



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



November 10, 2009

Mr. James Bruce
P.O. Box 1056
Santa Fe, NM 87504

Administrative Order NSL-6112

**Re: Chi Operating, Inc.
Munchkin Federal Well No. 7
API No. 30-015-33933
2475 feet FNL and 2310 feet FWL
Unit F, Section 12-19S-30E
Eddy County, New Mexico**

Dear Mr. Bruce:

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW09-30946572**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Chi Operating, Inc. (Chi), on November 5, 2009, and

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

Chi has requested to re-complete the above-referenced well in the Yates formation at an unorthodox oil well location, described above in the caption of this letter. The SE/4 NW/4 of Section 12 will be dedicated to this well in order to form a standard 40-acre oil spacing unit in the undesignated East Benson-Yates Pool (5530) or the undesignated Shugart-Yates/Seven Rivers/Queen/Grayburg Pool (56439). These pools are governed by statewide Rule 15.9.A, which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is less than 330 feet from the southern unit boundary.

Your application on behalf of Chi has been duly filed under the provisions of Division Rules 15.13 and 4.12.A(2).

It is our understanding that Chi is seeking approval of this location in order to utilize an existing wellbore which was originally drilled at this location to comply with United States Bureau of Land Management surface siting requirements.



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It is also understood that notice of this application to offsetting operators or owners is unnecessary due to common ownership.

Pursuant to the authority conferred by Division Rule 15.13.B, the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 5.9.

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', written in a cursive style.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia
United States Bureau of Land Management - Carlsbad