

**State of New Mexico**  
**Energy, Minerals and Natural Resources**  
**Oil Conservation Division**  
**1220 S. St Francis Dr.**  
**Santa Fe, NM 87505**

**APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE**

1. Operator Name and Address CHI OPERATING INC P. O. BOX 1799 MIDLAND, TX 79702		2. OGRID Number 4378
4. Property Code 36083		3. API Number 30-025-38186
5. Property Name ELKAN		6. Well No. 002Y

**7. Surface Location**

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
H	11	14S	34E	H	2088	N	699	E	LEA

**8. Pool Information**

CERCA, UPPER PENN	11810
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**Additional Well Information**

9. Work Type New Well	10. Well Type OIL	11. Cable/Rotary	12. Lease Type Private	13. Ground Level Elevation 4098
14. Multiple N	15. Proposed Depth 10800	16. Formation Pennsylvanian	17. Contractor	18. Spud Date
Depth to Ground water 69		Distance from nearest fresh water well > 1000		Distance to nearest surface water > 1000
Pit: Liner: Synthetic <input checked="" type="checkbox"/> 12 _____ miles thick Clay <input type="checkbox"/> Pit Volume: 3200 _____ bbls Drilling Method: Closed Loop System <input type="checkbox"/> Fresh Water <input checked="" type="checkbox"/> Brine <input type="checkbox"/> Diesel/Oil-based <input type="checkbox"/> Gas/Air <input type="checkbox"/>				

**19. Proposed Casing and Cement Program**

Type	Hole Size	Casing Type	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC
Surf	17.5	13.375	48.5	450	400	
Int1	12.25	8.625	32	4500	800	
Prod	7.875	5.5	17	10800	500	8000

**Casing/Cement Program: Additional Comments**

Cement surface: aprox. 400 sks C+ additives - circ. Cement Intermediate: aprox 800 sks C+ additives - circ. Cement prod.: approx. 500 sks C+ additives

**Proposed Blowout Prevention Program**

Type	Working Pressure	Test Pressure	Manufacturer
DoubleRam	5000	5000	Shaffer

I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOCD guidelines <input checked="" type="checkbox"/> a general permit <input type="checkbox"/> or an (attached) alternative OCD-approved plan <input type="checkbox"/> .	<b>OIL CONSERVATION DIVISION</b>	
Printed Name: Electronically filed by John Wolf	Approved By: Gary Wink	
Title: Engineer	Title: OCD Reviewer	
Email Address: johnw@chienergyinc.com	Approved Date: 11/28/2006	Expiration Date: 11/28/2007
Date: 11/27/2006	Phone: 432-685-5001	Conditions of Approval Attached

**District I**  
 1625 N. French Dr., Hobbs, NM 88240  
 Phone:(505) 393-6161 Fax:(505) 393-0720

**District II**  
 1301 W. Grand Ave., Artesia, NM 88210  
 Phone:(505) 748-1283 Fax:(505) 748-9720

**District III**  
 1000 Rio Brazos Rd., Aztec, NM 87410  
 Phone:(505) 334-6178 Fax:(505) 334-6170

**District IV**  
 1220 S. St Francis Dr., Santa Fe, NM 87505  
 Phone:(505) 476-3470 Fax:(505) 476-3462

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Form C-102  
 Permit 42354

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

1. API Number 30-025-38186	2. Pool Code 11810	3. Pool Name CERCA,UPPER PENN
4. Property Code 36083	5. Property Name ELKAN	6. Well No. 002Y
7. OGRID No. 4378	8. Operator Name CHI OPERATING INC	9. Elevation 4098

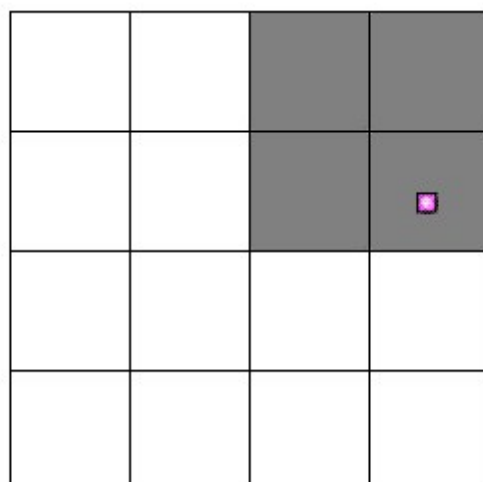
**10. Surface Location**

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
H	11	14S	34E		2088	N	699	E	LEA

**11. Bottom Hole Location If Different From Surface**

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
12. Dedicated Acres 160.00		13. Joint or Infill		14. Consolidation Code		15. Order No.			

**NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION**



**OPERATOR CERTIFICATION**

*I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location(s) or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.*

E-Signed By: John Wolf  
 Title: Engineer  
 Date: 11/27/2006

**SURVEYOR CERTIFICATION**

*I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.*

Surveyed By: Gary Edison  
 Date of Survey: 11/27/2006  
 Certificate Number: 12641

## Permit Comments

Operator: CHI OPERATING INC , 4378

Well: ELKAN #002Y

API: 30-025-38186

Created By	Comment	Comment Date
JWWOLF	Drilling Method: Fresh Water and Brine	11/27/2006
DMULL	Talked with John Wolf w/CHI. Non-Standard location is required. Approval for drilling only. Cannot produce until the Non-Standard location is approved by OCD Santa Fe office.	11/28/2006
DMULL	Lost hole in Elkan #2. Well will be Plugged & Abandoned.	11/28/2006

# Permit Conditions of Approval

Operator: CHI OPERATING INC , 4378

Well: ELKAN #002Y

API: 30-025-38186

OCD Reviewer	Condition
DMULL	Pit construction and closure must satisfy all requirements of your approved plan, O.C.D. Rule 19.15.2.50, and the Pit and Below-Grade Tank Guidelines
DMULL	Will require administrative order for non-standard location
GWINK	My maps and information show depth to groundwater 43' this will require hauling the entire pit and contents to an approved site.