



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**

Governor

**Joanna Prukop**

Cabinet Secretary

**Mark E. Fesmire, P.E.**

Director

**Oil Conservation Division**

February 17, 2005  
Chi Operating, Inc.  
P.O. Box 1799  
Midland, TX 79702  
Attn: Mr. John Wolf

**RE: Chi Operating, Inc.'s Authorization to Produce the: Munchkin Federal # 5, located in Unit F (1700' FNL & 1980' FWL) of Section 12, Township 19 South Range 30 East Eddy County, New Mexico. API # 30-015-33725**

Dear Mr. Wolf,

The New Mexico Oil Conservation Division (NMOCD) is in receipt of regulatory paperwork on the above noted well.

In reviewing your subsequent reports, completion reports, etc., Chi Operating, Inc. has failed again to comply with NMOCD rules and regulations on what seems to be common and on a well-by-well basis. In the subsequent report dated 2/7/2005 the actual time for waiting on cement is lacking as well as the casing pressure test and the time the tests were performed for each string of casing.

Please refer to NMOCD Rules 107(G)(1) & (I) and NMOCD Rule 1103(D).

Please note however that the WOC time and other requirements were to comply with R-111-P.

Please be prepared to submit additional data if requested.

Also, please be aware that Chi Operating, Inc. is in violation to NMOCD Rule 1103.(D) in the timeliness of reporting as it is somewhat past the 10 days an operator is required to report such tests.

As for the reporting of formation tops on said well, I find it interesting that Chi Operating, Inc. has created new geological formations that this well bore has penetrated such as the Lima, November, Oscar, etc. please provide some type of explanation, if possible, why your company chooses to deviate from what should be the actual geological tops penetrated.

Finally, please note that NMOCD Rule 1105.(A) reads: A. Within 20 days following the completion or recompletion of any well, the operator shall file form C-105 with the division. It must be filed in quintuplicate and each copy accompanied by a summary of all special tests conducted on the well, including drill stem tests. In addition, one copy of **all electrical and radio-activity logs run on the well must be filed with form C-105**. If the form C-105 with attached log(s) and summaries is not received by the division within the specified 20-day period, the allowable for the well will be withheld until this rule has been complied with.

In reviewing the other services provided by your logging contractor, Schlumberger, the other logs ran on said well have not been submitted.

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**Lastly, please be aware, as noted in the past that the operator has the responsibility of the other follwing NMOCD Rules, 12.**

19.15.1.12 ENFORCEMENT OF  
STATUTES AND RULES:

The division is charged with the duty and obligation of enforcing all rules and statutes of the state of New Mexico relating to the conservation of oil and gas including the protection of public health and the environment. However, it shall be the responsibility of all the owners or operators to obtain information pertaining to the regulation of oil and gas before operations begin.

[1-1-50...2-1-96; A, 7-15-99; 19.15.1.12 NMAC - Rn, 19 NMAC 15.A.12, 5-15-01]

19.15.1.14 UNITED STATES  
GOVERNMENT LEASES:

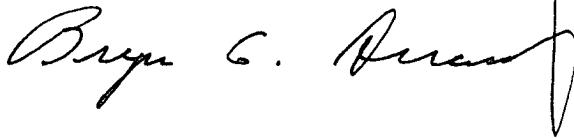
Operator shall file or cause to be filed with the division copies of "application for permit to drill, deepen or plug back," (BLM form no. 3160-3), "sundry notices and reports on wells," (BLM form no. 3160-5), and "well completion or recompletion report and log," (BLM form no. 3160-4), as approved by the bureau of land management for wells on U.S. government land.

[1-1-50...2-1-96; 19.15.1.14 NMAC - Rn, 19 NMAC 15.A.14, 5-15-01]

Please re-submit amended copies of the Bureau of Land Management's regulatory reports and missing logs or make plans to shut-in well by 2/25/2005.

As always, please feel free to call if you have any questions regarding this matter

Yours truly,  
Bryan G. Arrant  
PES



CC: Tim Gum-District Supervisor-Artesia  
Jose Daniel Sanchez-Enforcement and Compliance Manager-Santa Fe  
Bureau of Land Management-John Simitz-Roswell Geologist  
Well File