



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



March 2, 2010

David Brooks
Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Hand-delivered

James Bruce
P.O. Box 1056
Santa Fe NM 87504-1056

e-mail: jamesbruc@aol.com

via mail and e-mail

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RECEIVED OCD

Re: Chi Operating, Inc., OGRID 4378
Case No. 14353

Dear Mr. Brooks and Mr. Bruce:

The Oil Conservation Division (OCD) entered its appearance in Case No. 14353 to notify the hearing examiners that Chi Operating, Inc. (Chi) was out of compliance with 19.15.5.9 NMAC (Part 5.9). The matter was originally heard some time last summer. At that time, the OCD presented evidence that Chi was out of compliance with Part 5.9 based on its violation of the inactive well rule and financial assurance requirements. The matter has been continued many times, to give Chi time to return to compliance. The case is currently scheduled to be heard on the March 4, 2010 docket.

I am writing to inform you that according to OCD records, Chi is currently in compliance with Part 5.9 as to inactive wells and financial assurances.



Inactive wells:

As the operator of 107 wells, Chi may have no more than 5 wells out of compliance with the inactive well rule. Chi currently has 3 wells out of compliance:

1. 114 # 114, 30-015-26263. Federal well. Last production 04/2006.
2. Crozier 28 Federal #001, 30-015-35573. Federal well. Last production 08/2008.
3. Munchkin Fed #007, 30-015-33933. Federal well. According to the well file, this well was drilled in November 2006. The well file includes several notices of intent to plug back. The most recent notice was denied. The OCD issued Chi a letter of violation dated 8-6-09 regarding the inactive well violation.

Since the OCD entered its appearance in this matter, Chi has returned the following wells to compliance with the inactive well rule:

1. Elkan #002, 30-025-38525. Plugged and abandoned.
2. Elkan #002Y, 30-025-38186. Plugged and abandoned.
3. Footjoy 14 State #001, 30-015-33721. Plugged and abandoned.
4. In Bounds Com #001, 30-015-31600. Plugged and abandoned.
5. Nicols 30 State Com #002, 30-015-36788. Plugged and abandoned.
6. Oxy Marsh Hawk State #002, 30-025-38309. Plugged and abandoned.
7. Salado Fed. #001, 30-025-38402. Plugged and abandoned.
8. Silver Bullet #001, 30-015-21789. Plugged and abandoned.
9. WC 4 #001, 30-015-31773. APD cancelled.

Financial assurances:

Chi is in compliance with single-well financial assurance requirements.

Sincerely,



Daniel Sanchez
Compliance and Enforcement Manager

Ec: Gail MacQuesten, OCD Attorney
Larry "Buddy" Hill, District 1
Randy Dade, District 2