

Submit To Appropriate District Office
 State Lease - 6 copies
 Fee Lease - 5 copies

State of New Mexico
 Energy, Minerals and Natural Resources

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

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

WELL API NO.
 30-015-32538

5. Indicate Type of Lease
 STATE FEE

State Oil & Gas Lease No.

WELL COMPLETION OR RECOMPLETION REPORT AND LOG

1a. Type of Well:
 OIL WELL GAS WELL DRY OTHER _____

b. Type of Completion:
 NEW WORK DEEPEN PLUG DIFF.
 WELL OVER BACK RESVR. OTHER

7. Lease Name or Unit Agreement Name
 KC Strip State

2. Name of Operator
 Chi Operating, Inc.

8. Well No. # 1

3. Address of Operator
 P.O. Box 1799 Midland, TX 79702

9. Pool name or Wildcat
 Shugart Morrow
 85300

4. Well Location
 Unit Letter P 660' Feet From The SOUTH Line and 660' Feet From The EAST Line

Section 32 Township 18S Range 31E NMPM County EDDY

10. Date Spudded 12/13/02	11. Date T.D. Reached 1/27/03	12. Date Compl. (Ready to Prod.) 4/06/03	13. Elevations (DF& RKB, RT, GR, etc.) 3571' GR	14. Elev. Casinghead
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15. Total Depth 12,191'	16. Plug Back T.D. 12,130'	17. If Multiple Compl. How Many Zones?	18. Intervals Drilled By	Rotary Tools	Cable Tools
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19. Producing Interval(s), of this completion - Top, Bottom, Name
 12,063-073'

20. Was Directional Survey Made

21. Type Electric and Other Logs Run
 CDL & CNL

22. Was Well Cored

23. CASING RECORD (Report all strings set in well)

CASING SIZE	WEIGHT LB./FT.	DEPTH SET	HOLE SIZE	CEMENTING RECORD	AMOUNT PULLED
13 3/8"	48#	659'	17 1/2"	550sks, Circ 100sks	
8 5/8"	32#	3600'	11"	1,075sks, Circ 48sks	
5 1/2"	20/17#	12,191'	7 7/8"	1 st stage 200sks	
				2 nd stage 370sks	

24. LINER RECORD

SIZE	TOP	BOTTOM	SACKS CEMENT	SCREEN	SIZE	DEPTH SET	PACKER SET
					2 3/8"		12,016.34'

25. TUBING RECORD

26. Perforation record (interval, size, and number)	27. ACID, SHOT, FRACTURE, CEMENT, SQUEEZE, ETC.
12,063-073'	DEPTH INTERVAL
	AMOUNT AND KIND MATERIAL USED

28. PRODUCTION

Date First Production 4/06/03		Production Method (Flowing, gas lift, pumping - Size and type pump) Flowing			Well Status (Prod. or Shut-in) Producing		
Date of Test 4/11/03	Hours Tested 24	Choke Size 15/64	Prod'n For Test Period	Oil - Bbl 30	Gas - MCF 825	Water - Bbl.	Gas - Oil Ratio
Flow Tubing Press. 600#	Casing Pressure	Calculated 24-Hour Rate	Oil - Bbl.	Gas - MCF	Water - Bbl.	Oil Gravity - API - (Corr.)	

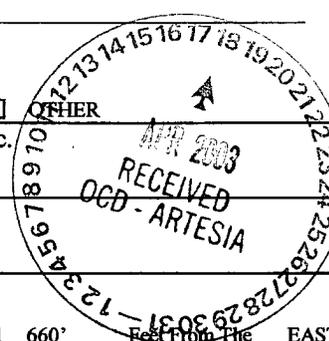
29. Disposition of Gas (Sold, used for fuel, vented, etc.)
 Sold

Test Witnessed By

30. List Attachments

31. I hereby certify that the information shown on both sides of this form as true and complete to the best of my knowledge and belief

Signature Robin Askew Printed Name ROBIN ASKEW Title REGULATORY CLERK Date 4/15/03



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

Rustler <u>640'</u> B. Salt _____ T. Yates <u>2350</u> T. 7 Rivers <u>2665</u> T. Queen <u>3290</u> T. Penrose <u>3518</u> T. Grayburg <u>3773</u> T. Premier <u>3926</u> T. Captian <u>3992</u> T. Delaware <u>4188</u> Massive Delaware <u>4996</u> Bone Spring Carb <u>6402</u> 1 st Bone Sprg Sand <u>7807</u> 2 nd Bone Sprg Sand <u>8588</u> 3 rd Bone Sprg Sand <u>9376</u> Wolfcamp <u>9848</u> Wolfcamp Shale <u>10262</u>	T. Canyon _____ T. Strawn <u>10854</u> T. Atoka <u>11000</u> Atoka Carbonate <u>11388</u> T. Devonian _____ T. Silurian _____ T. Montoya _____ T. Simpson _____ T. McKee _____ T. Ellenburger _____ T. Gr. Wash _____ T. Delaware Sand _____ T. Bone Springs _____ T. Morrow Clastics <u>11702</u> T. Lower Morrow <u>12010</u> T. Mississippian <u>12063</u> T. _____
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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 Oztze _____ T. Granite _____ T. _____ T. _____ T. _____ T. _____ T. _____ T. _____
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OIL OR GAS SANDS OR ZONES

No. 1, from.....to..... No. 3,
 from.....to.....
 No. 2, 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
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WELL NAME AND NUMBER KC Strip State #1
 LOCATION Section 32, T-18-S, R-31-E, Eddy County, New Mexico
 OPERATOR Chi Energy Inc., 212 N. Main, Suite 200, Midland, Texas 79701
 DRILLING CONTRACTOR TMBR/Sharp Drilling, Inc., P. O. Drawer 10970, Midland, TX 79702

The undersigned hereby certifies that he is an authorized representative of the drilling contractor who drilled the above described well and that he has conducted deviation tests and obtained the following results:

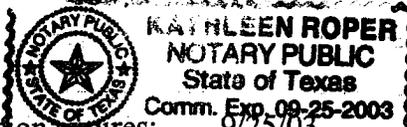
Degrees @ Depth	Degrees @ Depth	Degrees @ Depth	Degrees @ Depth
.75 @ 300'	1.00 @ 3,023'	.50 @ 4,974'	1.75 @ 7,594'
.50 @ 656'	.50 @ 3,226'	.50 @ 5,192'	2.00 @ 7,719'
.50 @ 782'	.75 @ 3,319'	.50 @ 5,408'	2.00 @ 7,810'
.50 @ 1,036'	.50 @ 3,367'	.50 @ 5,659'	2.00 @ 7,937'
.50 @ 1,286'	.50 @ 3,490'	.50 @ 5,878'	1.50 @ 8,063'
.75 @ 1,554'	.25 @ 3,600'	.75 @ 6,126'	1.75 @ 8,188'
.75 @ 1,805'	.75 @ 3,724'	.50 @ 6,314'	1.75 @ 8,280'
1.50 @ 2,117'	.75 @ 3,882'	.50 @ 6,562'	2.00 @ 8,407'
1.75 @ 2,215'	.75 @ 3,976'	1.00 @ 6,811'	2.00 @ 8,501'
1.50 @ 2,337'	.25 @ 4,100'	.75 @ 6,936'	2.00 @ 8,592'
2.00 @ 2,493'	.50 @ 4,224'	1.00 @ 7,061'	2.00 @ 8,719'
1.75 @ 2,589'	.50 @ 4,346'	1.75 @ 7,185'	2.00 @ 8,845'
1.25 @ 2,680'	.50 @ 4,504'	1.75 @ 7,280'	2.00 @ 8,969'
.75 @ 2,807'	.75 @ 4,660'	1.50 @ 7,340'	2.00 @ 9,063'
1.25 @ 2,932'	.50 @ 4,784'	2.00 @ 7,501'	2.25 @ 9,154'

Drilling Contractor TMBR/Sharp Drilling, Inc.

By Jeffrey D. Phillips
 Jeffrey D. Phillips, President

Subscribed and sworn to before me this 4th day of February, 2003

Kathleen Roper
 Notary Public Kathleen Roper


 Commission Expires: 09-25-2003

Midland County, Texas



WELL NAME AND NUMBER KC Strip State #1

LOCATION Section 32, T-18-S, R-31-E, Eddy County, New Mexico

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DRILLING CONTRACTOR TMBR/Sharp Drilling, Inc., P. O. Drawer 10970, Midland, TX 79702

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<u>Degrees @ Depth</u>	<u>Degrees @ Depth</u>	<u>Degrees @ Depth</u>	<u>Degrees @ Depth</u>
<u>2.50 @ 9,249'</u>	<u>1.75 @ 10,841'</u>		
<u>2.50 @ 9,341'</u>	<u>1.75 @ 10,903'</u>		
<u>2.75 @ 9,444'</u>	<u>1.50 @ 10,966'</u>		
<u>2.75 @ 9,540'</u>	<u>1.50 @ 11,184'</u>		
<u>2.25 @ 9,633'</u>	<u>1.75 @ 11,434'</u>		
<u>2.75 @ 9,727'</u>	<u>2.25 @ 11,653'</u>		
<u>2.25 @ 9,819'</u>	<u>2.75 @ 11,809'</u>		
<u>3.00 @ 9,912'</u>	<u>3.00 @ 11,902'</u>		
<u>3.00 @ 10,005'</u>	<u>2.00 @ 12,029'</u>		
<u>2.75 @ 10,098'</u>	<u>2.00 @ 12,160'</u>		
<u>2.75 @ 10,222'</u>			
<u>2.25 @ 10,345'</u>			
<u>2.00 @ 10,439'</u>			
<u>1.75 @ 10,594'</u>			
<u>1.25 @ 10,717'</u>			



Drilling Contractor TMBR/Sharp Drilling, Inc.

By Jeffrey D. Phillips
 Jeffrey D. Phillips, President

Subscribed and sworn to before me this 4th day of February, 2003

Kathleen Roper
 Notary Public Kathleen Roper

Midland County, Texas

