

DATE IN <i>6-22-10</i>	SUSPENSE	ENGINEER <i>DB.</i>	LOGGED IN <i>6-22-10</i>	TYPE <i>NSL</i>	APP NO. <i>1017357024</i>
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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

Munchkin Fed #21

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

6219

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]**

[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

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[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.

	<i>James Bruce</i>	<i>Attorney</i>	<i>6/22/10</i>
Print or Type Name	Signature	Title	Date
James Bruce		<i>jamesbruce@aol.com</i>	
P.O. Box 1056		e-mail Address	
Santa Fe, New Mexico 87504			

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

June 22, 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>	Munchkin Fed. Well No. 21
<u>Location:</u>	900 feet FNL & 1100 feet FWL
<u>Well unit:</u>	NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 12, Township 19 South, Range 30 East, N.M.P.M., Eddy County, New Mexico

The well will 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. Please note that this well is in the Benson Delaware Unit, recently approved by the Division by Order No. R-13262. **Exhibit B**. The well will initially be a producer, and will later be converted to injection. The well's location was selected for its location as an injector.

The N $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 12 is covered by Federal Lease NM 0560353. Interest ownership varies slightly. **Exhibit C** (this is part of Exhibit B to the Unit Agreement). The only affected offset owner is Gene Davis. **A waiver is being obtained from Mr. Davis and will be submitted to you.**

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

Very truly yours,



James Bruce

Attorney for Chi Operating, Inc.

DISTRICT I
1625 N. FRENCH DR., HOBBS, NM 88240

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102

Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

DISTRICT II
1301 W. GRAND AVENUE, ARTESIA, NM 88210

OIL CONSERVATION DIVISION

1900 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

DISTRICT III
1000 RIO BRAZOS RD., AZTEC, NM 87410

DISTRICT IV
1900 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 27108	Property Name MUNCHKIN FEDERAL	Well Number 21
OGRID No. 4378	Operator Name CHI OPERATING	Elevation 3454'

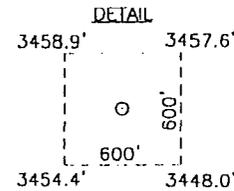
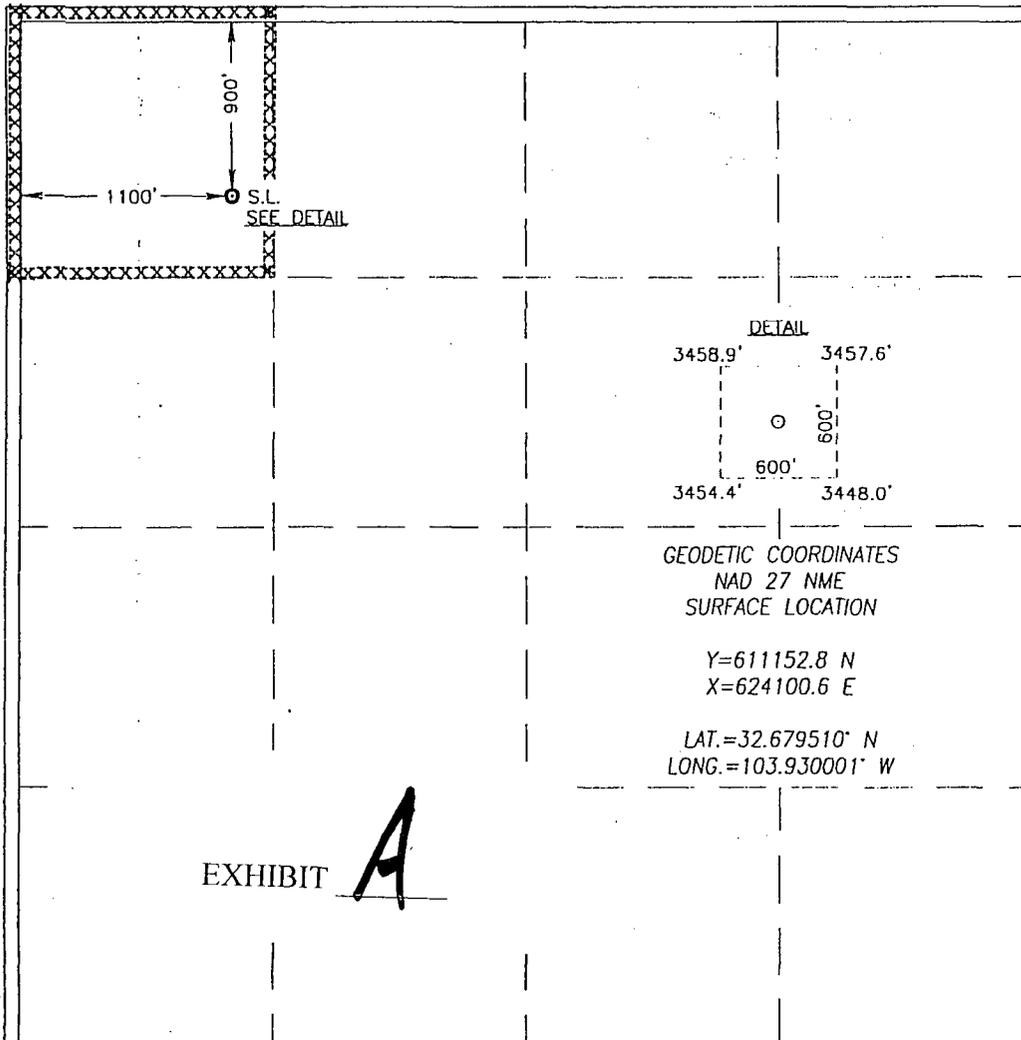
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	12	19-S	30-E		900	NORTH	1100	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
Dedicated Acres 40	Joint or Infill	Consolidation Code	Order No.						

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



GEODETIC COORDINATES
NAD 27 NME
SURFACE LOCATION

Y=611152.8 N
X=624100.6 E

LAT.=32.679510° N
LONG.=103.930001° W

OPERATOR CERTIFICATION

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.

George R. Smith 3/16/10
Signature Date
George R. Smith, POA agent
Printed Name

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 belief.

FEBRUARY 26, 2010
Date Surveyed DSS
Signature & Seal of Professional Surveyor
12641
Gary C. Eidson 3/8/10
10.11.0279
Certificate No. GARY C. EIDSON 12641
RONALD J. EIDSON 3239

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
Munchkin #18W	2310 320	1500 FSL & 2200 FEL, J-1
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 limitation will not result in the fracturing of the injection formation.

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

EXHIBIT B Injection

2E 19S-30E
\$12: NE1/4NW1/4

40.00 acres
NM 0560353
HBP

12 1/2%
Crescent Porter
Hale Foundation
100%

Crescent Porter
Hale Foundation
15.00%

Curtis and Edna
Anderson, J.T.
0.25%

McCombs Energy, Ltd.
64.92%

Gene Davis
0.25%
Chi Royalty Pool
1.50%

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%

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%

Crescent Porter
Hale Foundation
15.00%

Curtis and Edna
Anderson, J.T.
0.25%

David C. Shatzler
0.20%

John W. Qualls
0.20%

Chi Royalty Pool
1.50%

Crescent Porter
Hale Foundation
100%

12 1/2%

NM 0560353
HBP

19S-30E
§12: NW 1/4 NW 1/4, SE 1/4 NW 1/4
80.00 acres

2F

Brooks, David K., EMNRD

From: Brooks, David K., EMNRD
Sent: Tuesday, June 22, 2010 4:43 PM
To: 'jamesbruc@aol.com'
Subject: Chi Operating - Munchkin Fed. #21; NSL Application

Dear Jim

If I correctly interpret your letter and the exhibits, the working interest ownership is identical in the NW/4 NW/4 of Section 12, where the proposed Munchkin Federal #21 is located, and in the offsetting NW/4 NW/4, and Mr. Gene Davis, who owns only in the latter unit, has a royalty interest.

Is this reading correct?

Sincerely

David

432-685-5001

FAX 432-687-2662

Chi Energy, Inc.

P.O. BOX 1799
MIDLAND, TEXAS 79702

June 22, 2010

Via email Gene.Davis@nfrenergy.com and regular mail

Gene Davis
VP / General Manager
NFR Energy
633 17th Street, Suite 1950
Denver, CO 80209

**Re: Munchkin Federal No. 21
900' FNL & 1,100' FWL
Section 12, T19S-R30E
Eddy County, New Mexico**

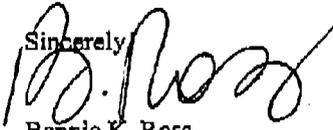
Dear Gene:

This letter is to confirm that you do not object to an unorthodox location for the Munchkin Federal No. 21. I am attaching a copy of the Plat.

Please advise us of your desire in this respect by indicating your election below and faxing this letter to me at (432) 687-2662 at your earliest convenience.

If you should have any questions you may contact John Qualls, engineering questions may be directed to Gary Womack at (432) 685-5001.

Sincerely,



Bennie K. Ross
Land Tech

bkr

I, Gene Davis, on this 22nd of June 2010, do hereby agree to the location that Chi Operating, Inc. has chosen for the Munchkin Federal No. 21.

Name:



By:

Gene H. Davis

Title:

Individual

Brooks, David K., EMNRD

From: jamesbruc@aol.com
Sent: Tuesday, June 22, 2010 4:55 PM
To: Brooks, David K., EMNRD
Subject: Re: Chi Operating - Munchkin Fed. #21; NSL Application

Yes.

-----Original Message-----

From: Brooks, David K., EMNRD, EMNRD <david.brooks@state.nm.us>
To: jamesbruc <jamesbruc@aol.com>
Sent: Tue, Jun 22, 2010 4:43 pm
Subject: Chi Operating - Munchkin Fed. #21; NSL Application

Dear Jim

If I correctly interpret your letter and the exhibits, the working interest ownership is identical in the NW/4 NW/4 of Section 12, where the proposed Munchkin Federal #21 is located, and in the offsetting NW/4 NW/4, and Mr. Gene Davis, who owns only in the latter unit, has a royalty interest.

Is this reading correct?

Sincerely

David

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