



# 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 29, 2010

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

## Administrative Order NSL-6223

**Re: Chi Operating, Inc.**  
**Munchkin Federal Well No. 19**  
**API No. 30-015**  
**2310 feet FNL and 320 feet FEL**  
**Unit H, Section 11-19S-30E**  
**Eddy County, New Mexico**

Dear M:

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW10-15451721**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Chi Energy, Inc [OGRID 4378] (Chi), on June 3, 2010, and

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

Chi has requested to drill the above-referenced well as a directional well to the Delaware formation, at a location that will be unorthodox under Division Rule 16.14.B(2). The proposed surface location, point of penetration, and terminus of the well are as follows:

Surface Location: 2310 feet from the North line and 320 feet from the East line  
(Unit H) of Section 11, Township 19S, Range 30E, NMPM,  
Eddy County, New Mexico

Point of Penetration: 1900 feet from the North line and 650 feet from the East line  
(Unit H) of said section

Terminus 1300 feet from the North line and 1000 feet from the East line  
(Unit A) of said section



The E/2 NE/4 of Section 11 will be dedicated to the proposed well to form a project area comprising two standard, 40-acre spacing units in the Benson-Delaware Pool (97083). This pool is governed by statewide Rule 15.9, which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is unorthodox because the bottom hole location will be less than 330 feet from the western boundary of the project area, and therefore outside the producing area.

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 because it intends to convert this well to injection when it commences waterflood operations in the Benson Delaware Unit.

It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2), in all adjoining units towards which the proposed location encroaches.

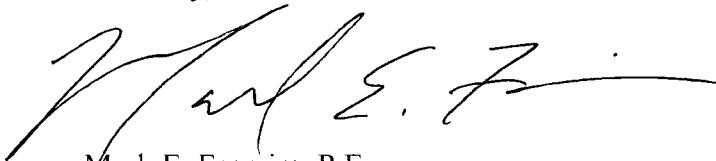
Pursuant to the authority conferred by Division Rule 15.13.B, the above-described unorthodox location is hereby approved.

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 horizontal flourish 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