

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Jon Goldstein
Cabinet Secretary

Jim Noel
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



June 23, 2010

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

Administrative Order NSL-6219

Re: Chi Operating, Inc.
Munchkin Federal Well No. 21
API No. 30-015
900 feet FNL & 1100 feet FWL
Unit D, Section 12-19S-30E
Eddy County, New Mexico

Dear Mr. Bruce:

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW10-17357024**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Chi Operating, Inc. [OGRID 4378] (Chi), on June 22, 2010, and

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

Chi has requested to drill the above-referenced well at an unorthodox oil well location, described above in the caption of this letter. The NW/4 NW/4 of Section 12 will be dedicated to this well in order to form a standard 40-acre spacing unit in the Benson-Delaware Pool (97083). This pool is 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 eastern 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 this location to comply with United States Bureau of Land Management potash protection requirements.



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

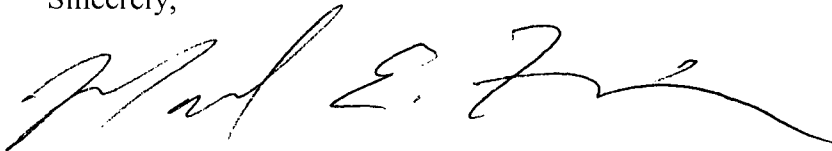
Pursuant to the authority conferred by Division Rule 15.13.B, the above-described unorthodox location is hereby approved.

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

This approval is FURTHER SUBJECT TO THE FOLLOWING CONDITION:
PRODUCTION FROM THIS WELL SHALL NOT BE AUTHORIZED UNTIL ALL WELLS
IN THE BENSON DELAWARE UNIT HAVE BEEN PROPERLY PERMITTED BY THE
DIVISION.

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 long, sweeping horizontal line extending to the right.

Mark E. Fesmire, P.E.
Acting Director

MEF/db

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