

District I
1625 N. French Dr., Hobbs, NM 88240

State of New Mexico
Energy, Minerals and Natural Resources

Form C-101
May 27, 2004

District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

CEMENT TO COVER ALL OIL,
GAS AND WATER BEARING
ZONES

RECEIVED

Submit to appropriate District Office

DEC 21 2004

AMENDED REPORT

OCD-ARTESIA

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEEN, PLUGBACK, OR ADD A ZONE

Operator Name and Address CHI OPERATING, INC P.O. BOX 1799 MIDLAND, TEXAS 79702		OGRID Number 004378
Property Code		API Number 30-015-33781
Property Name VALLE FELIZ		Well No. 2
Proposed Pool 1 HAPPY VALLEY; MORROW		Proposed Pool 2

Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
LOT 4	3 N/2	22S	26E		860	NORTH	1250	WEST	EDDY

Proposed 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
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Additional Well Information

Work Type Code N	Well Type Code G	Cable/Rotary R	Lease Type Code P	Ground Level Elevation 3215
Multiple	Proposed Depth 11900	Formation MORROW	Contractor	Spud Date 1/3/04
Depth to Groundwater 137'		Distance from nearest fresh water well Approx 800'		Distance from nearest surface water Greater than 1000'
Pit: Liner: Synthetic <input checked="" type="checkbox"/> 12 mil or better if needed.		Clay <input type="checkbox"/> Pit Volume: _____ bbls		Drilling Method:
Closed-Loop System <input type="checkbox"/>		Fresh Water <input checked="" type="checkbox"/> Brine <input checked="" type="checkbox"/> Diesel/Oil-based <input type="checkbox"/> Gas/Air <input type="checkbox"/>		

Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17 1/2"	13 3/8"	54.5- J-55	±500'	400	SURFACE
12 1/4"	9 5/8"	36-J-55	±2200'	700	SURFACE
8 3/4"	7" (CONTINGENCY)	26-N-80	±10000'	500	±8000'
6 1/8" (If 7" is set)	4 1/2" Liner	11.6# N-80	11,900'	As deemed necessary	500' above productive
7 7/8" (If 7" is not set)	5 1/2"	20/17# N-80	11,900'	As deemed necessary	zones

Describe the proposed program. If this application is to DEEPEEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Drill surface hole to 500', set csg & cement to surface. WOC-18 hrs. NU annular, tst & drill intermediate to ±2200'. Cement to surface. NUBOP & test 5000# while waiting 18 hrs on cement. Drill 8 3/4" hole to ±10,000'. If necessary, set 7" psi string & cement. If 7" is set, drill out with 6 1/8" bit to TD. Log/evaluate, set liner & cement. (If 7" is not set, continue with 7 7/8" hole to TD. Log/evaluate, set csg & cement.)

(Pipe rams will be function tested daily and blinds on all trips)

(No H2S anticipated.) (Closest dwelling approx +500' N/NE)

I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOCD guidelines , a general permit , or an (attached) alternative OCD-approved plan .

OIL CONSERVATION DIVISION

Approved by:

TIM W. GUM

DISTRICT II SUPERVISOR

Printed name:

John W. Wolf
JOHN W. WOLF

Title:

Title:

Approval Date: DEC 29 2004

Expiration Date: DEC 29 2005

E-mail Address:

Date: 12/20/04

Phone: 432-685-5001

Conditions of Approval Attached

NOTIFY OCD OF SPUD & TIME TO WITNESS CEMENTING OF SURFACE & INTERMEDIATE CASING

Fresh Water Mud to @ 2200'

District II
1825 N. Franklin St., Artesia, NM 88210
District II
817 South First, Artesia, NM 88210
District II
1030 Rio Grande Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

STATE OF NEW MEXICO
Energy, Minerals & Natural Resources
OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, N M 87505

REVISION 07
SUBMIT TO APPROPRIATE AGENCIES
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name HAPPY VALLEY MURROW
Property Code	Property Name VALLE FELIZ	Well Number 2
OGRI# No. 004378	Operation Name CHI OPERATING, INC.	Elevation 3215

Surface Location

UL or Lot No.	Section	Township	Range	Lot Idn.	Feet from the	North/South line	Feet from the	East/West line	County
LOT 4	(N2) 3	22-S	26-E		860	NORTH	1250	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 320	Joint or Infill	Consolidation Code	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTEREST HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION.

	<p>OPERATOR CERTIFICATION I HEREBY CERTIFY THAT THE INFORMATION HEREIN IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.</p>
	<p>Signature: <i>[Signature]</i> Printed Name: DAN W. WOLF Title: Sr. S. Date: 12/20/04</p>
	<p>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 KNOWLEDGE AND BELIEF.</p>
	<p>DECEMBER 17, 2004 Date of Survey Signature and Seal of Professional Surveyor </p>

CHI OPERATING, INC
HYDROGEN SULFIDE (H₂S) CONTINGENCY PLAN
FOR DRILLING/COMPLETING/WORKOVER/FACILITY
WITH THE EXPECTATION OF H₂S IN EXCESS OF 100 PPM

WELL/FACILITY IN QUESTION
VALLE FELIZ #2
Drill Well
SEC. 3-T22S-R26E
860' FNL & 1250' FWL
EDDY COUNTY, NM

RECEIVED

DEC 21 2004

ODD-ARTESIA

**This well/facility is not expected to have H₂S, but due to the sensitive location,
The following is submitted as requested**

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GENERAL H2S EMERGENCY ACTIONS:

In the event of an H2S emergency, the following plan will be initiated.

- 1) All personnel will immediately evacuate to an up-wind and if possible up-hill "safe area".
- 2) If for any reason a person must enter the hazardous area, they must wear a SCBA (Self contained breathing apparatus)
- 3) Always use the "buddy system"
- 4) Isolate the well/problem if possible
- 5) Account for all personnel
- 6) Display the proper colors warning all unsuspecting personnel of the danger at hand.
- 7) Contact the Company personnel as soon as possible if not at the location.
(use the enclosed call list as instructed)

At this point the company representative will evaluate the situation and co-ordinate the necessary duties to bring the situation under control, and if necessary, the notification of emergency response agencies and residents.

EMERGENCY PROCEDURES FOR AN UNCONTROLLABLE RELEASE OF H2S

- 1) All personnel will don the self-contained breathing apparatus.
- 2) Remove all personnel to the "safe area". (always use the "buddy system"
- 3) Contact company personnel if not on location.
- 4) Set in motion the steps to protect and or remove the general public to an upwind "safe area". Maintain strict security & safety procedures while dealing with the source.
- 5) No entry to any unauthorized personnel.
- 6) Notify the appropriate agencies: City Police-City street(s)
State Police-State Rd
Count Sheriff-County Rd.
(will assist in general public evacuation/safety while maintaining roadblocks)
- 7) Call the NMOCD

If at this time the supervising person determines the release of H2S cannot be contained to the site location and the general public is in arms way he will take the necessary steps to protect the workers & the public.

EMERGENCY CALL LIST: (Start and continue until ONE of these people have been reached)

	<u>OFFICE</u>	<u>MOBILE</u>	<u>HOME</u>
Chi Operating, Inc.	432-685-5001		
Sonny Mann	505-365-2338	432-694-7062	505-365-2722
John Wolf	432-685-5001	432-634-7061	432-682-4905
Bill Bergman	432-685-5001	432-557-8773	432-689-4011

EMERGENCY RESPONSE NUMBERS: Eddy County, New Mexico

State Police	Eddy County	505-748-9718
	Lea County	505-392-5588
Sheriff	Eddy County	505-746-2701
	Lea County	505-
Emergency Medical Service (Ambulance)		911 or 505-746-2701
Eddy County Emergency Management (Harry Burgess)		505-887-9511
State Emergency Response Center (SERC)		505-476-9620
Police Department - Artesia		505-746-5001
Fire Department - Artesia		505-746-5001
Police Department - Carlsbad		505-885-2111
Fire Department - Carlsbad		505-885-3125
Fire Department - Loco Hills		505-677-2349
(NMOCD) New Mexico Oil Conservation Division, District I (Lea, Roosevelt, Chavez, Curry)		505-393-6161
District II (Eddy, Chavez)		505-748-1283
Callaway Safety		505-392-2973
Indian Fire & Safety		800-530-8693
American Safety		505-746-1096
BJ Services		505-746-3146
Schlumberger		505-748-1392
Cudd Pressure Control		800-990-2833

In the event greater than 100 ppm H2S is present, the ROE (Radius Of Exposure) calculations will be done to determine if the following is warranted:

- 100 ppm at any public area (any place not associated with this site)
- 500 ppm at any public road (any road which the general public may travel)
- 100 ppm radius of 3000' will be assumed if there is insufficient data to do the calculations, and there is a reasonable expectation that H2S could be present in concentrations greater than 100 ppm in the gas mixture.

Calculation for the 100 ppm ROE:

$X = [(1.589) (\text{concentration}) (Q)] (0.6258)$ (H2S concentrations in decimal form:)

10,000 ppm + = .01

Calculation for the 500 ppm ROE:

$X = [(0.4546) (\text{concentration}) (Q)] (.06258)$

1,000 ppm + = .001

100 ppm + = .0001

10 ppm + = .00001

EXAMPLE: If a well/facility has been determined to have 100 ppm H2S in the gas mixture and the well/facility is producing at a gas rate of 200 MCFPD then:

ROE for 100 PPM $X = [(1.589)(.0001)(200,000)] (0.6258)$

X = 8.8'

ROE for 500 PPM $X = [(.4546)(.0005)(200,000)] (0.6258)$

X = 10.9'

(These calculations will be forwarded to the appropriate District NMOCD office when applicable)

PUBLIC EVACUATION PLAN:

(When the supervisor has determined that the General Public will be involved, the following plan will be implemented)

- 1) Notification of the emergency response agencies of the hazardous condition and Implement evacuation procedures.
- 2) A trained person in H2S safety, shall monitor with detection equipment the H2S Concentration, wind and area of exposure (ROE). This person will determine the outer perimeter of the hazardous area. The extent of the evacuation area will be determined from the data being collected. Monitoring shall continue until the situation has been resolved. **(All monitoring equipment shall be UL approved, for use in class I groups A,B,C, & D, Division I, hazardous locations. All monitors will have a minimum capability of measuring H2S, oxygen, and flammable values.)**
- 3) Law enforcement shall be notified to set up necessary barriers and maintain such for the duration of the situation as well as aid in the evacuation procedure.
- 4) The company supervising personnel shall stay in communication with all agencies through out the duration of the situation and inform such agencies when the situation has been contained and the effected area(s) is safe to enter.

PROCEDURE FOR IGNITING AN UNCONTROLABLE CONDITION:

The decision to ignite a well should be a last resort and one if not both of the following pertain.

- 1) Human life and/or property are in danger.
- 2) There is no hope of bring the situation under control with the prevailing conditions at the site.

INSTRUCTIONS FOR IGNITION:

- 1) Two people are required. They must be equipped with positive pressure; self contained breathing apparatus and a "D"-ring style, full body, OSHA approved safety harness. Non-flammable rope will be attached.
- 2) One of the people will be a qualified safety person who will test the atmosphere for H₂S, Oxygen, & LFL. The other person will be the company supervisor; he is responsible for igniting the well.
- 3) Ignite up-wind from a distance no closer than necessary. Make sure that where you ignite from has the maximum escape avenue available. A 25mm flare gun shall be used, with a $\pm 500'$ range to ignite the gas.
- 4) Prior to ignition, make a final check for combustible gases.
- 5) Following ignition, continue with the emergency actions & procedures as before.

REQUIRED EMERGENCY EQUIPMENT:

- 1) Breathing Apparatus:
 - Rescue Packs (SCBA) - 1 unit shall be placed at each breathing area, 2 shall be stored in the safety trailer.
 - Work/Escape Packs – 4 packs shall be stored on the rig floor with sufficient air hose not to restrict work activity.
 - Emergency Escape Packs – 4 packs shall be stored in the doghouse for emergency evacuation.
- 2) Signage & Flagging:
 - One Color Code Condition Sign will be placed at the entrance to the site reflecting the possible conditions at the site.
 - A Colored Condition flag will be on display, reflecting the condition at the site at that time.
- 3) Briefing Area: Two, perpendicular areas will be designated by signs and readily accessible.

- 4) Wind Socks: Two windsocks will be placed in strategic locations, visible from all angles.
- 5) H2S Detectors and Alarm: The stationary detector with three (3) sensors will be placed in the upper dog house if equipped, set to visually alarm @ 10 ppm and audible @ 15 ppm. Calibrate a minimum of every 30 days or as needed. The 3 sensors will be placed in the following places: (Gas sample tubes will be stored in the safety trailer)
 - Rig Floor
 - Bell Nipple
 - End of Flow line or where well bore fluid are being discharged.
- 6) Auxiliary Rescue Equipment:
 - Stretcher
 - Two OSHA full body harness
 - 100' of 5/8" OSHA approved rope
 - 1 – 20# Class ABC fire extinguisher
 - Communication via cell phones on location and vehicles on location.

USING SELF-CONTAINED BREATHING AIR EQUIPMENT (SCBA):

SCBA should be worn when any of the following are performed:

- Working near the top or on top of a tank.
- Disconnecting any line where H2S can reasonably be expected.
- Sampling air in the area to determine if toxic concentrations of H2S exist.
- Working in areas where over 10 ppm on H2S has been detected.
- At any time there is a doubt as the level of H2S in the area.

All personnel shall be trained in the use of SCBA prior to working in a potentially hazardous location.

Facial hair and standard eyeglasses are not allowed with SCBA.

Contact lenses are never allowed with SCBA.

Air quality shall continuously be checked during the entire operation.

After each use, the SCBA unit shall be cleaned, disinfected, serviced and inspected.

All SCBA shall be inspected monthly.

RESCUE & FIRST AID FOR VICTIMS OF HYDROGEN SULFIDE (H₂S) POISONING:

Do not panic.

Remain calm & think.

Get on the breathing apparatus.

Remove the victim to the safe breathing area as quickly as possible. Upwind an uphill from source or cross wind to achieve upwind.

Notify emergency response personnel.

Provide artificial respiration and /or CPR, as necessary.

Remove all contaminated clothing to avoid further exposure.

A minimum of two (2) personnel on location shall be trained in CPR and First Aid.

H2S TOXIC EFFECTS:

H2S is extremely toxic. The acceptable ceiling for eight hours of exposure is 10 ppm, which is .001% by volume. H2S is approximately 20% heavier than air (Sp.Gr=1.19 / Air=1) and colorless. It forms an explosive mixture with air between 4.3% and 46.0%. By volume hydrogen sulfide (H2S) is almost as toxic as hydrogen cyanide and is 5-6 times more toxic than carbon monoxide.

Various Gases

Common Name	Chemical Abbrev.	Sp. Gr.	Threshold Limits	Hazardous Limits	Lethal Concentration
Hydrogen Sulfide	H2S	1.19	10 ppm 15 ppm	100 ppm/ hr	600 ppm
Hydrogen Cyanide	HCN	0.94	10 ppm	150 ppm/ hr	300 ppm
Sulfur Dioxide	SO2	2.21	2 ppm	N/A	1000 ppm
Chlorine	CL2	2.45	1 ppm	4 ppm / hr	1000 ppm
Carbon Monoxide	CO	0.97	50 ppm	400 ppm / hr	1000 ppm
Carbon Dioxide	CO2	1.52	5000 ppm	5 %	10 %
Methane	CH4	0.55	90,000	Combustible @ 5%	N/A

- 1 Threshold limit – Concentrations at which it is believed that all workers may be repeatedly exposed, day after day without Adverse effects.
- 2 Hazardous limit – Concentration that may cause death
- 3 Lethal concentration – Concentration that will cause death with short-term exposure.
- 4 Threshold limit – 10 ppm – NIOSH guide to chemical hazards
- 5 Short-term threshold limit.

PHYSICAL EFFECTS OF HYDROGEN SULFIDE:

CONCENTRATIONS		PYSICAL EFFECTS
.001%	10 ppm	Obvious and unpleasant odor. Safe for 8hr exposure
.005%	50 ppm	Can cause some flu-like symptoms and can cause pneumonia
.01%	100 ppm	Kills the sense of smell in 3 –15 minutes. May irritate eyes and throat.
.02%	200 ppm	Kills the sense of smell rapidly. Severly irritates eyes and throat. Severe flu-like symptoms after 4 or more hours. May cause lung damage and/or death.
.06%	600 ppm	Loss of consciousness quickly, death will result in not rescued promptly.

LOCATION MAP:

Valle Feliz #2
Sec 3-T22S-R26E
860' FNL & 1250' FWL
Eddy County, NM

