for Chi Operating, Inc.
Chi Operating, Inc.

attachments

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

June 25, 2010

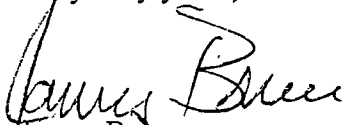
Certified Mail - Return Receipt Requested

Featherstone Development Corporation
P.O. Box 429
Roswell, New Mexico 88202

Ladies and gentlemen:

Chi Operating, Inc. has filed an application with the New Mexico Oil Conservation Division seeking an unorthodox well location in the Delaware formation in the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 12, Township 19 South, Range 30 East, N.M.P.M., Eddy County, New Mexico. A copy of the application is enclosed. You offset the well. If you object to the application, you must notify the Division in writing no later than 20 days from the date of this letter (the Division's address is 1220 South St. Francis Drive, Santa Fe, New Mexico 87505). Failure to object will preclude you from contesting this matter at a later date.

Very truly yours,


James Bruce

Attorney for Chi Operating, Inc.

RECEIVED JUN 28 2010

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

June 25, 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. 22
<u>Surface location:</u>	750 feet FNL & 1805 feet FWL
<u>Bottom hole location:</u>	750 feet FNL & 2620 feet FWL
<u>Well unit:</u>	NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 12, Township 19 South, Range 30 East, N.M.P.M., Eddy County, New Mexico

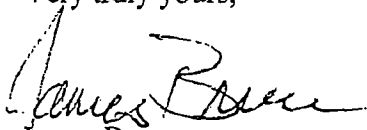
The well will be drilled to the Delaware formation (Benson-Delaware Pool). Under the Division's statewide rules, spacing in the Delaware formation is 40 acres, with wells to be at least 330 feet from a quarter-quarter section line. A Form C-102 is attached as **Exhibit A**.

The well is in the potash area, and the BLM severely restricts well locations in that area. Please note that this well is in the Benson Delaware Unit, recently approved by the Division by Order No. R-13262. **Exhibit B**. The well may initially be a producer, but will ultimately be an injection well. The well's location was selected for its location as an injector.

The offsetting NW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 12 is covered by State Lease V-6639. **Exhibit C**. Notice has been given to the owner of the offsetting lease. **Exhibit D**.

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

Very truly yours,



James Bruce

Attorney for Chi Operating, Inc.

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

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

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

DISTRICT IV
1900 S. ST. FRANCIS DR., SANTA FE, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION
1900 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C
Revised October
Submit to Appropriate District
State Lease -
Fee Lease -

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED RE

API Number	Pool Code	Pool Name
Property Code	Property Name MUNCHKIN FEDERAL UNIT	Well Number 22W
OGRID No.	Operator Name CHI OPERATING	Elevation 3454'

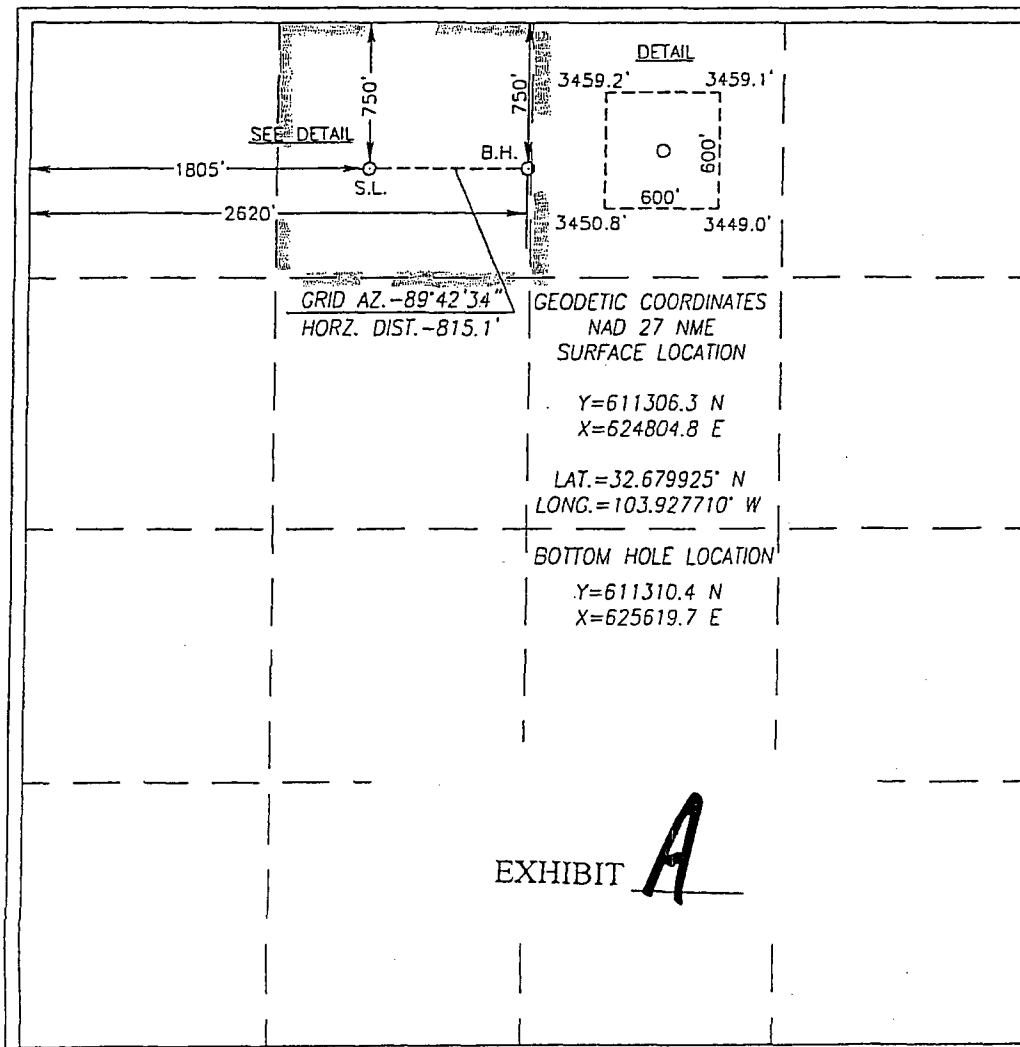
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	12	19-S	30-E		750	NORTH	1805	WEST	EDD

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
C	12	19-S	30-E		750	NORTH	2620	WEST	EDD
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.						

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



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.

Signature _____ Date _____

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.

Date Surveyed _____

Signature & Seal of Professional Surveyor

Ronald J. Eidson 06/17/2001
10.15.08.71

Certificate No. GARY G. EIDSON 1264
RONALD J. EIDSON 3239

IT IS FURTHER ORDERED THAT:

(9) Chi Operating, Inc. (Operator) is hereby authorized to institute secondary recovery operations within the Unit Area initially by the injection of water into the Unitized Formation of the Benson-Delaware Pool, in the interval from 4470 to 5200 feet below the surface, through the following nine wells to be located in Township 19 South, Range 30 East, NMPM, in Eddy County, New Mexico:

Well Name	Surface Location	Bottom Hole Location
Munchkin #22W	900 FNL & 1980 FWL, C-12	930 FNL & 2620 FWL, C-12 ✓
Munchkin #21W		1050 FNL & 1150 FWL, D-12
Munchkin #20W	1400 FNL & 400 FWL, D-12	1350 FNL & 20 FWL, D-12
Munchkin #19W	2300 FNL & 400 FEL, B-11	1300 FNL & 1000 FEL, A-11
Munchkin #18W		1500 FSL & 2200 FEL, J-1
Munchkin #17W		1700 FSL & 1500 FWL, K-1
Munchkin #16W		300 FSL & 1650 FEL, O-1
Munchkin #15W		300 FSL & 1550 FWL, N-1
Munchkin #14W	330 FNL & 500 FWL, D-12	330 FNL & 330 FWL, D-12

(10) No fresh water shall be used as make-up water or otherwise injected pursuant to the injection authorization herein provided.

(11) Operator shall take all steps necessary to ensure that the injected water enters only the proposed injection interval and is not permitted to escape to other formations or onto the surface from injection, production, or plugged and abandoned wells.

(12) Injection into each of the wells identified above shall be accomplished through 2 7/8 inch plastic lined or fiberglass lined tubing installed in a packer located within 100 feet of the uppermost injection perforations or casing shoe. The casing-tubing annulus shall be filled with an inert fluid, and a gauge or approved leak-detection device shall be attached to the annulus in order to determine leakage in the casing, tubing, or packer.

(13) The injection wells or pressurization system shall be equipped with a pressure control device or acceptable substitute that will limit the surface injection pressure to no more than 860 pounds per square inch.

(14) The Division Director may administratively authorize a pressure limitation in excess of the above upon a showing by the operator that such higher pressure will not result in the fracturing of the injection formation or confining strata.

(15) The Division Director may administratively authorize additional injection wells within the Unit Area as provided in Division Rule 19.15.26.8.A NMAC.

EXHIBIT

B

1 Record found.

Lease Number:

V0-6639-0000

Company name: FEATHERSTONE DEVELOPMENT CORPORATION
Company ID: 123330
Assigned from: N/A
Total acres: 40.00
Prod stat: N/A

Lease term:

Lease term: FIVE(5) YEAR TERM, 1/6th ROYALTY
Issue date: 6/1/2002
Termination date: Active
Termination reason: N/A
Current term: Extended Primary Term

Billing information:

Bill to: FEATHERSTONE DEVELOPMENT CORPORATION
Rent per acre: 1.00
Billing frequency: Annual
Minimum annual rent: 40.00
Last bill date: 5/6/2010
Next bill date: 6/1/2011
Escalation: 0

Land information:

Section	Township	Range	Unit Letter	Lot	Tract	Acreage
12	19S	30E	B			40.00

EXHIBIT

C

STATE LAND OFFICE DATA ACCESS[Home](#)[Select a different page.....](#)[Go Tech](#)[NM State Land
Office](#)

lessee details

FEATHERSTONE DEVELOPMENT CORPORATION

[\[List Active Leases\]](#) - [\[List All Leases\]](#)

OGRID: 123330
Issuing Agency: SLO
Effective Date: 10/18/1994
Last Modified: 8/15/2008

Address:

PO BOX 429
ROSWELL, NM U.S.A.
88202

Phone: 505-623-2432
Fax: 505-625-2620

Units:[Printer Friendly](#)[Download](#)[Give Feedback](#)

If you have any questions about the data or this site please contact Joe Mraz (jmraz@slo.state.nm.us) of the State Land Office.

Site maintained by the PRRC, webmaster.gotech_prrc@yahoo.com

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)

jamesbruce@aol.com

June 25, 2010

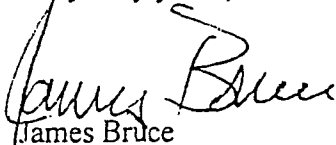
Certified Mail - Return Receipt Requested

Featherstone Development Corporation
P.O. Box 429
Roswell, New Mexico 88202

Ladies and gentlemen:

Chi Operating, Inc. has filed an application with the New Mexico Oil Conservation Division seeking an unorthodox well location in the Delaware formation in the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 12, Township 19 South, Range 30 East, N.M.P.M., Eddy County, New Mexico. A copy of the application is enclosed. You offset the well. If you object to the application, you must notify the Division in writing no later than 20 days from the date of this letter (the Division's address is 1220 South St. Francis Drive, Santa Fe, New Mexico 87505). Failure to object will preclude you from contesting this matter at a later date.

Very truly yours,


James Bruce

Attorney for Chi Operating, Inc.

EXHIBIT D