

Chi Energy, Inc.

*P. O. Box 1799
Midland, TX 79702*

FAX TRANSMISSION

DATE SENT: 12/19/01 TIME SENT: 2:15 P.m.

TO: NAME: Richard Ezeanyin (Hope I spelled it right)
LOCATION: _____
TELEPHONE/FAX NO.: _____

FROM: NAME: JOHN WOLF
LOCATION: _____
TELEPHONE/FAX NO.: 915-685-5001/915-687-2662

NUMBER OF PAGES: 1 + COVER

MEMO:

Richard,
I THINK I CHECKED
THE APPROPRIATE BOXES.
Thanks
J.W.

DATE IN	SUSPENSE	ENGINEER	LOGGED IN	TYPE	APP NO.
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☒ SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
☒ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

- [D] Other: Specify _____

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☐ Does Not Apply

- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners
- [B] ☐ Offset Operators, Leaseholders or Surface Owner
- [C] ☐ Application is One Which Requires Published Legal Notice
- [D] ☒ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] ☐ Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is accurate and complete to the best of my knowledge. I also understand that no action will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

JOHN W. WOLF
 Print or Type Name

Signature

Eng.
 Title

12/19/01
 Date

john.wolf@chienergyinc.com
 e-mail Address

DISTRICT I
1622 N. French Dr., Hobbs, NM 88240
DISTRICT II
811 South First St., Artesia, NM 88210
DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410
DISTRICT IV
2040 S. Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

2040 S. Pacheco
Santa Fe, New Mexico 87505-6429

NOV 28 2001

DHC

Form C-107-A
Revised August 1999

APPROVAL PROCESS:

Administrative
Hearing

EXISTING WELLBORE

YES NO

APPLICATION FOR DOWNHOLE COMMINGLING

Operator CHI OPERATING, INC / P.O. Box 1799 MIDLAND, TX 79702

Lease REMMINGTON FED #3 UNIT-SEC 3-T205-R28E EDDY

OGRID NO 04378 Property Code 002953 API NO 30-015-27967 Federal X State TX (and/or) Fee

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zone	Lower Zone
1. Pool Name and Pool Code	<u>DELAWARE</u>		<u>OLD MILLMAN RANCH BONESPRING 48035</u>
2. Top and Bottom of Pay Section (Perforations)	<u>3570-3580'</u> <u>3870-3900'</u>		<u>6230-6463'</u>
3. Type of production (Oil or Gas)	<u>OIL</u>		<u>OIL</u>
4. Method of Production (Flowing or Artificial Lift)	<u>AL?</u>		<u>AL</u>
5. Bottomhole Pressure	a. (Current) <u>EST. 1500#</u>	a.	a. <u>1000 EST.</u>
Oil Zones - Artificial Lift: Estimated Current	b. (Original)	b.	b.
Gas & Oil - Flowing: Measured Current			
All Gas Zones: Estimated Or Measured Original			
6. Oil Gravity (EAPI) or Gas BTU Content	<u>44 API</u>		<u>44 API</u>
7. Producing or Shut-In?	<u>BEHIND PIPE</u>		<u>PRODUCING</u>
Production Marginal? (yes or no)	<u>UNKNOWN</u>		<u>No</u>
* If Shut-In, give date and oil/gas/water rates of last production	Date: Rates:	Date: Rates:	Date: Rates:
Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data			
* If Producing, give date and oil/gas/water rates of recent test (within 60 days)	Date: <u>BEHIND PIPE</u> Rates: <u>(SEE ATTACHED)</u>	Date: Rates:	Date: <u>8/2001</u> Rates: <u>10000, 80000, 850000</u>
8. Fixed Percentage Allocation Formula - % for each zone (total of %'s to equal 100%)	Oil: <u>77%</u> Gas: <u>59%</u>	Oil: % Gas: %	Oil: <u>23%</u> Gas: <u>41%</u>

9. If allocation formula is based upon something other than current or past production, or is based upon some other method, submit attachments with supporting data and/or explaining method and providing rate projections or other required data.

10. Are all working, overriding, and royalty interests identical in all commingled zones? Yes No
If not, have all working, overriding, and royalty interests been notified by certified mail? Yes No

11. Will cross-flow occur? Yes No Yes If yes, are fluids compatible, will the formations not be damaged, will any cross-flowed production be recovered, and will the allocation formula be reliable. Yes No (If No, attach explanation)

12. Are all produced fluids from all commingled zones compatible with each other? Yes No

13. Will the value of production be decreased by commingling? Yes No (If Yes, attach explanation)

14. If this well is on, or communitized with, state or federal lands, either the Commissioner of Public Lands or the United States Bureau of Land Management has been notified in writing of this application. Yes No

15. NMOCD Reference Cases for Rule 303(D) Exceptions: ORDER NO(S).

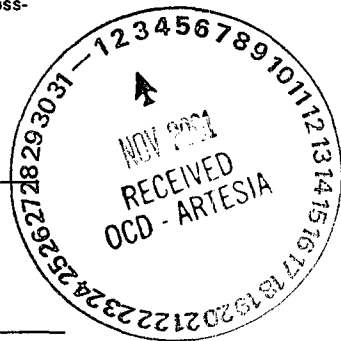
16. ATTACHMENTS:

- C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- Production curve for each zone for at least one year. (If not available, attach explanation.)
- For zones with no production history, estimated production rates and supporting data.
- Data to support allocation method or formula.
- Notification list of working, overriding, and royalty interests for uncommon interest cases.
- Any additional statements, data, or documents required to support commingling.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE John W. Wolf TITLE Manager DATE 10/31/01

TYPE OR PRINT NAME JOHN W. WOLF TELEPHONE NO. (815) 685-5001



District I
PO Box 1988, Hobbs, NM 88241-1988
District II
PO Drawer DD, Artesia, NM 88211-9719
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-102
Revised February 10, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☒ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-27947		Pool Code 48035		Range Pool Name Old Millman Bone Springs	
Property Code 002753		Property Name Remington Fed			Well Number 3
OGRID No. 004378		Operator Name Cin Operating, Inc			Elevation 3274.62

10 Surface Location

UL or lot no. N	Section 3	Township 20S	Range 28E	Lot Ida	Feet from the 660	North/South line FSL	Feet from the 1980	East/West line FWL	County Eddy
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11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
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12 Dedications Acres 40	13 Joint or Infill	14 Consolidation Code	15 Order No.
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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

16					17 OPERATOR CERTIFICATION	
					I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief	
					Signature David H. Harrison	
					Printed Name PRESIDENT	
				18 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.		
				Date of Survey		
				Signature and Seal of Professional Surveyor:		
Certificate Number						

EXISTING BONE SPRING

District I
PO Box 1988, Hobbs, NM 88241-1988
District II
PO Drawer DD, Artesia, NM 88211-0719
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
PO Box 2088, Santa Fe, NM 87504-2088

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☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number 30-015-29967		2 Pool Code		3 Pool Name DELAWARE	
4 Property Code 002753		5 Property Name REMINGTON FED.			6 Well Number #3
7 OGRID No. 04378		8 Operator Name CHI OPERATING, INC			9 Elevation 3274.61

10 Surface Location

UL or lot no. N	Section 3	Township 28N	Range 28E	Lot Idn	Feet from the 660	North/South line FSL	Feet from the 1980	East/West line FWL	County Eddy
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205 11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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12 Ductile 40	13 Acres	14 Joint or Infill	15 Consolidation Code	16 Order No.
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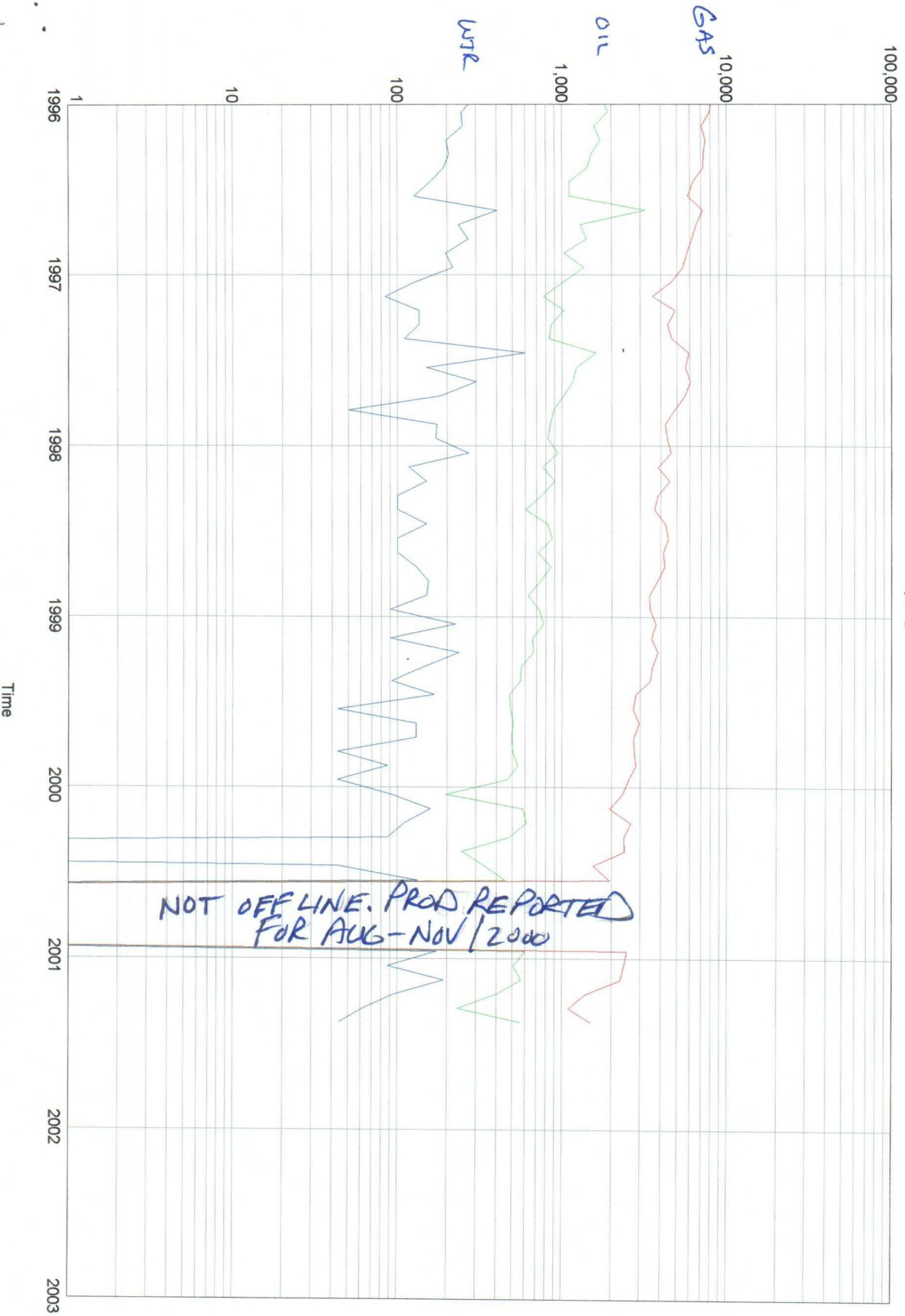
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<div>16</div> <div>1980'</div> <div>660'</div> <div>RECEIVED NOV 20 1994 OCD - ARTESIA</div>				<div>17 OPERATOR CERTIFICATION</div> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <div>Signature JOHN W. WOLF</div> <div>Printed Name John W. Wolf</div> <div>Title Eng.</div> <div>Date 10/31/01</div>	
				<div>18 SURVEYOR CERTIFICATION</div> <p>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.</p> <div>Date of Survey</div> <div>Signature and Seal of Professional Surveyor</div>	
				<div>Certificate Number</div>	

PROPOSED DELAWARE

Lease Name: REMINGTON FEDERAL
County, State: EDDY, NM
Operator: CHI OPERATING INCORPORATED
Field: OLD MILLMAN RANCH
Reservoir: BONE SPRING
Location:

REMINGTON FEDERAL - OLD MILLMAN RANCH
#3



Chi Operating, Inc

Remington Federal #3

Sec. 3, T20S, R28E

660' FSL, 1980FWL

Eddy Co., N.M.

KB -'

GL - 3274'

17½" hole set 13 3/8" 48# @ 350'
Cmtd w/400 sks, circ. 75sks.

TOC - 2600' CBL

12¼" hole set 8 5/8" - 32# & 24# @ 3000'.
Cmtd w/1830 sks. Circ. 15 sks.

Delaware
Perfs to be added: 3570-3580'.

Delaware
Perfs to be added: 3890-3900'.

Perfs: 6230-6463'-17 Holes
BHT - 118 deg.

Presently producing 18 bopd, 8 bwdp, 85 mcfpd from the 1st Bone Spring Sand (6230-463'). We request adding the Delaware Zones (3565-3605', 3890-3920') and commingle with Bone Spring. An exam of the offset logs shows no development of these Delaware Sands, thus no production. Based on Delaware logs with like neutron/density/lateral log characteristics, it is our estimate these sands will contribute an additional +60 bopd, 120 mcfpd & 60 bwpd. The Delaware BHP is est. at a gradient of .4 psi/ft, GOR of 2:1, and an API gravity of 44, which is the same or very similar to the Bone Spring. (See attached production curve on Bone Spring).

Tubing: 2 3/8" 4.7#

PBTD-6655'

TD-6700' - 4 1/2" 10.5# J-55