

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
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-102
 Permit 65636

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number 30-015-36068	2. Pool Code 85300	3. Pool Name SHUGART;MORROW (GAS)
4. Property Code 30903	5. Property Name KC STRIP STATE	6. Well No. 002
7. OGRID No. 4378	8. Operator Name CHI OPERATING INC	9. Elevation 3571

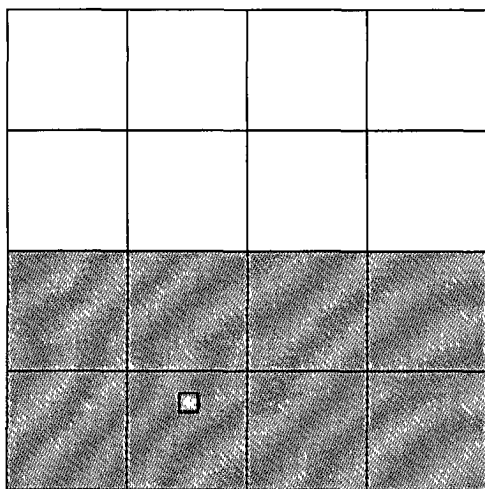
10. Surface Location

UL - Lot N	Section 32	Township 18S	Range 31E	Lot Idn	Feet From 990	N/S Line S	Feet From 1980	E/W Line W	County EDDY
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11. Bottom Hole Location If Different From Surface

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
12 Dedicated Acres 320.00	13. Joint or Infill			14 Consolidation Code			15 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

**OPERATOR CERTIFICATION**

I hereby certify that the information contained 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(s) or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

E-Signed By: John Wolf

Title: Engineer

Date: 1/15/2008

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.

Surveyed By: Gary G. Eidson

Date of Survey: 1/5/2008

Certificate Number: 12641

Permit Conditions of Approval

Operator: CHI OPERATING INC , 4378

Well: KC STRIP STATE #002

API: 30-015-36068

OCD Reviewer	Condition
BArrant	Pit construction and closure must satisfy all requirements of your approved plan, O.C.D. Rule 19.15.2.50, and the Pit and Below-Grade Tank Guidelines
BArrant	As noted, operator to drill surface hole w/fresh water mud.
BArrant	Operator to set surface casing in the anhydrite section of the Rustler.

Permit Comments

Operator: CHI OPERATING INC , 4378

Well: KC STRIP STATE #002

API:

There are no comments for this permit

Arrant, Bryan, EMNRD

From: Pam Corbett [pamc@chienergyinc.com]
Sent: Wednesday, January 30, 2008 12:42 PM
To: Arrant, Bryan, EMNRD
Subject: KC Strip #2

KC Strip #2

Description of Proposed Program

Surface: fresh water, hole size 17.5, casing size 13.375, Csg. Grd. H40, Casing Wt/ft 48, setting depth 650, sacks cement 500, Est. TOC: circ

Int1 casing, fresh water, hole size 12.25, casing size 8.625, Csg. Grd. J55, Casing Wt/ft 3, setting depth 3600, sacks cement 950, Est. TOC circ.

Prod: brine, hole size 7.875, Casing Size 5.5, Csg.Grds. J55, Casing Wt/ft 20, setting depth 12,300, sacks cement 800, est. TOC 6000' or 500' above productive zone.

We do not expect to encounter H2S while drilling this well.

Pam Corbett
CHI Operating, Inc.
432-685-5001

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1/30/2008