

N.M. Oil Cons. DIV-Dist. 2
UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
301 W. Grand Avenue
Alamogordo, NM 88210FORM APPROVED
OMB No. 1004-0135
Expires November 30, 2000**SUNDRY NOTICES AND REPORTS ON WELLS**
Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

5. Lease Serial No.	NM-0560353
6. If Indian, Allottee or Tribe Name	
7. If Unit or CA/Agreement, Name and/or No.	
8. Well Name and No.	Munchkin Federal, Well #2
9. API Well No.	30-015-31778
10. Field and Pool, or Exploratory Area	Benson Bone Spring
11. County or Parish, State	Eddy

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other		RECEIVED MAR 17 2005 BIA-ARTESIA
2. Name of Operator Chi Operating, Inc.		
3a. Address P.O. Box 1799 Midland, TX 79702	3b. Phone No. (include area code) (432) 685-5001	
4. Location of Well (Footage, Sec., T, R., M., or Survey Description) 990' FSL & 660' FWL, Sec. 1-T19S-R30E		

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input type="checkbox"/> Other _____
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input checked="" type="checkbox"/> Water Disposal	

3. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Chi Operating, Inc. plans to change the water disposal line location for the above captioned well. The new line is on lease and will run to the north 1,150 ft. from the northwest corner of the well pad and then turn northwest for 500 ft. the section line. The surface line will be a 2" Poly SDR 150# psi pipeline to connect to a line being run to the section line in State Section 2 by another company that will dispose of the water in their well. See Exhibit "A" for the pipeline.

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

George R. Smith

Title Agent for Chi Operating, Inc.

Signature

George R. Smith

Date February 24, 2005

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by (Signature)

*A/ Tony J. Herrell*Name *Ts/ Tony J. Herrell* Title

FIELD MANAGER

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

CARLSBAD FIELD OFFICE

Date

MAR 15 2005

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Continued on next page)

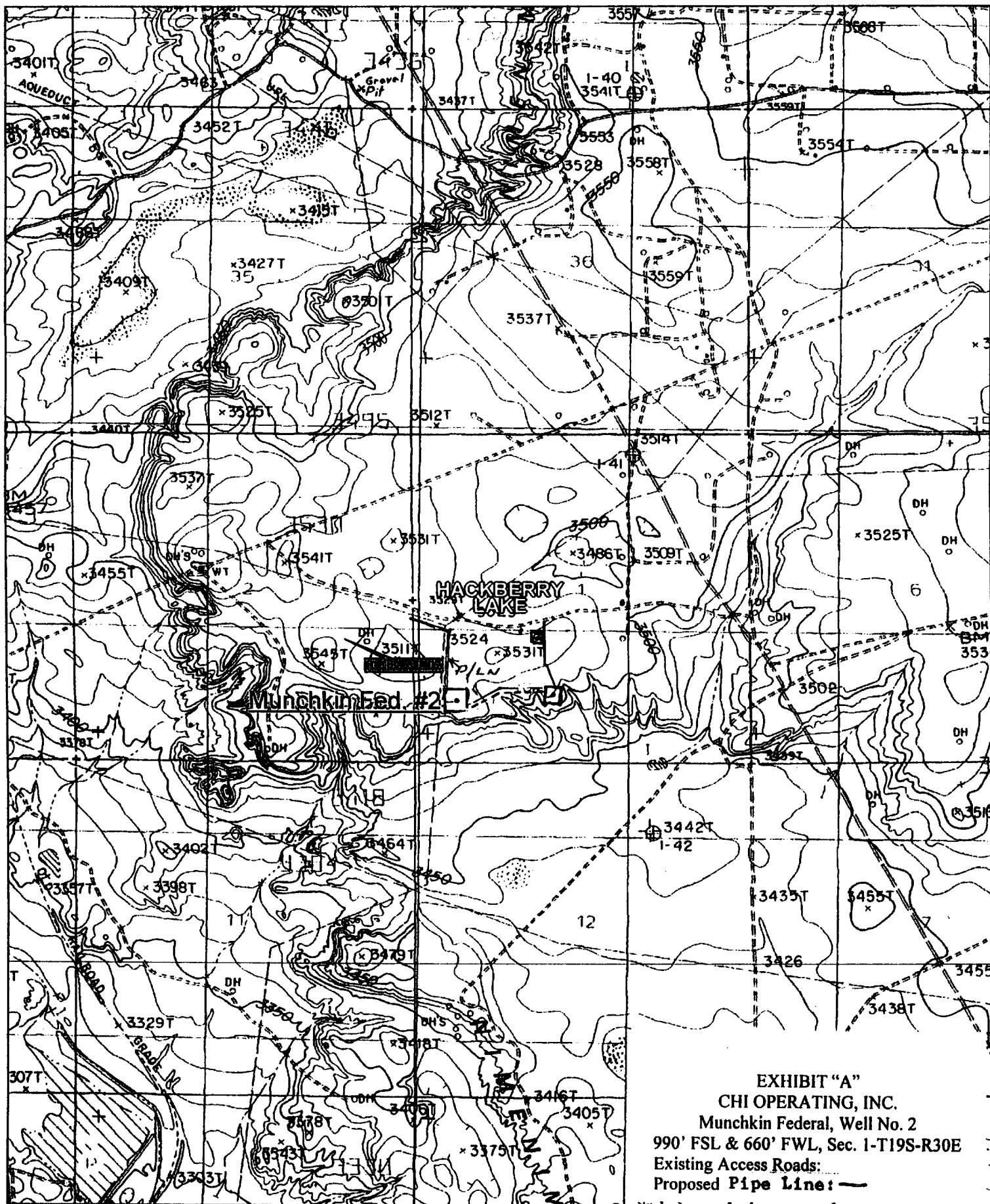


EXHIBIT "A"
 CHI OPERATING, INC.
 Munchkin Federal, Well No. 2
 990' FSL & 660' FWL, Sec. 1-T19S-R30E
 Existing Access Roads:
 Proposed Pipe Line: —