



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**

Governor

**Joanna Prukop**

Cabinet Secretary

**Mark E. Fesmire, P.E.**

Director

**Oil Conservation Division**

July 21, 2006  
P.O. Box 1799  
Midland, TX 79702

## LETTER OF VIOLATION

**RE: Chi Operating, Inc.'s: Federal Com. State # 2, located in Unit E of Section 6, Township 21 South, Range 27 East, Eddy County, NM  
API # 30-015-33782**

Dear Sirs/Madams,

The Oil Conservation Division ("OCD") records indicate that Chi Operating, Inc. ("Chi") is in violation with the following rule. Please refer to OCD Rule 19.15.3.104.C(2).

As you are aware, another operator is currently producing from the Morrow formation in the NE/4 of Section 6, of which your well is location in and is producing from the same formation.

As mentioned in a previous e mail and phone conversation (please see enclosed documents), Chi was granted additional time to resolve this matter. As of this date, we have not received any correspondence from your company.

Therefore, Chi is to submit **no later than July 28, 2006** regulatory documentation in order to resolve this matter. If you fail to correct this matter of non-compliance by June 28, 2006 the OCD will take enforcement actions that may include but is not limited to applying for an order assessing civil penalties and/or requiring you to plug and abandon the above noted well.

Please call our office if there are any questions regarding this matter.

Respectfully yours,

Bryan G. Arrant

Petroleum Engineer Specialist/OCD-District II

505-748-1283 ext. 103

CC: Well file

Daniel Sanchez, Compliance and Enforcement Manager

Gail MacQuesten, OCD Attorney

Tim Gum, District II Supervisor

(enclosures)