

DATE IN <b>8.23.10</b>	SUSPENSE	ENGINEER <b>DB-</b>	LOGGED IN <b>8.23.10</b>	TYPE <b>NSL</b>	APP NO. <b>1023548652</b>
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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



*Chi Operating*  
4378

*Wizard Federal #4*

**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]

*Eddy*

*6247*

**[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 \_\_\_\_\_

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**[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

jamesbruc@aol.com  
 e-mail Address

Date

*8/20/10*

**JAMES BRUCE**  
ATTORNEY AT LAW

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[jamesbruc@aol.com](mailto:jamesbruc@aol.com)

August 20, 2010

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:

<u>Well name:</u>	Wizard Fed. Well No. 4
<u>Location:</u>	1500 feet FSL & 2200 feet FEL
<u>Well unit:</u>	NW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 1, Township 19 South, Range 30 East, N.M.P.M., Eddy County, New Mexico

The well will be drilled to test the Delaware formation (Benson-Delaware Pool). Under the Division's statewide rules, spacing in the Delaware 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 A**.

The well is in the potash area, and the BLM severely restricts well locations in that area. This well is in the Benson Delaware Unit, recently approved by the Division by Order No. R-13262. The well will initially be a producer, and will later be converted to injection (and re-named the Munchkin No. 18, when the unit is finally approved by the BLM). **Exhibit B**. The well's location was selected for its location as an injector.

The NW $\frac{1}{4}$ SE $\frac{1}{4}$  and the offsetting SW $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 1 are covered by Federal Leases LC 063613 and NM 0560353, respectively. However, interest ownership (royalty, overriding royalty, and working interests) is common. **Exhibit C** (this is part of Exhibit B to the Unit Agreement). Therefore, no one needs to be notified of this application.

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

Very/truly yours,

A handwritten signature in cursive script, appearing to read "James Bruce". The signature is written in black ink and is positioned above the printed name.

James Bruce

Attorney for Chi Operating, Inc.

## State of New Mexico

## DISTRICT I

1825 N. FRENCH DR., HONOLULU, HI 96840

Energy, Minerals and Natural Resources Department

Form C-102

## DISTRICT II

1301 W. GRAND AVENUE, ALBUQUERQUE, NM 88210

## OIL CONSERVATION DIVISION

Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

1220 SOUTH ST. FRANCIS DR.

Santa Fe, New Mexico 87505

## DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

## DISTRICT IV

1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

## WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number		Pool Code 97083	Pool Name Benson Delaware
Property Code 29492	Property Name Wizard Federal		Well Number 4
GRID No. 4378	Operator Name CHI OPERATING		Elevation 3512'

## Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	1	19-S	30-E		1500	SOUTH	2200	EAST	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

Dedicated Acres 40	Joint or Infill	Consolidation Code	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

LOT 4 40.32 AC	LOT 3 40.22 AC	LOT 2 40.14 AC	LOT 1 40.04 AC
<p>GEODETIC COORDINATES NAD 27 NME Y=613562.0 N X=626072.4 E LAT.=32.686112° N LONG.=103.923562° W</p>			
<p><b>OPERATOR CERTIFICATION</b></p> <p>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><u>George R. Smith</u> 3/23/10 Signature Date George R. Smith, agent Printed Name</p>			
<p><b>SURVEYOR CERTIFICATION</b></p> <p>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 belief.</p> <p><u>Ronald J. Edson</u> 3/19/09 Date Surveyed REV. 05/19/09 AR Signature &amp; Seal of Professional Surveyor Certificate No. GARY EDSON 12041 RONALD J. EDSON 3239</p>			

EXHIBIT A

**IT IS FURTHER ORDERED THAT:**

(9) Chi Operating, Inc. (Operator) is hereby authorized to institute secondary recovery operations within the Unit Area initially by the injection of water into the Unitized Formation of the Benson-Delaware Pool, in the interval from 4470 to 5200 feet below the surface, through the following nine wells to be located in Township 19 South, Range 30 East, NMPM, in Eddy County, New Mexico:

<u>Well Name</u>	<u>Surface Location</u>	<u>Bottom Hole Location</u>
Munchkin #22W	900 FNL & 1980 FWL, C-12	930 FNL & 2620 FWL, C-12
Munchkin #21W		1050 FNL & 1150 FWL D-12
Munchkin #20W	1400 FNL & 400 FWL, D-12	1350 FNL & 20 FWL, D-12
Munchkin #19W	2300 FNL & 400 FEL, B-11	1300 FNL & 1000 FEL, A-11
<del>Munchkin #18W</del>		<del>1500 FSL &amp; 2200 FEL, J-11</del>
Munchkin #17W		1700 FSL & 1500 FWL, K-1
Munchkin #16W		300 FSL & 1650 FEL, O-1
Munchkin #15W		300 FSL & 1550 FWL, N-1
Munchkin #14W	330 FNL & 500 FWL, D-12	330 FNL & 330 FWL, D-12

(10) No fresh water shall be used as make-up water or otherwise injected pursuant to the injection authorization herein provided.

(11) Operator shall take all steps necessary to ensure that the injected water enters only the proposed injection interval and is not permitted to escape to other formations or onto the surface from injection, production, or plugged and abandoned wells.

(12) Injection into each of the wells identified above shall be accomplished through 2 7/8 inch plastic lined or fiberglass lined tubing installed in a packer located within 100 feet of the uppermost injection perforations or casing shoe. The casing-tubing annulus shall be filled with an inert fluid, and a gauge or approved leak-detection device shall be attached to the annulus in order to determine leakage in the casing, tubing, or packer.

(13) The injection wells or pressurization system shall be equipped with a pressure control device or acceptable substitute that will limit the surface injection pressure to no more than 860 pounds per square inch.

(14) The Division Director may administratively authorize a pressure limitation in excess of the above upon a showing by the operator that such higher pressure will not result in the fracturing of the injection formation or confining strata.

(15) The Division Director may authorize injection wells within the Unit Area as provided in

injection

EXHIBIT

13

**EXHIBIT "B"**  
**SCHEDULE OF OWNERSHIP**

Schedule showing all lands and leases within the  
BENSON DELAWARE UNIT  
Eddy County, New Mexico

TRACT NO.	DESCRIPTION OF LANDS	ACRES	SERIAL NO. & EXPIRATION DATE	BASIC ROYALTY	LESSEE OF RECORD & PERCENTAGE	OVERRIDING ROYALTY & PERCENTAGE	WORKING INTEREST & PERCENTAGE
1	19S-30E §1: NW 1/4 SE 1/4 <div></div>	40.00 acres	LC 063613 HBP	12 1/2%	Crescent Porter Hale Foundation 100% <div></div>	Crescent Porter Hale Foundation 10.00% <div></div> Chi Royalty Pool 1.50% <div></div>	Chi Energy, Inc. 14.50%  Murchison Oil & Gas, Inc. 10.00%  McCombs Energy, Ltd. 64.92%  Westbrook Energy, Inc. 0.50%  Pocahontas Oil Co., Inc. 0.50%  John W. Qualls 0.50%  Ken Seligman 0.50%  Rio Lobo Resources 0.75%  Gary Green 1.50%

EXHIBIT           C

2A	160.00 acres	NM 0560353 HBP	12 1/2%	Crescent Porter Hale Foundation 100%	Crescent Porter Hale Foundation 15.00%	Chi Energy, Inc. 14.50%	Brazos Limited Partnership 5.00%
							Gene Shumate 1.33%
							Murchison Oil & Gas, Inc. 10.00%
							McCombs Energy, Ltd. 64.92%
							Westbrook Energy, Inc. 0.50%
							Pocahontas Oil Co., Inc. 0.50%
							John W. Qualls 0.50%
							Ken Seligman 0.50%
							Rio Lobo Resources 0.75%
							Gary Green 1.50%
							Brazos Limited Partnership 5.00%
							Gene Shumate 1.33%

2B	19S-30E §1: SW¼SW¼, SW¼SE¼	80.00 acres	NM 0560353 HBP	12½%	<p>Crescent Porter Hale Foundation 100%</p> <p>Crescent Porter Hale Foundation 10.00%</p> <p>Chi Royalty Pool 1.50%</p> <p>Chi Energy, Inc. 14.50%</p> <p>Murchison Oil &amp; Gas, Inc. 10.00%</p> <p>McCombs Energy, Ltd. 64.92%</p> <p>Westbrook Energy, Inc. 0.50%</p> <p>Pocahontas Oil Co., Inc. 0.50%</p> <p>John W. Qualls 0.50%</p> <p>Ken Seligman 0.50%</p> <p>Rio Lobo Resources 0.75%</p> <p>Gary Green 1.50%</p> <p>Brazos Limited Partnership 5.00%</p> <p>Gene Shumate 1.33%</p> <p>Chi Energy, Inc. 14.50%</p> <p>Murchison Oil &amp; Gas, Inc. 10.00%</p>
2C	19S-30E §1: SE¼SW¼	40.00 acres	NM 0560353 HBP	12½%	<p>Crescent Porter Hale Foundation 100%</p> <p>Crescent Porter Hale Foundation 10.00%</p>