

DATE IN <u>11/5/09</u>	SUSPENSE	ENGINEER <u>Brooks</u>	LOGGED IN <u>11/5/09</u>	TYPE <u>NSL</u>	PTG <u>10</u>	APP NO. <u>0930946572</u>
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ABOVE THIS LINE FOR DIVISION USE ONLY

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

RECEIVED OGD CLi Op.
 2009-11-5 P 12:58 6112
Manchin Fed #7

ADMINISTRATIVE APPLICATION CHECKLIST

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]

30-015-33933

[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

[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
 P.O. Box 1056
 Santa Fe, New Mexico 87504

James Bruce
 Signature

Attorney for Applicant
 Title Date

11/5/09

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 5, 2009

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:

Well name: Munchkin Fed. Well No. 7
Location: 2475 feet FNL & 2310 feet FWL
Well unit: SE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 12, Township 19 South, Range 30 East, N.M.P.M.,
Eddy County, New Mexico

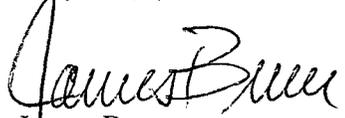
The well will was directionally drilled to test the Delaware formation, but was unsuccessful in that zone. **Exhibit A.** Applicant proposes to re-complete the well uphole in the Yates formation (Undesignated). Under the Division's statewide rules, spacing in the Yates formation is 40 acres, with wells to be at least 330 feet from a quarter-quarter section line. A Form C-102 is attached as **Exhibit B.**

The Yates formation is found at the approximate depths of 2240-2430 feet subsurface. Therefore (see page 2 of Exhibit A), the unorthodox location in the Yates formation is the same as the well's surface location. (The well's surface location was unorthodox because it is in the potash area, and to comply with BLM surface use requirements.)

The W $\frac{1}{2}$ and SE $\frac{1}{4}$ of Section 12 are covered by Federal Lease NM 0560353. **Exhibit C.** Interest ownership (royalty overriding royalty, and working interest) in the well unit and in the offsetting acreage is uniform as to the subject depths. Therefore, there is no adversely affected offset owner.

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

Very truly yours,


James Bruce

Attorney for Chi Operating, Inc.

N.M. Oil Cons. DIV-Dist. 2

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
1801 W. Grand Avenue
Alamosa, NM 88210

FORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No. NM-0560353		6. If Indian, Allottee or Tribe Name	
7. If Unit or CA Agreement, Name and No.		8. Lease Name and Well No. Munchkin Federal, No. 7	
9. API Well No. 30-015-33933		10. Field and Pool, or Exploratory Benson Delaware	
11. Sec., T., R., M., or Blk. and Survey or Area Sec. 12-T19S-R30E		12. County or Parish Eddy	
13. State NM		14. Distance in miles and direction from nearest town or post office* 16 road miles South. of Loco Hills, NM	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 2310'		16. No. of Acres in lease 2160.32	
17. Spacing Unit dedicated to this well 40		18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 842'	
19. Proposed Depth 5,500'		20. BLM/BIA Bond No. on file NM-1616	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3433' GL		22. Approximate date work will start* 11/1/04	
23. Estimated duration 3-4 weeks		24. Attachments Capitan Controlled Water Basin	

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The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- 1. Well plat certified by a registered surveyor.
- 2. A Drilling Plan.
- 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- 5. Operator certification.
- 6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature: George R. Smith Name (Printed Typed): George R. Smith Date: 9/30/04

Title: Agent for Chi Operating, Inc.
Approved by (Signature): RON DUNTON Name (Printed Typed): RON DUNTON Date: JAN 28 2005
Title: ACTING STATE DIRECTOR Office: NM STATE OFFICE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached. APPROVAL FOR 1 YEAR

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on reverse)

Lease Responsibility Statement: Chi Operating, Inc. accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land or portion thereof.

G.R.S.
George R. Smith, agent

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

EXHIBIT A

CHI OPERATING

Structure : Munchikin FED #7

Slot : slot #1

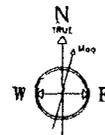
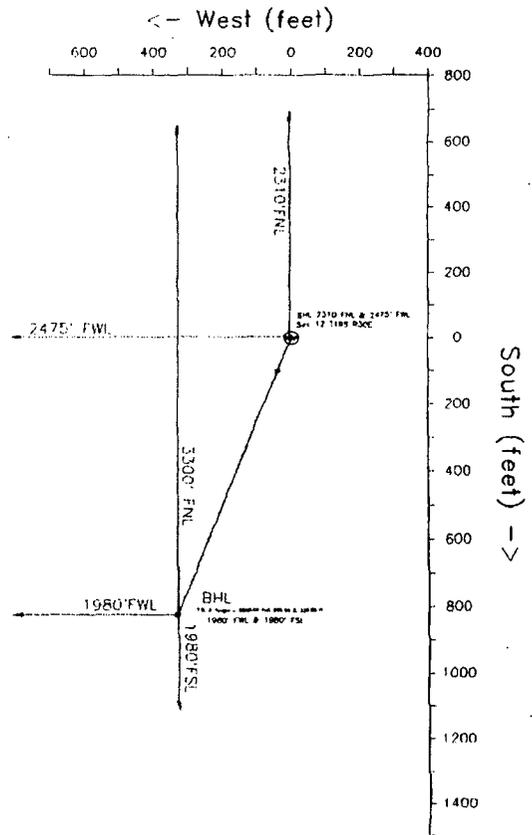
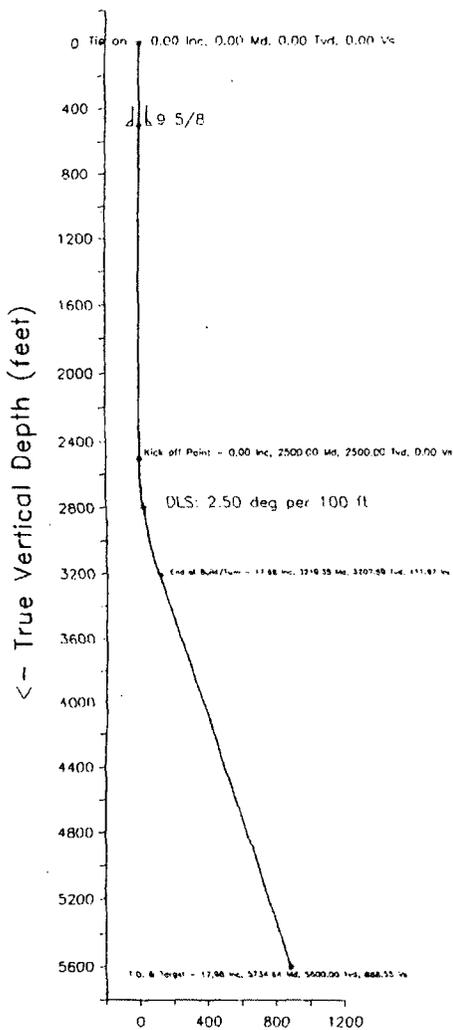
Field : UNKNOWN

Location : Eddy County New Mexico

Created by: dorf
 Date plotted: 22-Sep-2004
 Plot Reference to Plot 1.
 Coordinates are in feet reference slot #1.
 True Vertical Depths are reference rotary table.
 1ed7pp
 --- Baker Hughes INTEQ ---

WELL PROFILE DATA

Point	MD	Inc	Dir	TVD	North	East	V. Sect	Deg/100
Tie on	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
End of Hold	500.00	0.00	0.00	500.00	0.00	0.00	0.00	0.00
KOP	2500.00	0.00	0.00	2500.00	0.00	0.00	0.00	0.00
End of Build/Turn	3219.35	17.98	201.80	3207.59	-103.96	-41.58	111.97	2.50
T.D. & Target BHL	5734.64	17.98	201.80	5600.00	-825.00	-330.00	888.55	0.00



22-Sep-2004 (source: BQM 2003)
 Magnetic North is 8.58 degrees East of TRUE North
 To correct azimuth from Magnetic to TRUE add 8.58 deg

Azimuth 201.80 with reference 0.00 N, 0.00 E from slot #1

District I
1825 N. French Dr. Hobbs, NM 88240

District II
811 South First, Artesia, NM 88210

District III
1000 Rio Brazos Rd., Aztec NM 87410

District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources
OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, N M 87505

Form C-102
Revised March 17, 1999
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

E. Benson
Shugart
YSR-Q
GB

API Number 30-015-33933	Pool Code 97083	Pool Name Benson-Delaware Undergr Water
Property Code	Property Name MUNCHKIN FEDERAL	Well Number 7
OCRID No. 4378	Operation Name CHI OPERATING, INC.	Elevation 3433

Surface Location

UL or Lot No.	Section	Township	Range	Lot Idn.	Feet from the	North/South line	Feet from the	East/West line	County
F	12	19-S	30-E		2475	NORTH	2310	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
K	12	19-S	30-E		1980	SOUTH	1980	WEST	EDDY

Dedicated Acres 1.0	Joint or Infill	Consolidation Code	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTEREST HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<p>OPERATOR CERTIFICATION I HEREBY CERTIFY THAT THE INFORMATION HEREIN IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.</p>
	<p><i>George R. Smith</i> Signature George R. Smith</p>
	<p>Printed Name agent</p>
	<p>Title 9/30/04</p> <p>Date</p>
	<p>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 KNOWLEDGE AND BELIEF.</p> <p>JUNE 24, 2004 Date of Survey</p> <p><i>DAN W. REDD</i> Signature and Seal of Professional Surveyor</p> <p>NEW MEXICO 5412 REGISTERED LAND SURVEYOR</p> <p><i>DAN W. REDD</i> NMP REG. PS PROFESSIONAL SURVEYOR Certificate Number</p>

EXHIBIT B

**DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
CASE RECORDATION
(MASS) Serial Register Page**

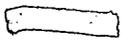
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01 02-25-1920;041STAT0437;30USC226
Case Type 311111: O&G LSE NONCOMP PUB LAND
Commodity 459: OIL & GAS L
Case Disposition: AUTHORIZED

Total Acres
2,160.320

Serial Number
NMNM-- 0 560353



Serial Number: NMNM-- 0 560353

Name & Address			Serial Number: NMNM-- 0 560353	Int Rel	% Interest
ANDERSON OIL LTD	5005 WOODWAY DR STE 300	HOUSTON TX 770561784	OPERATING RIGHTS		0.00000000
ASTON FAMILY	PO BOX 1090	ROSWELL NM 882021090	OPERATING RIGHTS		0.00000000
ASTON ROGERS	PO BOX 1090	ROSWELL NM 882021090	OPERATING RIGHTS		0.00000000
BRAZOS LP	PO BOX 911	BRECKENRIDGE TX 76424	OPERATING RIGHTS		0.00000000
BROWN L Z	PO BOX 179	ANDREWS TX 79714	OPERATING RIGHTS		0.00000000
BYRNE JOSEPH H	21 BRENTWOOD CLUB	LUBBOCK TX 79407	OPERATING RIGHTS		0.00000000
CANNON EXPL CO	3608 S COUNTY RD #1184	MIDLAND TX 79701	OPERATING RIGHTS		0.00000000
CHASE OIL CORP	PO BOX 1767	ARTESIA NM 882111767	OPERATING RIGHTS		0.00000000
CLIFTON THOMAS OIL	PO BOX 1071	SAN ANGELO TX 76902	OPERATING RIGHTS		0.00000000
COLKELAN CORP	906 S ST FRANCIS #C	SANTA FE NM 87501	OPERATING RIGHTS		0.00000000
CRESCENT PORTER HALE	1705 1ST CITY NATIONAL BK	HOUSTON TX 77002	OPERATING RIGHTS		0.00000000
CRESCENT PORTER HALE	1705 1ST CITY NATIONAL BK	HOUSTON TX 77002	LESSEE		100.00000000
DEVON ENERGY PROD CO LP	20 N BROADWAY #1500	OKLAHOMA CITY OK 73102	OPERATING RIGHTS		0.00000000
DIAMOND HEAD PROP	PO BOX 2127	MIDLAND TX 79702	OPERATING RIGHTS		0.00000000
DOMINION OK TX EXPL & PROD INC	14000 QUAIL SPGS PKY #600	OKLAHOMA CITY OK 73134	OPERATING RIGHTS		0.00000000
EAKO LLC	PO BOX 1090	ROSWELL NM 882021090	OPERATING RIGHTS		0.00000000
EXBY LTD	PO BOX 1933	ROSWELL NM 88202	OPERATING RIGHTS		0.00000000
EXPLORERS PETRO CORP	PO BOX 1933	ROSWELL NM 882021933	OPERATING RIGHTS		0.00000000
FLAG REDFERN OIL CO	PO BOX 11050	MIDLAND TX 79702	OPERATING RIGHTS		0.00000000
GREAT WESTERN DRLG CO	PO BOX 1659	MIDLAND TX 79702	OPERATING RIGHTS		0.00000000
GREEN GARY	PO BOX 1799	MIDLAND TX 79702	OPERATING RIGHTS		0.00000000
GROVER ROSALIND R	PO BOX 2127	MIDLAND TX 79702	OPERATING RIGHTS		0.00000000
HARVEY E YATES CO	1007 MARQUETTE NW	ALBUQUERQUE NM 87102	OPERATING RIGHTS		0.00000000
HARVEY E YATES CO	PO BOX 1933	ROSWELL NM 882021933	OPERATING RIGHTS		0.00000000
JAMES H YATES INC	906 S ST FRANCIS DR	SANTA FE NM 87501	OPERATING RIGHTS		0.00000000
JOHN REDFERN JR EST	BOX 50896	MIDLAND TX 79710	OPERATING RIGHTS		0.00000000
LARIO OIL & GAS CO	BOX 155	MIDLAND TX 79702	OPERATING RIGHTS		0.00000000
MALONEY ROSE ANN	810 STANOLIND	MIDLAND TX 79705	OPERATING RIGHTS		0.00000000
MANN CLIFTON	307 PEARSON RD	LAKE ARTHUR NM 88253	OPERATING RIGHTS		0.00000000
MCCOMBS ENERGY LLC	5599 SAN FELIPE #1220	HOUSTON TX 770562794	OPERATING RIGHTS		0.00000000
MURCHISON OIL & GAS INC	1100 MIRA VISTA BLVD	PLANO TX 750934698	OPERATING RIGHTS		0.00000000
NADEL & GUSSMAN CAPITAN LLC	15 E 5TH ST #3200	TULSA OK 74103	OPERATING RIGHTS		0.00000000
NEARBURG EXPL CO LLC	3300 N A ST #120	MIDLAND TX 79705	OPERATING RIGHTS		0.00000000
OWEN MARK T	3323 PROVIDENCE	MIDLAND TX 79705	OPERATING RIGHTS		0.00000000
POCAHONTAS OIL CO INC	PO BOX 60476	MIDLAND TX 79710	OPERATING RIGHTS		0.00000000
QUALLS JOHN W	PO BOX 1799	MIDLAND TX 79702	OPERATING RIGHTS		0.00000000
REDFERN OIL CO	PO BOX 50890	MIDLAND TX 79710	OPERATING RIGHTS		0.00000000
REDFERN ROSALIND	PO BOX 2127	MIDLAND TX 79702	OPERATING RIGHTS		0.00000000
RIO LOBO RESOURCES	2006 NORTH H	MIDLAND TX 79705	OPERATING RIGHTS		0.00000000
RYAN JO ANN	PO BOX 1503	MIDLAND TX 79702	OPERATING RIGHTS		0.00000000
SELIGMAN KEN	PO BOX 545	ALBANY TX 76430	OPERATING RIGHTS		0.00000000
SHUMATE GENE	BOX 2473	MIDLAND TX 79702	OPERATING RIGHTS		0.00000000
SPELL INC	BOX 50890	MIDLAND TX 79710	OPERATING RIGHTS		0.00000000
SPIRAL INC	BOX 1933	ROSWELL NM 882021933	OPERATING RIGHTS		0.00000000
STEPHENS TOM P	BOX 698	ROSWELL NM 882020698	OPERATING RIGHTS		0.00000000
TOM P STEPHENS TRUST	PO BOX 698	ROSWELL NM 882020698	OPERATING RIGHTS		0.00000000
VALKO LLC	PO BOX 1090	ROSWELL NM 882021090	OPERATING RIGHTS		0.00000000

NO WARRANTY IS MADE BY BLM
FOR USE OF THE DATA FOR
PURPOSES NOT INTENDED BY BLM

EXHIBIT

**DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
CASE RECORDATION
(MASS) Serial Register Page**

RunDate/Time: 11/05/09 09:09 AM

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WELCH DANA L	PO BOX 1700	MIDLAND TX 79702	OPERATING RIGHTS	0.000000000
WOMACK KIM	1900 NORTH I ST	MIDLAND TX 79705	OPERATING RIGHTS	0.000000000
YATES CAROLYN BULOVAS	600 N WYOMING	ROSWELL NM 88201	OPERATING RIGHTS	0.000000000
YATES ENERGY CORP	PO BOX 2323	ROSWELL NM 882022323	OPERATING RIGHTS	0.000000000
YATES STEVEN M	BOX 1933	SAN FRANCISCO CA 94104	OPERATING RIGHTS	0.000000000

Serial Number: NMNM-- 0 560353

Mer Twp	Rng	Sec	STyp	SNr	Suff	Subdivision	District/Resource Area	County	Mgmt Agency
23	0190S	0300E	001	ALIQ		S2NW,SW,S2SE;	CARLSBAD FO	EDDY	BUREAU OF LAND MGMT
23	0190S	0300E	001	LOT:		4;	CARLSBAD FO	EDDY	BUREAU OF LAND MGMT
23	0190S	0300E	010	ALIQ		N2NE,SWNE,W2,SE;	CARLSBAD FO	EDDY	BUREAU OF LAND MGMT
23	0190S	0300E	011	ALIQ		N2,N2SW,SESW,SE;	CARLSBAD FO	EDDY	BUREAU OF LAND MGMT
23	0190S	0300E	012	ALIQ		E2NE,SWNE,W2,SE;	CARLSBAD FO	EDDY	BUREAU OF LAND MGMT

Serial Number: NMNM-- 0 560353

Act Date	Code	Action	Action Remarks	Pending Office
10/31/1947	387	CASE ESTABLISHED		
11/01/1947	496	FUND CODE	05;145003	
11/01/1947	530	RLTY RATE - 12 1/2%		
11/01/1947	868	EFFECTIVE DATE		
06/20/1966	553	CASE CREATED BY ASGN	OUT OF NMLC063613;	
09/15/1966	500	GEOGRAPHIC NAME	UNDEFINED FLD;	
09/15/1966	510	KMA CLASSIFIED		
09/20/1966	315	RENTAL RATE DET/ADJ	\$1.00;	
03/19/1971	817	MERGER RECOGNIZED	FLAG OIL/FLAG-REDFERN	
03/19/1971	817	MERGER RECOGNIZED	REDFERN DEV/FLAG-REDF	
03/19/1971	817	MERGER RECOGNIZED	REDFERN OIL/FLAG-REDF	
03/19/1971	817	MERGER RECOGNIZED	REDFERN&SONS/FLAG-RED	
01/20/1975	284	REINSTATEMENT FILED		
02/07/1975	282	REINSTATEMENT APPROVED		
06/28/1982	650	HELD BY PROD - ACTUAL		
09/27/1982	102	NOTICE SENT-PROD STATUS		
11/19/1982	246	LEASE COMMITTED TO CA	SCR 390	
12/29/1982	932	TRF OPER RGTS FILED		
12/30/1982	932	TRF OPER RGTS FILED	(1)	
12/30/1982	932	TRF OPER RGTS FILED	(2)	
01/18/1983	932	TRF OPER RGTS FILED	(1)	
01/18/1983	932	TRF OPER RGTS FILED	(10)	
01/18/1983	932	TRF OPER RGTS FILED	(11)	
01/18/1983	932	TRF OPER RGTS FILED	(12)	
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01/18/1983	932	TRF OPER RGTS FILED	(3)	
01/18/1983	932	TRF OPER RGTS FILED	(4)	
01/18/1983	932	TRF OPER RGTS FILED	(5)	
01/18/1983	932	TRF OPER RGTS FILED	(8)	
01/18/1983	932	TRF OPER RGTS FILED	(9)	
02/02/1983	932	TRF OPER RGTS FILED		
02/03/1983	932	TRF OPER RGTS FILED		
02/04/1983	932	TRF OPER RGTS FILED		
04/13/1983	932	TRF OPER RGTS FILED	(1)	
04/13/1983	932	TRF OPER RGTS FILED	(10)	

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