

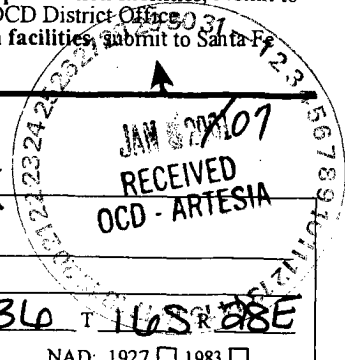
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Form C-144
June 1, 2004

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

For drilling and production facilities, submit to appropriate NMOCD District Office
For downstream facilities, submit to Santa Fe office



Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes No

Type of action: Registration of a pit or below-grade tank Closure of a pit or below-grade tank

Operator: Chi Operating Inc. Telephone: 432-485-5001 e-mail address: _____
Address: P.O. Box 1799 Midland, TX 79702
Facility or well name: Beavertail St. Cont. API #: 3001532854 U/L or Qtr/Qtr: D Sec: 36 T: 16 S R 28E
County: Eddy Latitude _____ Longitude _____ NAD: 1927 1983
Surface Owner: Federal State Private Indian

Pit	Below-grade tank	
Type: Drilling <input checked="" type="checkbox"/> Production <input type="checkbox"/> Disposal <input type="checkbox"/> Workover <input type="checkbox"/> Emergency <input type="checkbox"/>	Volume: _____ bbl Type of fluid: _____	
Lined <input checked="" type="checkbox"/> Unlined <input type="checkbox"/>	Construction material: _____	
Liner type: Synthetic <input checked="" type="checkbox"/> Thickness <u>12</u> mil Clay <input type="checkbox"/>	Double-walled, with leak detection? Yes <input type="checkbox"/> If not, explain why not. _____	
Pit Volume _____ bbl		
Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)	Less than 50 feet (20 points) <u>50 feet or more, but less than 100 feet</u> (10 points) <u>10</u> 100 feet or more (0 points)	
Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)	Yes (20 points) <u>No</u> (0 points)	<u>0</u>
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)	Less than 200 feet (20 points) 200 feet or more, but less than 1000 feet (10 points) <u>1000 feet or more</u> (0 points)	<u>0</u>
	Ranking Score (Total Points)	<u>10</u>

If this is a pit closure: (1) Attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location: (check the onsite box if you are burying in place) onsite offsite If offsite, name of facility _____. (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No Yes If yes, show depth below ground surface _____ ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

Additional Comments: CHI OPERATING PLANS TO CLOSE THE DRILLING PIT ON THE "BEAVERTAIL" AS PER NEW MEXICO OIL CONSERVATION DIVISION RULE 50 IN THE PIT AND BELOW GRADE TANK GUIDELINES. CHI PLANS TO ENCAPSULATE THE PIT CONTENTS AND LINER, CAPPING WITH 20 MIL LINER, THEN COVER WITH 3' OF NATIVE MATERIAL CAPABLE OF SUPPORTING NATIVE PLANT GROWTH. WE WILL CONTOUR THE PIT AREA TO PREVENT EROSION AND POOLING OF RAIN WATER. WE WILL NOTIFY O.C.D. 48 HOURS PRIOR TO BEGINING WORK.

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

Date: 1/19/07
Printed Name/Title: GREG LEARY / AGENT Signature: Greg Leary

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

USGS information shows this area to be water sensitive. Please submit a plan for this type area or schedule a meeting where other water data can be reviewed.

Approval: _____ Signature: **DENIED** Date: FEB 05 2007



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Chi Operating Inc.
PO Box 1799
Midland TX 79702

February 5, 2007

Operator,

The New Mexico Oil Conservation Division District 2 Office (OCD) is in receipt of Form C-144 closure forms for the wells listed below. These closure requests are denied due to water data indicating these wells to be situated in areas that are potentially less than 50' bgs to ground water.

- Diamond Vista 10 Fed 001 30-015-34393
- Crow Flats 9 St Com 001 30-015-33909
- Crow Flats 18 Fed Com001 30-015-34808
- Beavertail St Com 001 30-015-32856

These drilling pits are well past the 6-month closure limit and are in violation of Rule 19.15.2.50 NMAC. They are not eligible for an extension of time to close due to the wells being located in a "water sensitive" area. Please submit a closure plan that can be approved for a water sensitive area no later than February 15, 2007.

Sincerely,

Mike Bratcher
Mike Bratcher
NMOCD District 2
1301 W. Grand Ave.
Artesia, NM 88210
(505) 748-1283 Ext. 108
(505) 626-0857
mike.bratcher@state.nm.us

cc: garyw@chienergyinc.com; pamc@chienergyinc.com