

# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**

Governor

**Joanna Prukop**

Cabinet Secretary

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

Director

Oil Conservation Division

October 30, 2007

James Bruce  
Attorney at Law  
P.O. Box 1056  
Santa Fe, NM 87501

RE: **Munchikin Federal Well No. 12 (API No. 30-015-35791)**  
**2547 feet FNL & 519 feet FWL (Unit E) (Surface Location)**  
**2506 feet FSL & 671 feet FWL (Top of Delaware) (Unorthodox)**  
**2310 feet FSL & 800 feet FWL (Unit L) (Bottom-Hole Location)**  
**NW/4SW/4 of Section 12, T-19 -S, R-30-E,**  
**NMPM, Eddy County, New Mexico**

**Administrative Order NSL-5706**

Dear Mr. Bruce:

Reference is made to the following:

(a) your application (**administrative application reference No. pTDS0727548378**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on October 3, 2007, on behalf of Chi Operating, Inc. ("Chi"); and

(b) the Division's records pertinent to Chi's request.

Chi Operating, Inc. requests to drill its Munchikin Federal Well No. 12 as a horizontal well at an unorthodox Delaware oil well location as referenced above in Section 12, Township 19 South, Range 30 East, N.M.P.M., in Eddy County, New Mexico.

The NW/4SW/4 of Section 12 will be dedicated to this well to form a standard 40-acre oil spacing and proration unit. Chi operating, Inc. intends to test the Delaware formation, Benson-Delaware Pool. These pools are governed by the Division's Statewide Rules and Regulations which provide for wells on 40-acre spacing units to be located no closer than 330 feet to the outer boundary of the quarter-quarter section on which the well is located.

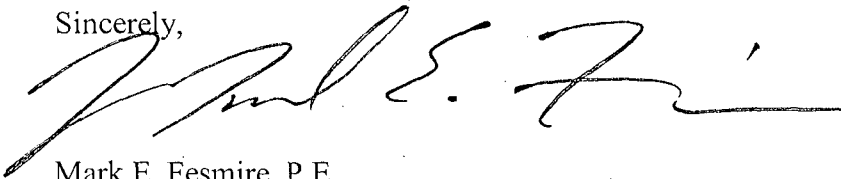
Your application on behalf of Chi Operating, Inc. has been duly filed under the provisions of Division Rules 104. F. It is our understanding that the W/2 of Section 12 is subject to the Federal lease NM 0560353, and this acreage has common ownership in the Delaware formation, therefore no notice of this application is required.

It is our understanding that the unorthodox location of this well is necessitated by the presence of a recreational area, and that the Bureau of Land management (BLM) required that the surface location of this well be in the SW/4NW/4 of Section 12.

Pursuant to the authority granted under the provisions of Division Rules 104. F(2), the above-described unorthodox Delaware, Benson-Delaware oil pool location is hereby approved.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark E. Fesmire', with a stylized flourish at the end.

Mark E. Fesmire, P.E.  
Director

MEF/re

cc: New Mexico Oil Conservation Division - Artesia