



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

16-May-05

CHI OPERATING INC

PO BOX 1799

MIDLAND TX 79702-

RECEIVED
JUL 22 2005
OCD-ARTESIA

NOTICE OF VIOLATION - Inactive Well(s)

Dear Operator:

A review of our records and recent inspection(s) indicate that the subject well(s) has been shut-in for an extended period of time. Rule 201 of the Rules and Regulation of the Oil Conservation Division provides that a well may be shut-in no longer than sixty days after suspension of drilling operations, upon determining that the well is no longer usable (e.g., a dry hole), or one year after last production. To comply with guidelines as established in the Rules and Regulations, corrective actions must be taken immediately and the well(s) brought into compliance.

The detail section below indicates preliminary findings and/or probable nature of the violation.

The following options are available:

1. Immediately restore the well(s) to production, injection or disposal as applicable.
2. Request 'Temporary Abandoned' status pursuant to Rule 203, which requires that you set a plug and conduct a mechanical integrity test.
3. Submit a proposal to 'Plug and Abandon' the well(s) pursuant to Rule 202, proceed with plugging procedures on a timely basis after the proposal has been evaluated, amended and/or approved.

In the event that a satisfactory response is not received to this letter of direction by the "Corrective Action Due By:" date shown above, further enforcement will occur. Such enforcement may include this office applying to the Division for an order summoning you to a hearing before a Division Examiner in Santa Fe to show cause why you should not be ordered to permanently plug and abandon this well. Such a hearing may result in imposition of CIVIL PENALTIES for your violation of OCD rules.

IDLE WELL INSPECTION DETAIL SECTION

BIG MAC FEDERAL COM 001	F-11-22S-25E	30-015-31431-00-00	Inspection No. iPCH0513638230
Inspection Date: 5/16/2005 10:36:58 AM		Corrective Action Due by: 8/19/2005	
Type Inspection	Inspector	Violation?	*Significant Non-Compliance?
Routine/Periodic	Phil Hawkins	Yes	No
Comments on Inspection: Idle Well (Rule 201)			

Thank you for your prompt attention to this matter and your efforts in helping to protect our environment and the infrastructure of the oil and gas industry.

Sincerely,

Artesia OCD District Office

**This well must be in physical compliance
on or before 8-19-2005**

* Significant Non-Compliance events are reported directly to the U.S. Environmental Protection Agency, Region VI, Dallas, Texas.



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26 July 2005

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

RE: Big Mac Federal Com # 1 30-015-31431 F-11-22-25

Dear Sir or Madam:

Thank you for your response. Please note that an intent does not bring the well into compliance. Please have the well in compliance on or before 8-19-2005.

Van Barton
Field Supervisor

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT-" for such proposals

SUBMIT IN TRIPLICATE

1. Type of Well

☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator

CHI OPERATING, INC.

3. Address and Telephone No.

P.O. BOX 1799 MIDLAND, TEXAS 79702

4. Location of Well (Footage, T., R., M., or Survey Description)

1980' FNL & 1980' FWL, Sec. 11-T22S-R25E

5. Lease Designation and Serial No.

NM 89805

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.

Big Mac Federal Com. #1

9. API Well No.

30-015-31431

10. Field and Pool, or Exploratory Area

Revelation Morrow

11. County or Parish, State

Eddy County, NM

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

TYPE OF SUBMISSION

- ☒ Notice of Intent
☐ Subsequent Report
☐ Final Abandonment Notice

TYPE OF ACTION

- ☒ Abandonment
☐ Recompletion
☐ Plugging Back
☐ Casing Repair
☐ Altering Casing
☐ Other
☐ Change of Plans
☐ New Construction
☐ Non-Routine Fracturing
☐ Water Shut-Off
☐ Conversion to Injection
☐ Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

Plug & Abandon Start date 8-01-05 See Attached

RECEIVED

JUN 30 '05

BLM
ROSWELL, NM

14. I hereby certify that the foregoing is true and correct.

Signed

Robert Skew

Title

Regulatory Clerk

Date

6/28/2005

(This space for Federal or State office use)

Approved by

Alexis C. Swoboda

PETROLEUM ENGINEER

Date

JUL 07 2005

Conditions of approval, if any:

Title 18 U.S.C. Section 1001, makes 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.

*See Instructions on Reverse Side

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS ATTACHED**