



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

7 December 2005

LETTER OF VIOLATION

Chi Operating Inc.
P. O. Box 1799
Midland, Texas 79702

Certified Mail
Return Receipt: 7001 1940 0001 9971 3846

VIOLATION OF OCD RULES: 19.15.3.107.I
19.15.3.111.B
19.15.13.1103.D
19.15.13.1105.A

Dear Sir or Madam:

On multiple occasions Bryan Arrant has spoken with Chi Operating personnel about forms that have been submitted. On these occasions Mr. Arrant apprised you of the information that was not submitted. OCD Rule requires this information.

Attached to this Letter of Violation are forms that have been submitted. These forms do not meet the minimum requirements of OCD Rules 19.15.3.107, 19.15.3.111, 19.15.13.1103, and 19.15.13.1105. Please note the highlighted areas where information was not submitted. Chi must re-submit these forms with all of the information required. These forms must be in this office on or before 12-12-2005.

Any forms completed and dated by Chi Operating five days after the receipt of this letter must meet all requirements of OCD Rules 19.15.3.107, 19.15.3.111, 19.15.13.1103, and 19.15.13.1105 for information and timeliness. Incomplete or late forms received in this office after that date will be considered a knowing and willful violation of OCD Rules .

If this matter is not satisfactorily resolved in the time period set out above we may assess penalties against you for each violation of OCD Rules, in accordance with NMSA 1978, Section 70-2-31(A). Section 70-2-31(A) authorizes penalties of up to \$1,000.00 per day per violation for any knowing and willful violation of any provision of the Oil and Gas Act or any rule adopted pursuant to the Act. Alternatively or in addition to the penalties the OCD may seek other remedies deemed appropriate for the situation.

Van Barton
Field Supervisor

cc: Tim Gum, Artesia District Supervisor
Bryan Arrant, Artesia District
Well file

See Attachments
12

INSTRUCTIONS

This form is to be filed with the appropriate District Office of the Division not later than 20 days after the completion of any newly-drilled or deepened well. It shall be accompanied by one copy of all electrical and radio-activity logs run on the well and a summary of all special tests conducted, including drill stem tests. All depths reported shall be measured depths. In the case of directionally drilled wells, true vertical depths shall also be reported. For multiple completions, items 25 through 29 shall be reported for each zone. The form is to be filed in quintuplicate except on state land, where six copies are required. See Rule 1105.

INDICATE FORMATION TOPS IN CONFORMANCE WITH GEOGRAPHICAL SECTION OF STATE

Southeastern New Mexico

Delaware 2277'
 Bone Spring Ls. 5789'
 3rd Bone Spring Sd 8713'
 Wolfcamp 9182'
 Lower Wolfcamp 9791'

Northwestern New Mexico

T. Ojo Alamo _____
 T. Kirtland-Fruitland _____
 T. Pictured Cliffs _____
 T. Cliff House _____
 T. Menefee _____
 T. Point Lookout _____
 T. Mancos _____
 T. Gallup _____
 Base Greenhorn _____
 T. Dakota _____
 T. Morrison _____
 T. Todilto _____
 T. Entrada _____
 T. Wingate _____
 T. Chinle _____
 T. Permian _____
 T. Penn "A" _____

T. Penn. "B" _____
 T. Penn. "C" _____
 T. Penn. "D" _____
 T. Leadville _____
 T. Madison _____
 T. Elbert _____
 T. McCracken _____
 T. Ignacio Otzte _____
 T. Granite _____
 T. _____
 T. _____
 T. _____
 T. _____
 T. _____
 T. _____
 T. _____

OIL OR GAS SANDS OR ZONES

No. 1, from.....to.....
 No. 2, from.....to.....
 No. 3, from.....to.....
 No. 4, from.....to.....

IMPORTANT WATER SANDS

Include data on rate of water inflow and elevation to which water rose in hole.

No. 1, from.....to.....feet.....
 No. 2, from.....to.....feet.....
 No. 3, from.....to.....feet.....

LITHOLOGY RECORD (Attach additional sheet if necessary)

From	To	Thickness In Feet	Lithology	From	To	Thickness In Feet	Lithology
			Well deviation Report not submitted				

Attach 2

Submit 3 Copies To Appropriate District
Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
May 27, 2004

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO. 30-015-34112
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name Henry Grandi
8. Well Number 1
9. OGRID Number 004378
10. Pool name or Wildcat Carlsbad South, Morrow

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A
DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH
PROPOSALS.)

1. Type of Well: Oil Well ☐ Gas Well ☒ Other

RECEIVED

2. Name of Operator
CHI OPERATING, INC

NOV 22 2005

3. Address of Operator
PO BOX 1799 MIDLAND, TX 79702

OCD-ARTESIA

4. Well Location

Unit Letter I : 1650 feet from the SOUTH line and 990 feet from the EAST line
Section 26 Township 22S Range 27E NMPM EDDY County

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
3077' GR

Pit or Below-grade Tank Application ☐ or Closure ☐

Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____
Pit Liner Thickness: _____ mil Below-Grade Tank: Volume _____ bbls; Construction Material _____

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☒

OTHER: ☐

OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

8/26/05 MIPU, find PBTD @ 10,333', find Top of Cmt @ 6280', set CIBP @ 10,040', Perf 9970, 69,60,59,54,53,33,32,18,17,02,01;
9896,95,52,51,50,49,48,46,44,42,32,31,20,18; 9796,92,78,72,58,56,48,46,36,32,10,06(all 1spf 38 total holes) Set RBP @ 9989',
P/1500bbls 20% Acid, set pkr @ 9600'. 11/04/05 put down sales line.

5 1/2" casing pressure test, time is not acted

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☐, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE: Robin Askew TITLE: REGULATORY CLERK DATE: 11/14/05

Type or print name: Robin Askew E-mail address: _____ /Telephone No: 432-685-5001

For State Use Only

FOR RECORDS ONLY

APPROVED BY: _____ TITLE: _____ DATE: NOV 29 2005

Conditions of Approval (if any):

Attach 1