

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD-ARTESIA

FORM 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, #8

9. API Well No.
30-015-34814

10. Field and Pool, or Exploratory Area
Benson Delaware

11. County or Parish, State
Eddy

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well
☒ Oil Well ☐ Gas Well ☐ Other

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)
2500' FNL & 660' FWL Surface location
1980' FNL & 660' FWL Bottom hole location
Sec 12-T19S-R30E

RECEIVED

APR 06 2006

OCD-ARTESIA

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 checked="" 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 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 recomple 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 recompletion 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. is changing the casing program shown in the APD to the following as per OCD request::

	Hole Size	Casing Size	Weight	Grade	Joint	Setting Depth	Quantity of cement
Change the surface casing:	17 1/2"	13 3/8"	48.0#	J-55	STC	0' - 500'	Circ 400 sx "C"
Change the intermediate casing:	11"	8 5/8"	32.0#	J-55	LTC	0' - 1,900'	Circ. 900 sx "C"
Change production Casing:	7 7/8"	5 1/2"	17.0#	J-55	LTC	0' - 5500'	Circ. 1200 sx "C"

See attached copy of original APD showing casing program originally proposed.

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 March 29, 2006

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by (Signature) (ORIG. SGD) DAVID R. GLASS

Name

DAVID R. GLASS

Title

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

Date

APR 04 2006

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)

APPLICATION FOR DRILLING

CHI OPERATING, INC.

Munchkin Federal, Well No. 8

Surface: 2500' FNL & 660' FWL, Sec. 12-T19S-R30E

Bottom Hole: 1980' FNL & 660' FWL, Sec. 12-T19S-R30E

Eddy County, New Mexico

Lease No.: NM-0560353

(Development Well)

In conjunction with Form 3160-3, Application for Permit to Drill subject well, Chi Operating, Inc. submits the following items of pertinent information in accordance with BLM requirements:

1. The geologic surface formation is recent Permian with quaternary alluvium and other surficial deposits.
2. The estimated tops of geologic markers are as follows:

Anhydrite	400'	Queen	3050'
Yates	2240'	Delaware	4170'
Seven Rivers	2430'	T.D.	5500'

3. The estimated depths at which water, oil or gas formations are anticipated to be encountered:

Water: Surface water between 100' - 300'.

Oil: Possible in the Queen, Delaware.

Gas: Possible in the Delaware

4. Proposed Casing Program:

HOLE SIZE	CASING SIZE	WEIGHT	GRADE	JOINT	SETTING DEPTH	QUANTITY OF CEMENT
12 1/4"	9 5/8"	36.0#	J-55	ST&C	500'	Circ. 400 sx "C" + add.
8 3/4"	7"	23.0#	J-55	ST&C	3,200'	Circ 450 sx "C" to surface
Note: If 8 3/4" hole has no problems will reduce hole to 7 7/8" and set following:						
7 7/8"	5 1/2"	17.0#	J-55	LT&C	5,500'	Circ. in 2 stages: 1200 sx of "C"
Note: If 7" casing is set will use following:						
6 1/4"	4 1/2"	11.6#	N-80	LT&C	5,500'	Circ. in 2 stages: 1200 sx of "C"

5. Proposed Control Equipment: A 10" 3000 psi wp Shaffer Type "E" double hydraulic ram BOP will be installed on the 9 5/8" casing and will be used as a 2,000 psi system. Casing and BOP will be tested before drilling out with 7 7/8" and will be tested weekly. See Exhibit "E".

6. MUD PROGRAM:	MUD WEIGHT	VIS.	W/L CONTROL
With intermediate casing:			
0' - 500': Fresh water mud:	8.4 - 8.7 ppg	32 - 34	No W/L control
500' - 3200': Brine mud	10.0 ppg	29 - 30	No W/L control
3200' - 5500': Brine mud	10.0 ppg	29 - 32	W/L cont. < 15 cc @ TD
Without intermediate casing:			
0' - 500': Fresh water/Spud	8.4 - 8.7 ppg	32 - 34	No W/L control
500' - 5500': Brine/starch	10.0 ppg	29 - 30	W/L cont. <15 cc @ TD

7. Auxiliary Equipment: Blowout Preventer, gas detector, Kelly cock, pit level monitor, flow sensors and stabbing valve.

8. Testing, Logging, and Coring Program:

Drill Stem Tests: As deemed necessary.

Logging: T.D thru pay: GR-CAL-CNL-LDT-DLL-MICRO

T.D. to Surface: GR-Neutron

Coring: Rotary Sidewall: as dictated by logs.