

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

**CEMENT TO COVER ALL OIL,  
GAS AND WATER BEARING  
ZONES**

OCES

Form C-101  
May 27, 2004

Submit to appropriate District Office

1220 South St. Francis Dr.  
Santa Fe, NM 87505

AMENDED REPORT

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

Operator Name and Address CHI OPERATING, INC P.O. BOX 1799 MIDLAND, TEXAS 79702		OGRID Number 004378
Property Code 28059		API Number 30-015-34554
Property Name WC "4"		Well No. 4
Proposed Pool 1 Happy Valley Morrow		Proposed Pool 2

**Surface Location**

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	4	22S	26E		2490	NORTH	1150	EAST	EDDY

**Proposed 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

**Additional Well Information**

Work Type Code N	Well Type Code G	Cable/Rotary R	Lease Type Code P	Ground Level Elevation 3201'
Multiple	Proposed Depth 11700	Formation MORROW	Contractor	Spud Date 8/1/06
Depth to Groundwater 117'	Distance from nearest fresh water well 250+		Distance from nearest surface water NA	
Pit: Liner: Synthetic <input checked="" type="checkbox"/> 72 in. 11' Clay <input type="checkbox"/> Pit Volume: 3000 bbls Drilling Method: Closed-Loop System <input type="checkbox"/> Fresh Water <input checked="" type="checkbox"/> Brine <input checked="" type="checkbox"/> Diesel/Oil-based <input type="checkbox"/> Gas/Air <input type="checkbox"/>				

**Proposed Casing and Cement Program**

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17 1/2"	13 3/8"	48.5	500	±400	SURFACE
12 1/4"	9 5/8"	36	2130	±600	"
8 3/4"	5 1/2"	20/17	11700	±500	±8000

Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Notify OCD, spud & drill surface hole with fresh wtr mud, run pipe and cmt to surface. While WOC 12 hrs (Requesting this in order to save a substantial amount of money. Surface slurries meet compressive strength of 500 psi in 12 hrs. Lead: "C"+4% gel+2% CaCl2+ .25 pps CF, Tail: "C"+2% CaCl2+.25 pps CF). NU and tst annular & csg. to 500# for 30 min. Drill intermediate hole with fresh wtr mud, run pipe and cmt to surface. While WOC 18 hrs, NU and tst BOPE & csg to 1500# for 30 min. Drill to TD w/fresh & brine mud system, Run E-logs, run production csg and cmt as needed.

Nearest dwelling 301'.  
Attached: H2S contingency plan. NO H2S ANTICIPATED. WILL MONITOR.

**NOTIFY OCD OF SPUD &  
TIME TO WITNESS  
CEMENTING OF SURFACE &  
INTERMEDIATE CASING**

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 , a general permit , or an (attached) alternative OCD-approved plan .

OIL C  
Approved by:

**BRYAN G. ARRANT  
DISTRICT II GEOLOGIST**

Printed name: JOHN W. WOLF

Title:

Title:

Approval Date:

JUL 27 2006

Expiration Date:

JUL 27 2007

E-mail Address:

Date: 6/8/06

Phone: 432-685-5001

Conditions of Approval Attached

\* Woc 18 Hrs Option 1 only for 13 3/8" & 9 5/8" ca  
NSL-5225

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Case No. 13814 Exhibit No. 2  
Submitted by:  
CHI OPERATING INC.  
Hearing Date: November 9, 2006

State of New Mexico

Energy, Minerals and Natural Resources Department

DISTRICT I  
1525 N. FRANCES DR., ROOFS, 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, New Mexico 87505

Form C-102  
Revised JUNE 10, 2003  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number	Pool Code 78060	Pool Name Happy Valley; Moraw
Property Code	Property Name W.C. "4"	Well Number 4
OGRID No.	Operator Name CHI OPERATING, INC.	Elevation 3201'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	E24	22-S	26-E		2490	NORTH	1150	EAST	EDDY

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
					Dedicated Acres 320	Joint or Infill	Consolidation Code	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

LOT 4	LOT 3	LOT 2	LOT 1
			2490'
			1150'
<p>GEODETTIC COORDINATES NAD 27 NME  Y=517254.7 N X=512556.3 E  LAT.=32°25'19.34" N LONG.=104°17'33.51" W</p>			
<p><b>OPERATOR CERTIFICATION</b></p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p>Signature: <i>John W. Wolf</i></p> <p>Printed Name: JOHN W. WOLF</p> <p>Title: _____</p> <p>Date: 7/11/06</p>			
<p><b>SURVEYOR CERTIFICATION</b></p> <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> <p>MAY 24, 2005</p> <p>Date Surveyed: _____ JR</p> <p>Signature: <i>Gary Edson</i></p> <p>Professional Surveyor</p> <p>NEW MEXICO GARY EDSON 05.11.0780</p> <p>Certificate No. GARY EDSON 12641</p>			