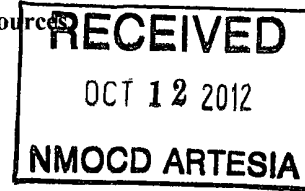


District I
1625 N French Dr., Hobbs, NM 88240
Phone (575) 393-6161 Fax (575) 393-0720
District II
811 S First St., Artesia, NM 88210
Phone (575) 748-1283 Fax (575) 748-9720
District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone (505) 334-6178 Fax (505) 334-6170
District IV
1220 S St. Francis Dr., Santa Fe, NM 87505
Phone (505) 476-3460 Fax (505) 476-3462

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

Form C-101
Revised August 1, 2011
Permit



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 39308	³ Property Name PEACEKEEPER STATE 25	⁵ API Number 30-015-46819
		⁶ Well No. 3H

⁷ Surface Location									
UL - Lot M	Section 25	Township 19S	Range 29E	Lot Idn	Feet from 200	N/S Line S	Feet From 400	E/W Line W	County Eddy

⁸ Pool Information	
TURKEY TRACK UNDESIGNATED BONE SPRING	60660

Additional Well Information				
⁹ Work Type N	¹⁰ Well Type 0	¹¹ Cable/Rotary R	¹² Lease Type S	¹³ Ground Level Elevation 3331'
¹⁴ Multiple No	¹⁵ Proposed Depth TVD: 8190 MD: 12,738	¹⁶ Formation Bone Spring	¹⁷ Contractor McVay	¹⁸ Spud Date
Depth to Ground water 180'		Distance from nearest fresh water well 2-1/2 miles		Distance to nearest surface water 4 miles

¹⁹ Proposed Casing and Cement Program						
Type	Hole Size	Casing Size	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC
	17 1/2"	13 3/8"	68#	330	600	Surface
	12 1/4"	9 5/8"	40#	3700	1050	Surface
	8 3/4"	7"	26#	8384	725	Surface
Liner	6 1/8"	4 1/2"	11.6#	12,738	N/A Open hole	

Casing/Cement Program: Additional Comments
See attached Drilling Plan, H2S Plan, Horizontal Plan & BOP

Proposed Blowout Prevention Program			
Type	Working Pressure	Test Pressure	Manufacturer
13 5/8" Double Ram 2FZ35-35	5,000#	3,000#	Guanghan

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 ☐ . Closed Loop.		OIL CONSERVATION DIVISION	
Printed name: Barry W. Hunt		Approved By: <i>B. C. Shepard</i>	
Title: Permit Agent		Title: <i>Geologist</i>	
E-mail Address: specialtpermitting@gmail.com		Approved Date: <i>10/25/2012</i> Expiration Date: <i>10/25/2014</i>	
Date: 10/04/12	Phone (575) 361-4078	Conditions of Approval Attached	

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State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office
☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-40819	Pool Code 60660	Pool Name TURKEY TRACK Undesignated Bone Spring
Property Code 39308	Property Name PEACEKEEPER STATE 25	Well Number 3H
OGRID No 4378	Operator Name CHI OPERATING, INC.	Elevation 3331.0'

Surface Location

UL or lot no	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	25	19 S	29 E		200	SOUTH	400	WEST	EDDY

Bottom Hole Location If Different From Surface

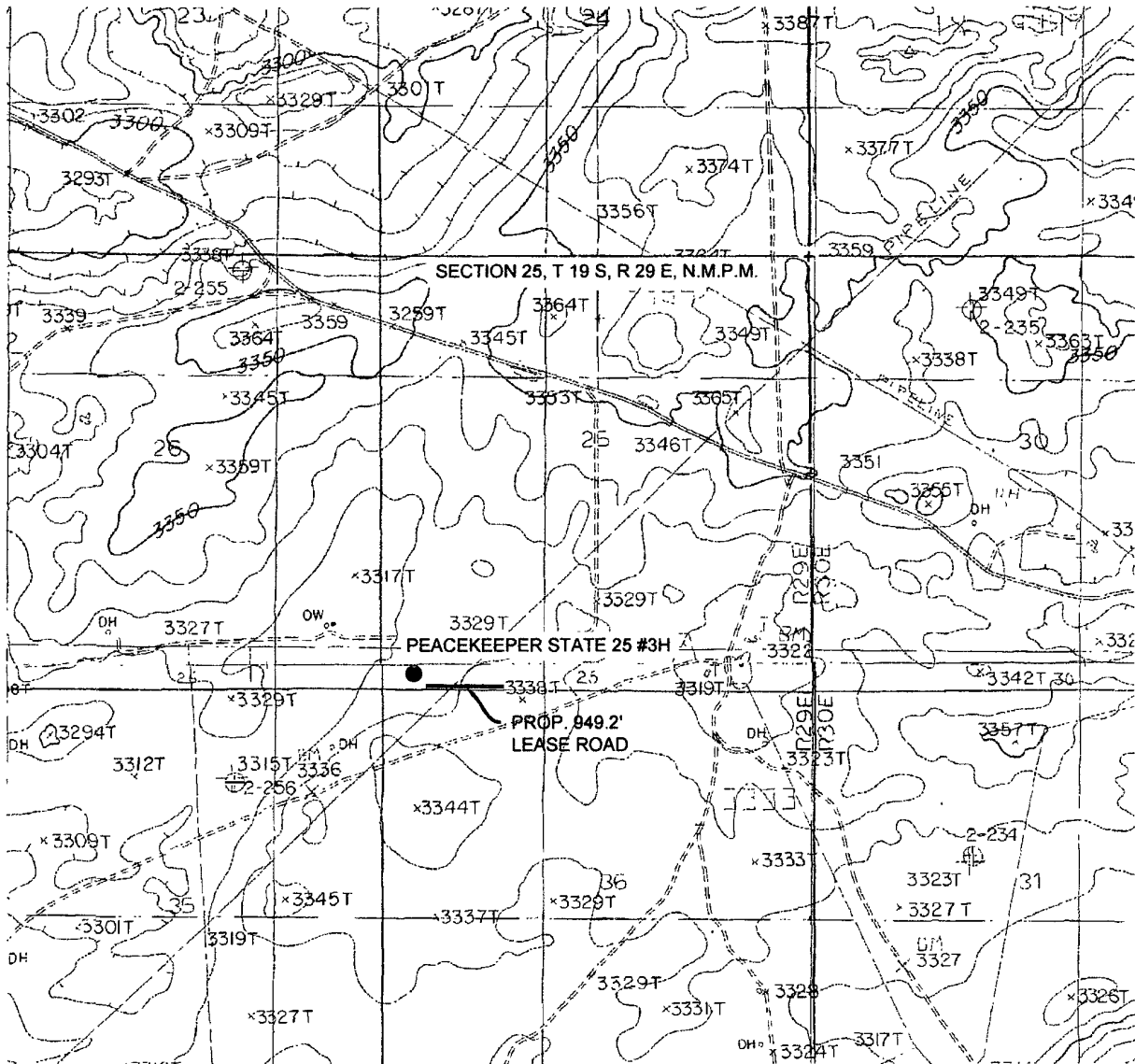
UL or lot no	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	25	19 S	29 E		330	NORTH	330	WEST	EDDY

Dedicated Acres	Joint or Infill	Consolidated Code	Order No
160			

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.

330'	PEACEKEEPER STATE 25 #3H BHL NMSP-E (NAD 83) Y = 595920.6' N X = 632903.0' E LAT = N32° 38' 16.38" LONG. = W104° 02' 09.14"	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 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 voluntary pooling agreement or a compulsory pooling order heretofore entered by the division. <i>Barry W. Hunt</i> 10/4/12 Signature Date Barry W. Hunt Print Name E-mail Address SURVEYORS 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. SEPTEMBER 11, 2012 Date of Survey Signature and Seal of Professional Surveyor JAMES E. TOMPKINS NEW MEXICO 14729 REGISTERED PROFESSIONAL LAND SURVEYOR <i>James E. Tompkins</i> Job No.: WTC48691 JAMES E. TOMPKINS 14729 Certificate Number
N 00° 50' 41" W - 4744.5'		
400'	PEACEKEEPER STATE 25 #3H SHL NMSP-E (NAD 83) Y = 591176.5' N X = 632973.0' E LAT. = N32° 37' 29.43" LONG. = W104° 02' 08.48"	

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

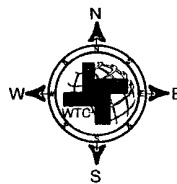
SECTION 25, T 19 S, R 29 E, N.M.P.M.

COUNTY: EDDY STATE: NM

DESCRIPTION: 200' FSL & 400' FWL

OPERATOR: CHI OPERATING, INC.

WELL NAME: PEACEKEEPER STATE 25 #3H



DRIVING DIRECTIONS

FROM THE JUNCTION OF STATE HIGHWAY 360 N AND HWY 62, ABOUT 15 MILES NORTHEAST OF CARLSBAD, NM. GO NORTH ON HWY 360 FOR 5.7 MILES TO COUNTY ROAD 235 ON THE LEFT. GO WEST-NORTHWEST FOR 4.8 MILES TO A LEASE ROAD TO THE LEFT GO SOUTH 0.8 MILES AND THE LOCATION IS ±1725 FEET RIGHT.



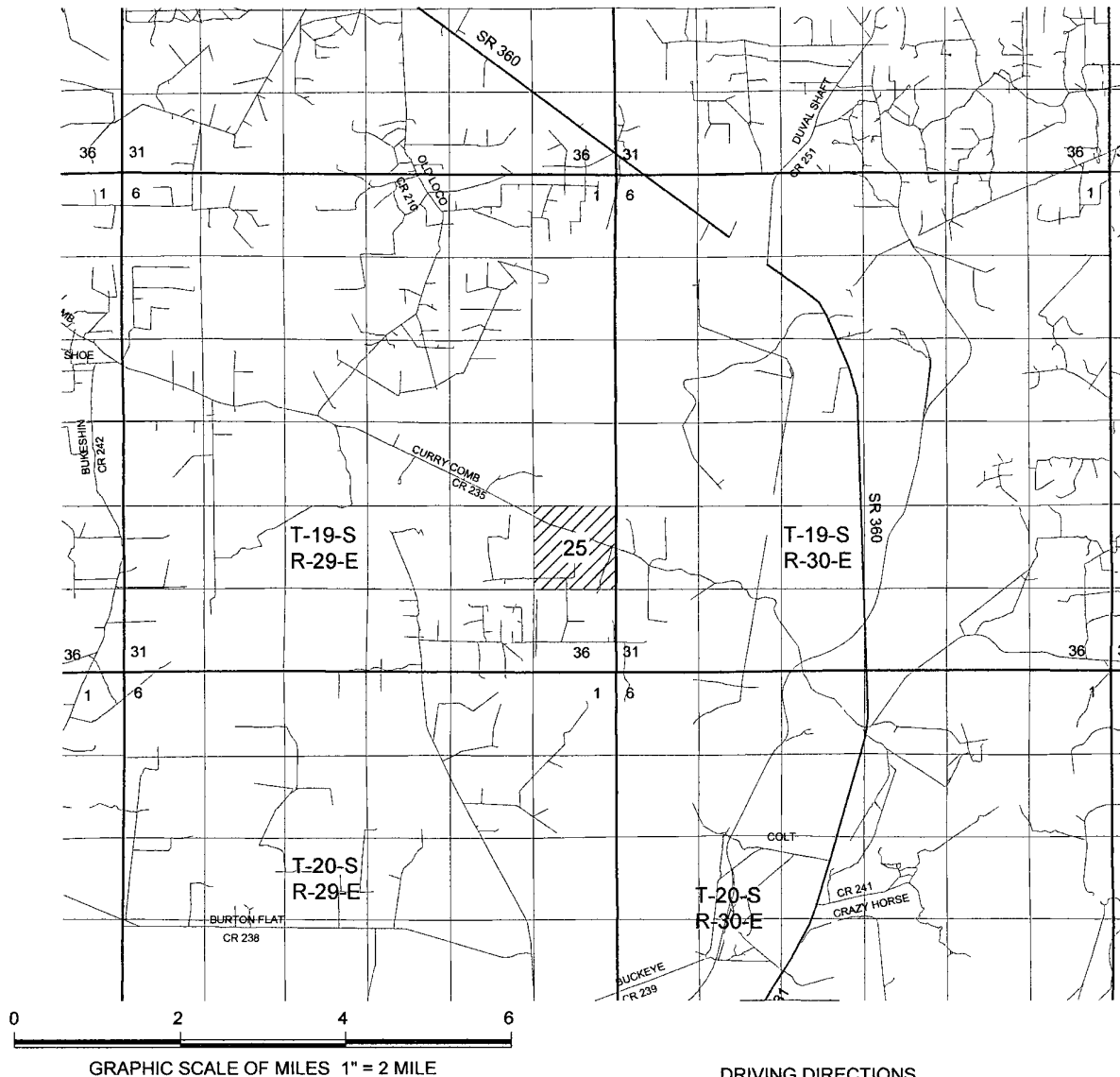
WEST TEXAS CONSULTANTS, INC.
ENGINEERS PLANNERS SURVEYORS
405 S W 1st STREET
ANDREWS, TEXAS 79714
(432) 523-2181

CHI OPERATING, INC.

JOB No WTC48691

I:\Projects\CHI Energy Inc\WTC48691-CHI Energy State & Prod 2 Peacekeeper State 25 with Eddy County\WTC48691-PEACEKEEPER 25 3H.dwg

VICINITY MAP



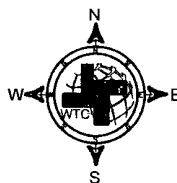
SECTION 25, T 19 S, R 29 E, N M P M

COUNTY EDDY STATE NM

DESCRIPTION 200' FSL & 400' FWL

OPERATOR CHI OPERATING, INC

WELL NAME PEACEKEEPER STATE 25 #3H



DRIVING DIRECTIONS

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ANDREWS, TEXAS 79714
(432) 523-2181

CHI OPERATING, INC.

JOB No WTC48691

2: Project\A001 & Gas Survey\A001 Energy McVicker-Chi Energy State & Pat 2 Peacekeeper State 25.wcs Eddy, Co\Drawings\05091-PEACEKEEPER 25.dwg

Application to Drill
Peacekeeper State 25 No. 3H
Sec. 25, T19S, R29E
Eddy County, New Mexico
Drilling Program

- 1. Location: SHL 200' FSL & 400' FWL**
BHL 330' FNL & 330' FWL

Elevation: 3331'

2. Geologic name of surface formation: Quaternary Alluvium Deposits

3. Drilling tools and associated equipment: Conventional rotary drilling rig using fluid as a circulating medium for solids removal.

4. Proposed drilling depth: 12738' MD

5. Estimated tops of geological markers:

Yates	2235'	Bone Spring	6330'
Queen	3100'	1 st Bone Spring	7500'
Delaware	4050'	2 nd Bone Spring	8130'

6. Possible mineral bearing formation:

Delaware	Oil
Bone Spring	Oil

- ### 7. Proposed Mud Circulating System:

Depth	Mud Wt	Visc	Fluid Loss	Type Mud
0' to 330'	8.4 – 8.6	28	NC	FW
330' to 3700'	10.0	30-32	NC	Brine water
3700' to 8384'	8.4-9.5	30-32	NC	FW, Brine
8384' to 12738'	8.4	28-32	NC	2% KCl

Sufficient mud materials will be kept on location at all times in order to combat lost circulation or unexpected kicks. In order to run DSTs, open hole logs, and casing, the viscosity and water loss may have to be adjusted in order to meet these needs.

Application to Drill
Peacekeeper State 25 No. 3H
Sec. 25, T19S, R29E
Eddy County, New Mexico

Proposed drilling Plan

After drilling and setting surface casing, drill to approximately 8384' and set 7" casing. Cement in place. Drill out of the bottom of the 7" with a 6 1/8" bit and continue per directional plan to TD.

8. Casing & Cementing Program:

String	Hole size	Depth	Casing OD	Weight	Collar	Grade
Surface	17 1/2"	0' to 330'	New 13 3/8"	68#	STC	H-40
Intermediate	12 1/4"	0' to 3700'	New 9 5/8"	40#	LTC	J/K-55
Production	8 3/4"	0' to 8384'	New 7"	26#	LTC	P-110
Lateral Liner	6 1/8"	8384 to 12738'	New 4 1/2"	11.6#	LTC	P-110

9. Cementing:

Surface 600sx Premium Plus + 3% Salt + 25 CaCl₂(wt 14.8, yld 1.34)
TOC Surface

Intermediate Lead: 400sx EconoCem + 3% Salt + 2% Cacl₂ + 3 lbm/sk Gilsonite(wt 11.7, yld 2.06)
 Tail: 650sx Premium Plus + 1% CaCl₂(wt 14.8, yld 1.34)
TOC Surface

Production Lead: 360sx EconoCem + 3% Salt + 5 lbm/sk gilsonite(wt 13.0, yld 1.71)
 Tail: 365sx Halcem(wt14.8, yld 1.34)
TOC Surface

Lateral No cement needed. Open hole completion assembly.

Fresh water zones will be protected by setting 13 3/8" casing at 330' and cementing to surface. Hydrocarbon zones will be protected by setting 9 5/8" casing at 3700' and cementing to surface, and by setting 7" casing at 8722'.

Collapse Factor
1.125

Burst Factor
1.125

Tension Factor
1.6

Application to Drill
Peacekeeper State 25 No. 3H
Sec. 25, T19S, R29E
Eddy County, New Mexico

10. Pressure control Equipment:

A 5000psi working pressure BOP tested to 3000psi consisting of one set of blind rams and One set of pipe rams and a 5000# annular type preventer. A choke manifold and 120 gallon accumulator with Floor and remote operating stations and auxiliary power system. Rotating head as needed. A kelly cock will be Installed and maintained in operable condition and a drill string safety valve in the open position will be available on the rig floor.

BOP unit will be hydraulically operated. BOP will be nipped up and operated at least once a day while drilling And the blind rams will be operated when out of hole during trips. No abnormal pressure or temperature is Expected while drilling. From the base of the surface pipe through the running of production casing, the well Will be equipped with a 5000psi BOP system tested to 3000psi.

BOPs will be tested by an independent service company to 250psi low and 3000ps high. Hydrill will be tested to 250psi low and 1500psi high.



Weatherford[®]

Drilling Services

Proposal



PEACEKEEPER STATE 25 #3H

EDDY COUNTY, NEW MEXICO

WELL FILE: PLAN 2

OCTOBER 2, 2012

Weatherford International, Ltd

P O Box 61028

Midland, TX 79711 USA

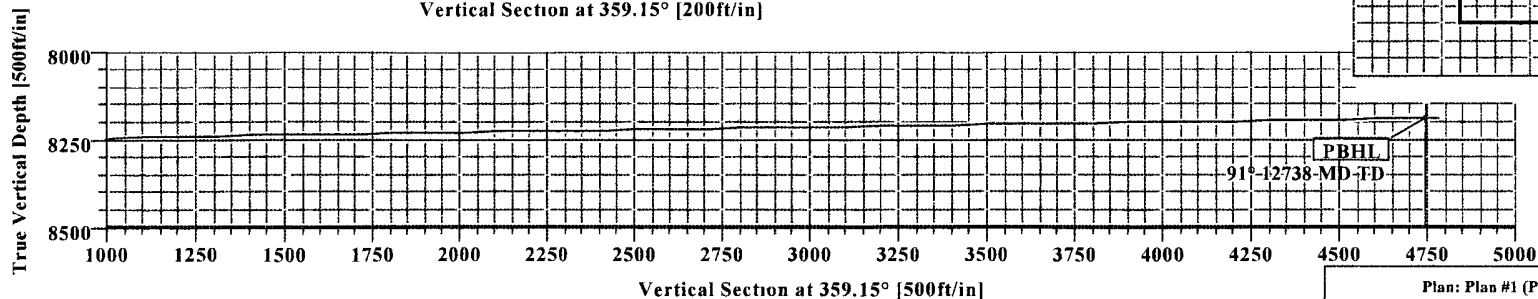
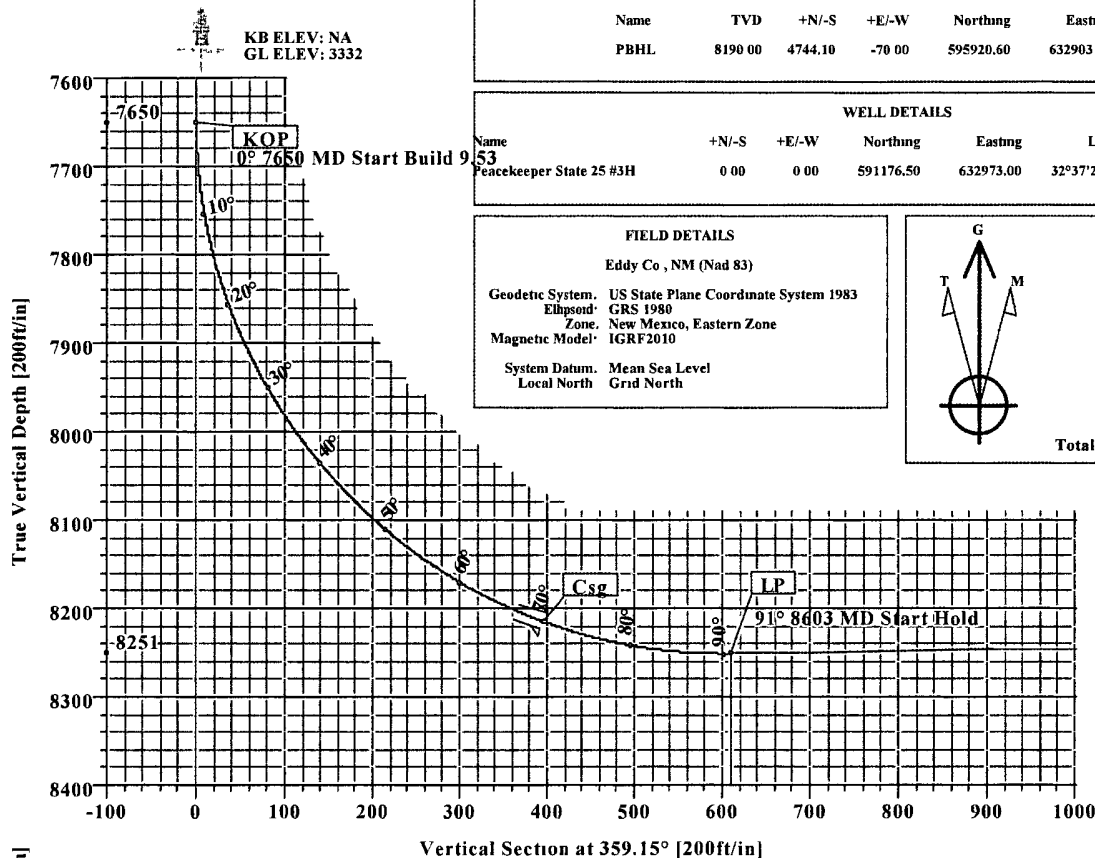
+1 432 561 8892 Main

+1.432 561 8895 Fax

www.weatherford.com



Peacekeeper State 25 #3H Eddy Co, NM

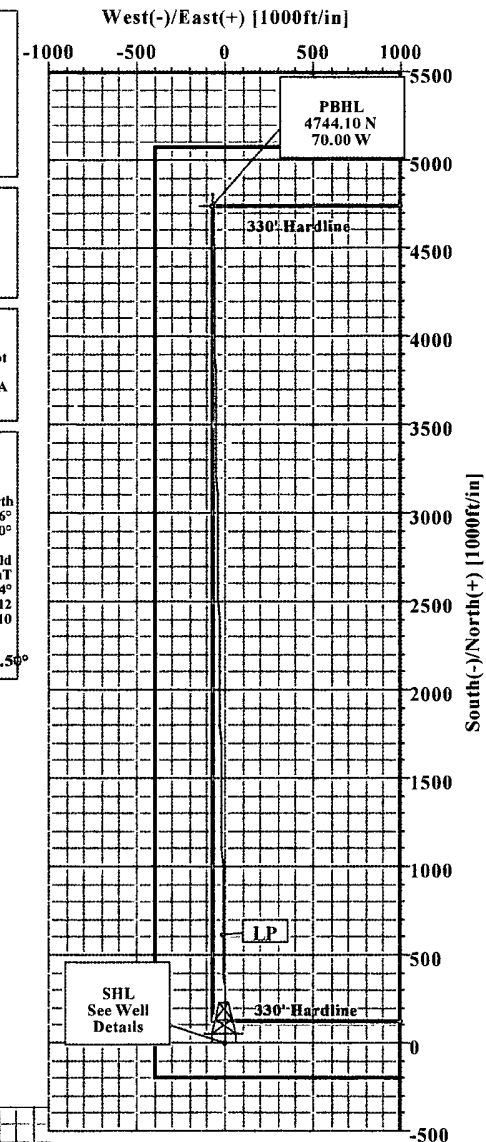
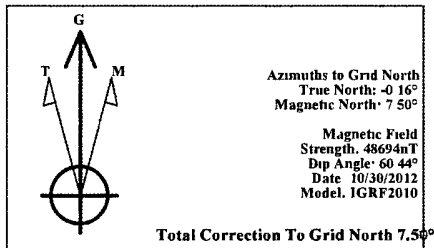


SECTION DETAILS									
Sec	MD	Inc	Azi	TVD	+N/-S	+E/-W	DLeg	TFace	VSec Target
1	0 00	0 00	359.15	0 00	0 00	0 00	0 00	0 00	0 00
2	7650 00	0 00	359 15	7650 00	0 00	0 00	0 00	0 00	0 00
3	8603.03	90.85	359 15	8251.00	609.87	-9 00	9.53	359 15	609.94
4	12738 16	90.85	359 15	8190 00	4744 10	-70 00	0 00	0 00	4744 62 PBHL

TARGET DETAILS					
Name	TVD	+N/-S	+E/-W	Northing	Easting Shape
PBHL	8190 00	4744.10	-70 00	595920.60	632903 00 Point

WELL DETAILS							
Name	+N/-S	+E/-W	Northing	Easting	Latitude	Longitude	Slot
Peacekeeper State 25 #3H	0 00	0 00	591176.50	632973.00	32°37'29.418N	104°02'08.491W	N/A

FIELD DETAILS	
Eddy Co, NM (Nad 83)	
Geodetic System:	US State Plane Coordinate System 1983
Ellipsoid:	GRS 1980
Zone:	New Mexico, Eastern Zone
Magnetic Model:	IGRF2010
System Datum:	Mean Sea Level
Local North:	Grid North





Weatherford

WFT Plan Report - X & Y's



Weatherford

Company: Chi Energy Date: 10/2/2012 Time: 12:41:50 Page: 1
 Field: Eddy Co., NM (Nad 83) Co-ordinate(NE) Reference: Well Peacekeeper State 25 #3H
 Site: Peacekeeper State 25 #3H Vertical (TVD) Reference: SITE 3331.0
 Well: Peacekeeper State 25 #3H Section (VS) Reference: Well (0.00N, 0.00E, 359.15Az)
 Wellpath: 1 Survey Calculation Method: Minimum Curvature Db: Sybase

Plan: Plan #1 Date Composed: 10/2/2012
 Principal: Yes Version: 1
 Tied-to: From Surface

Field: Eddy Co., NM (Nad 83)

Map System: US State Plane Coordinate System 1983 Map Zone: New Mexico, Eastern Zone
 Geo Datum: GRS 1980 Coordinate System: Well Centre
 Sys Datum: Mean Sea Level Geomagnetic Model: IGRF2010

Site: Peacekeeper State 25 #3H

Site Position: Northing: 591176.50 ft Latitude: 32 37 29 418 N
 From: Map Easting: 632973.00 ft Longitude: 104 2 8 491 W
 Position Uncertainty: 0.00 ft North Reference: Gnd
 Ground Level: 3331.00 ft Grid Convergence: 0.16 deg

Well: Peacekeeper State 25 #3H Slot Name:
 Well Position: +N/-S 0.00 ft Northing: 591176.50 ft Latitude: 32 37 29 418 N
 +E/-W 0.00 ft Easting: 632973.00 ft Longitude: 104 2 8 491 W
 Position Uncertainty: 0.00 ft

Wellpath: 1 Drilled From: Surface
 Current Datum: SITE Height 3331.00 ft Tie-on Depth: 0.00 ft
 Magnetic Data: 10/30/2012 Above System Datum: Mean Sea Level
 Field Strength: 48694 nT Declination: 7.66 deg
 Vertical Section: Depth From (TVD) +N/-S Mag Dip Angle: 60.44 deg
 ft ft ft deg
 0.00 0.00 0.00 359.15

Plan Section Information

MD ft	Incl deg	Azim deg	TVD ft	+N/-S ft	+E/-W ft	DLS deg/100ft	Build deg/100ft	Turn deg/100ft	TFO deg	Target
0.00	0.00	359.15	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
7650.00	0.00	359.15	7650.00	0.00	0.00	0.00	0.00	0.00	0.00	
8603.03	90.85	359.15	8251.00	609.87	-9.00	9.53	9.53	0.00	359.15	
12738.16	90.85	359.15	8190.00	4744.10	-70.00	0.00	0.00	0.00	0.00	PBHL

Survey

MD ft	Incl deg	Azim deg	TVD ft	N/S ft	E/W ft	VS ft	DLS deg/100ft	MapN ft	MapE ft	Comment
7600.00	0.00	359.15	7600.00	0.00	0.00	0.00	0.00	591176.50	632973.00	
7650.00	0.00	359.15	7650.00	0.00	0.00	0.00	0.00	591176.50	632973.00	KOP
7700.00	4.77	359.15	7699.94	2.08	-0.03	2.08	9.53	591178.58	632972.97	
7750.00	9.53	359.15	7749.54	8.30	-0.12	8.30	9.53	591184.80	632972.88	
7800.00	14.30	359.15	7798.45	18.62	-0.27	18.62	9.53	591195.12	632972.73	
7850.00	19.06	359.15	7846.33	32.96	-0.49	32.97	9.53	591209.46	632972.51	
7900.00	23.83	359.15	7892.85	51.24	-0.76	51.25	9.53	591227.74	632972.24	
7950.00	28.60	359.15	7937.70	73.32	-1.08	73.33	9.53	591249.82	632971.92	
8000.00	33.36	359.15	7980.55	99.04	-1.46	99.05	9.53	591275.54	632971.54	
8050.00	38.13	359.15	8021.12	128.24	-1.89	128.26	9.53	591304.74	632971.11	
8100.00	42.90	359.15	8059.13	160.71	-2.37	160.73	9.53	591337.21	632970.63	
8150.00	47.66	359.15	8094.30	196.22	-2.90	196.24	9.53	591372.72	632970.10	
8200.00	52.43	359.15	8126.40	234.53	-3.46	234.56	9.53	591411.03	632969.54	
8250.00	57.19	359.15	8155.20	275.38	-4.06	275.41	9.53	591451.88	632968.94	
8300.00	61.96	359.15	8180.52	318.48	-4.70	318.51	9.53	591494.98	632968.30	
8350.00	66.73	359.15	8202.16	363.53	-5.36	363.57	9.53	591540.03	632967.64	
8384.35	70.00	359.15	8214.82	395.45	-5.83	395.50	9.53	591571.95	632967.17	Csg



Weatherford

WFT Plan Report - X & Y's



Weatherford

Company: Chi Energy Date: 10/2/2012 Time: 12 41 50 Page: 2
 Field: Eddy Co., NM (Nad 83) Co-ordinate(NE) Reference: Well Peacekeeper State 25 #3H
 Site: Peacekeeper State 25 #3H Vertical (TVD) Reference: SITE 3331 0
 Well: Peacekeeper State 25 #3H Section (VS) Reference: Well (0 00N,0 00E,359 15Azi)
 Wellpath: 1 Survey Calculation Method: Minimum Curvature Db: Sybase

Survey

MD ft	Incl deg	Azim deg	TVD ft	N/S ft	E/W ft	VS ft	DLS deg/100ft	MapN ft	MapE ft	Comment
8400 00	71 49	359 15	8219 98	410 23	-6 05	410 27	9 53	591586 73	632966 95	
8450 00	76 26	359 15	8233 87	458 24	-6 76	458 29	9 53	591634 74	632966 24	
8500 00	81 02	359 15	8243 71	507 24	-7 48	507 30	9 53	591683 74	632965 52	
8550 00	85 79	359 15	8249 45	556 89	-8 22	556 95	9 53	591733 39	632964 78	
8603 03	90 85	359 15	8251 00	609 87	-9 00	609 94	9 53	591786 37	632964 00	LP
8700 00	90 85	359 15	8249 57	706 82	-10 43	706 90	0 00	591883 32	632962 57	
8800 00	90 85	359 15	8248 10	806 80	-11 90	806 89	0 00	591983 30	632961 10	
8900 00	90 85	359 15	8246 62	906 78	-13 38	906 88	0 00	592083 28	632959 62	
9000 00	90 85	359 15	8245 15	1006 76	-14 85	1006 87	0 00	592183 26	632958 15	
9100 00	90 85	359 15	8243 67	1106 74	-16 33	1106 86	0 00	592283 24	632956 67	
9200 00	90 85	359 15	8242 20	1206 71	-17 81	1206 85	0 00	592383 21	632955 19	
9300 00	90 85	359 15	8240 72	1306 69	-19 28	1306 84	0 00	592483 19	632953 72	
9400 00	90 85	359 15	8239 25	1406 67	-20 76	1406 82	0 00	592583 17	632952 24	
9500 00	90 85	359 15	8237 77	1506 65	-22 23	1506 81	0 00	592683 15	632950 77	
9600 00	90 85	359 15	8236 30	1606 63	-23 71	1606 80	0 00	592783 13	632949 29	
9700 00	90 85	359 15	8234 82	1706 61	-25 18	1706 79	0 00	592883 11	632947 82	
9800 00	90 85	359 15	8233 35	1806 58	-26 66	1806 78	0 00	592983 08	632946 34	
9900 00	90 85	359 15	8231 87	1906 56	-28 13	1906 77	0 00	593083 06	632944 87	
10000 00	90 85	359 15	8230 40	2006 54	-29 61	2006 76	0 00	593183 04	632943 39	
10100 00	90 85	359 15	8228 92	2106 52	-31 08	2106 75	0 00	593283 02	632941 92	
10200 00	90 85	359 15	8227 44	2206 50	-32 56	2206 74	0 00	593383 00	632940 44	
10300 00	90 85	359 15	8225 97	2306 48	-34 03	2306 73	0 00	593482 98	632938 97	
10400 00	90 85	359 15	8224 49	2406 45	-35 51	2406 72	0 00	593582 95	632937 49	
10500 00	90 85	359 15	8223 02	2506 43	-36 98	2506 70	0 00	593682 93	632936 02	
10600 00	90 85	359 15	8221 54	2606 41	-38 46	2606 69	0 00	593782 91	632934 54	
10700 00	90 85	359 15	8220 07	2706 39	-39 93	2706 68	0 00	593882 89	632933 07	
10800 00	90 85	359 15	8218 59	2806 37	-41 41	2806 67	0 00	593982 87	632931 59	
10900 00	90 85	359 15	8217 12	2906 34	-42 88	2906 66	0 00	594082 84	632930 12	
11000 00	90 85	359 15	8215 64	3006 32	-44 36	3006 65	0 00	594182 82	632928 64	
11100 00	90 85	359 15	8214 17	3106 30	-45 83	3106 64	0 00	594282 80	632927 17	
11200 00	90 85	359 15	8212 69	3206 28	-47 31	3206 63	0 00	594382 78	632925 69	
11300 00	90 85	359 15	8211 22	3306 26	-48 78	3306 62	0 00	594482 76	632924 22	
11400 00	90 85	359 15	8209 74	3406 24	-50 26	3406 61	0 00	594582 74	632922 74	
11500 00	90 85	359 15	8208 27	3506 21	-51 73	3506 60	0 00	594682 71	632921 27	
11600 00	90 85	359 15	8206 79	3606 19	-53 21	3606 59	0 00	594782 69	632919 79	
11700 00	90 85	359 15	8205 32	3706 17	-54 69	3706 57	0 00	594882 67	632918 31	
11800 00	90 85	359 15	8203 84	3806 15	-56 16	3806 56	0 00	594982 65	632916 84	
11900 00	90 85	359 15	8202 37	3906 13	-57 64	3906 55	0 00	595082 63	632915 36	
12000 00	90 85	359 15	8200 89	4006 11	-59 11	4006 54	0 00	595182 61	632913 89	
12100 00	90 85	359 15	8199 41	4106 08	-60 59	4106 53	0 00	595282 58	632912 41	
12200 00	90 85	359 15	8197 94	4206 06	-62 06	4206 52	0 00	595382 56	632910 94	
12300 00	90 85	359 15	8196 46	4306 04	-63 54	4306 51	0 00	595482 54	632909 46	
12400 00	90 85	359 15	8194 99	4406 02	-65 01	4406 50	0 00	595582 52	632907 99	
12500 00	90 85	359 15	8193 51	4506 00	-66 49	4506 49	0 00	595682 50	632906 51	
12600 00	90 85	359 15	8192 04	4605 97	-67 96	4606 48	0 00	595782 47	632905 04	
12700 00	90 85	359 15	8190 56	4705 95	-69 44	4706 47	0 00	595882 45	632903 56	
12738 16	90 85	359 15	8190 00	4744 10	-70 00	4744 62	0 00	595920 60	632903 00	PBHL



Weatherford

WFT Plan Report - X & Y's



Weatherford

Company: Chi Energy Date: 10/2/2012 Time: 12 41 50 Page: 3
Field: Eddy Co, NM (Nad 83) Co-ordinate(NE) Reference: Well Peacekeeper State 25 #3H
Site: Peacekeeper State 25 #3H Vertical (TVD) Reference: SITE 3331 0
Well: Peacekeeper State 25 #3H Section (VS) Reference: Well (0 00N,0 00E,359 15Azi)
Wellpath: 1 Survey Calculation Method: Minimum Curvature Db: Sybase

Targets

Name	Description Dip.	TVD ft	N-S ft	E-W ft	Map Northing ft	Map Easting ft	Latitude			Longitude		
							Deg	Min	Sec	Deg	Min	Sec
PBHL		8190 00	4744 10	-70 00	595920 60	632903 00	32	38	16 364 N	104	2	9 155 W

Casing Points

MD ft	TVD ft	Diameter in	Hole Size in	Name
8384 35	8214 82	0 000	0 000	Csg

Annotation

MD ft	TVD ft	
7650 00	7650 00	KOP
8603 03	8251 00	LP
12738 15	8190 00	PBHL

Formations

MD	TVD	Formations	Lithology	Dip Angle	Dip Direction

**Weatherford®****Weatherford Drilling Services**

GeoDec v5.03

Report Date: October 02, 2012
Job Number: _____
Customer: Chi Energy
Well Name: Peacekeeper State 25 #2H
API Number: _____
Rig Name: _____
Location: Eddy Co., NM (Nad 27)
Block: _____
Engineer: KRN

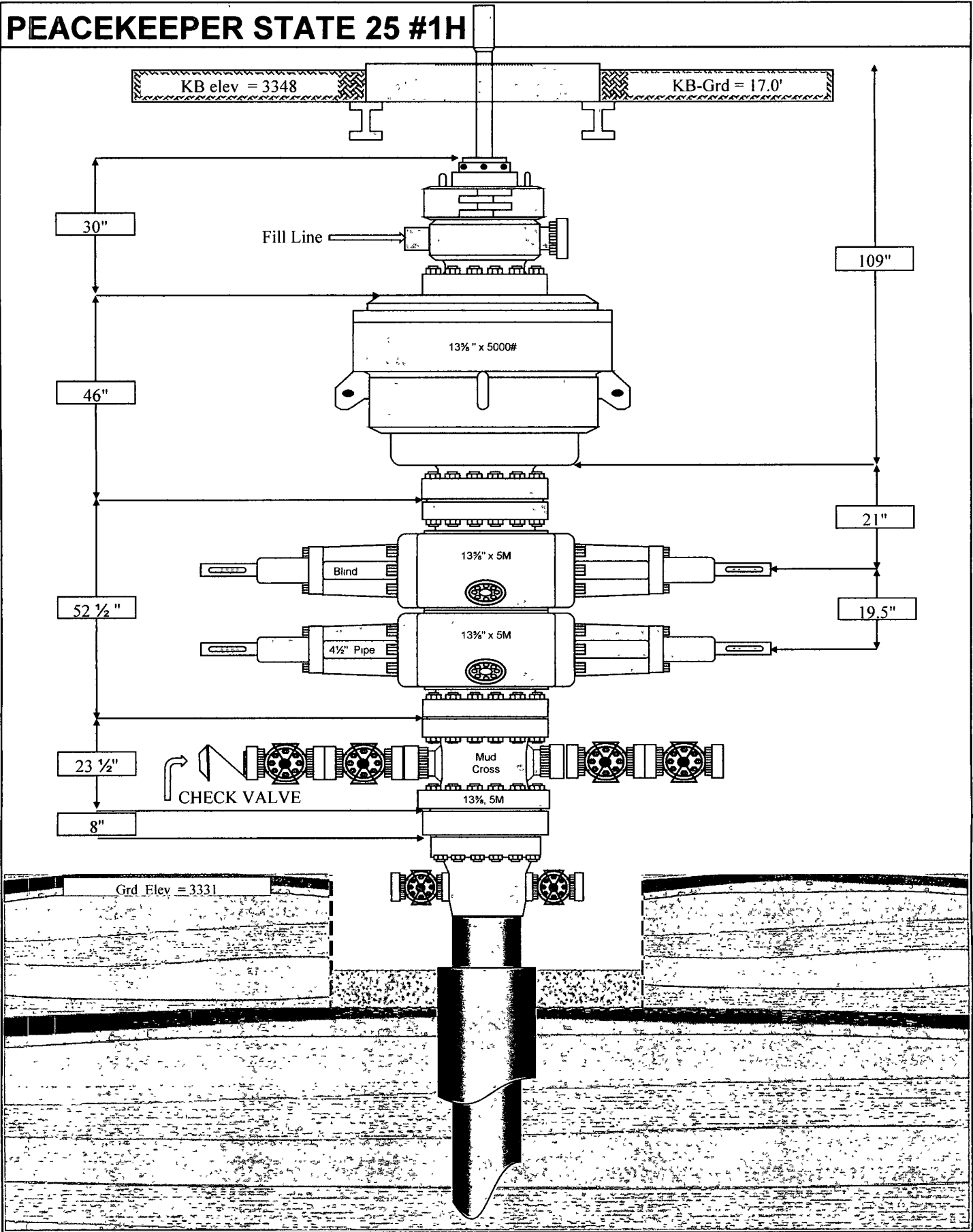
US State Plane 1983	Geodetic Latitude / Longitude
System: New Mexico Eastern Zone	System: Latitude / Longitude
Projection: Transverse Mercator/Gauss Kruger	Projection: Geodetic Latitude and Longitude
Datum: North American Datum 1983	Datum: North American Datum 1983
Ellipsoid: GRS 1980	Ellipsoid: GRS 1980
North/South 591176.500 USFT	Latitude 32 6248415 DEG
East/West 632973.000 USFT	Longitude -104.0356879 DEG
Grid Convergence: 16°	
Total Correction: +7.50°	

Geodetic Location WGS84	Elevation =	0.0 Meters
Latitude =	32.62484° N	32° 37 min 29.430 sec
Longitude =	104.03569° W	104° 2 min 8.477 sec

Magnetic Declination =	7.66°	[True North Offset]
Local Gravity =	.9988 g	Checksum = 6576
Local Field Strength =	48690 nT	Magnetic Vector X = 23803 nT
Magnetic Dip =	60.44°	Magnetic Vector Y = 3203 nT
Magnetic Model =	IGRF-2010g11	Magnetic Vector Z = 42354 nT
Spud Date =	Oct 30, 2012	Magnetic Vector H = 24018 nT

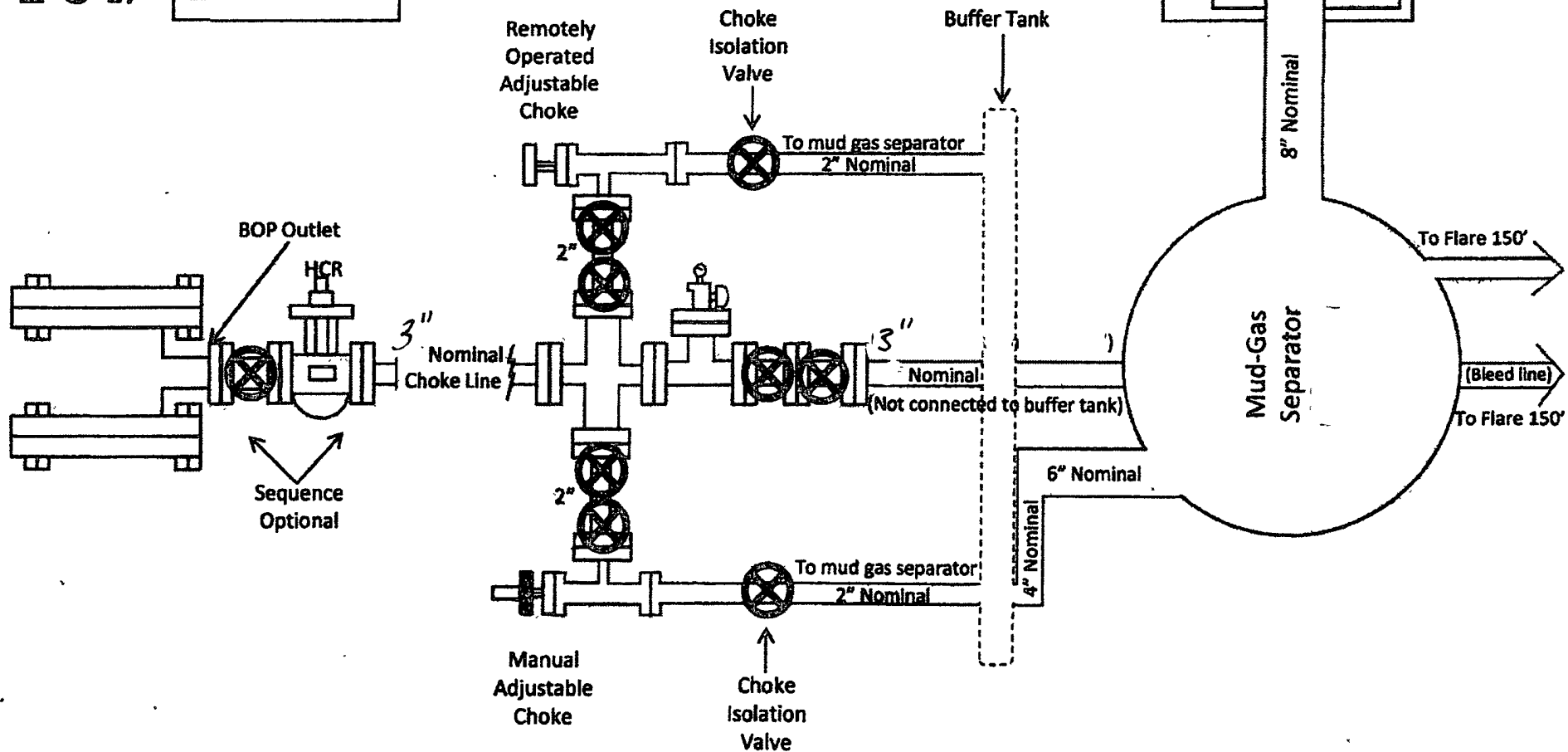
Signed: _____

Date: _____



Drilling Operations Choke Manifold 5M Service

Exhibit E-1 – Choke Manifold Diagram



CHI OPERATING, INC.

PEACEKEEPER STATE 25 #3H HYDROGEN SULFIDE (H₂S) CONTINGENCY DRILLING PLAN

Assumed 100 ppm ROE = 3000'

100 ppm H₂S concentration shall trigger activation of this plan.

This is an open drilling site. H₂S monitoring equipment and emergency response equipment will be rigged up and in use when the company drills out from under surface casing. H₂S monitors, warning signs, wind indicators and flags will be in use.

- A. All personnel shall receive proper H₂S training in accordance with Onshore Order 6 III.C.3.a
- B. Briefing Area: Two perpendicular areas will be designated by signs and readily accessible.
- C. Required Emergency Equipment:
 - Well control equipment
 - a. Flare line 150' from wellhead to be ignited by flare gun.
 - b. Choke manifold with a remotely operated choke.
 - c. Mud/Gas Separator.
 - Protective Equipment for essential personnel.
Breathing apparatus:
 - a. Rescue Packs (SCBA) – 1 unit shall be placed at each briefing area. 2 units shall be stored in the safety trailer.
 - b. Work/Escapes packs – 4 packs shall be stored on the rig floor with sufficient air hose not to restrict work activity.
 - c. Emergency Escape Packs – 4 packs shall be stored in the doghouse for emergency evacuation.
 - Auxillary Rescue Equipment:
 - a. Stretcher
 - b. Two OSHA full body harness
 - c. 100 ft. 5/8" OSHA approved rope
 - d. One 20# class ABC fire extinguisher
 - H₂S detection and monitoring Equipment:
The stationary detector with three sensors will be placed in the upper doghouse, set to visually alarm @ 10 ppm and audible @ 14 ppm. Calibrate a minimum of every 30 days or as needed. The sensors will be placed in the following places: Rig floor, Bell nipple, end of flare line or where well bore fluid is being discharged (Gas sample tubes will be stored in the safety trailer).

- Visual warning systems.
 - a. One color code condition sign will be placed at the entrance to the site reflecting the possible conditions at the site.
 - b. A colored condition flag will be on display, reflecting the current condition, at the drilling site.
 - c. Two wind socks will be placed in strategic locations being visible from all angles.
- Mud Program:
The mud program has been designated to minimize the volume of H₂S circulated to surface. The operator will have the necessary mud products to minimize hazards while drilling in H₂S bearing zones.
- Metallurgy:
 - a. All drill strings, casings, tubing, wellhead, blowout preventer, drilling spool, kill lines, choke manifold and lines, shall be suitable for H₂S service.
 - b. All elastomers used for packing and seals shall be H₂S trim.
- Communication:
Communication will be via two way radio in emergency and company vehicles. Cell phones and land lines where available.

Contacting Authorities

CHI Operating personnel must liaison with local and state agencies to ensure a proper response to a major release. Additionally, the OCD must be notified of the release as soon as possible but no later than 4 hours. Agencies will ask for information such as type and volume of release, wind direction, location of release, etc. Be prepared with all information available including directions to site. The following call list of essential and potential responders has been prepared for use during a release. CHI Operating, Inc. response must be in coordination with the State of New Mexico's "Hazardous Materials Emergency Response Plan" (HMER) and BLM Onshore Order #6.

H₂S Operations

Though no H₂S is anticipated during the drilling operation, this contingency plan will provide for methods to ensure the well is kept under control in the event an H₂S reading of 100 ppm or more are encountered. Once personnel are safe and the proper protective gear is in place and on personnel, the operator and rig crew essential personnel will ensure the well is under control, suspend drilling operations and shut-in the well (unless pressure build up or other operational situations dictate suspending operations will prevent well control), increase the mud weight and circulate all gas from the hole utilizing the mud/gas separator downstream of the choke, the choke manifold and the emergency flare system located 150' from the well. Bring the mud system into compliance and the H₂S level below 10 ppm, then notify all emergency officers that drilling ahead is practical and safe.

Proceed with drilling ahead only after all provisions of Onshore Order 6, Section III.C. have been satisfied.

H2S CONTINGENCY DRILLING PLAN EMERGENCY CONTACTS

Company Offices - CHI Operating Office

432-634-8958

KEY PERSONNEL					
Name	Title	Location	Phone #		
GARY WOMACK	PRODUCTION ENGINEER	MIDLAND	432-634-8958		
RONNIE ROGERS	FIELD FOREMAN	MIDLAND	432-631-2717		

Agency Call List		
City	Agency or Office	Telephone Number
Artesia	Ambulance	911
Artesia	State Police	575-746-2703
Artesia	Sheriff's Office	575-746-9888
Artesia	City Police	575-746-2703
Artesia	Fire Department	575-746-2701
Artesia	Local Emergency Planning Committee	575-746-2122
Artesia	New Mexico OCD District II	575-748-1283
Carlsbad	Ambulance	911
Carlsbad	State Police	575-885-3137
Carlsbad	Sheriff's Office	575-887-7551
Carlsbad	City Police	575-885-2111
Carlsbad	Fire Department	575-885-2111
Carlsbad	Local Emergency Planning Committee	575-887-3798
Carlsbad	US DOI Bureau of Land Management	575-887-6544
State Wide	New Mexico Emergency Response Commission ("NMERC")	505-476-9600
State Wide	NMERC 24 hour Number	505-827-9126
State Wide	New Mexico State Emergency Operations Center	505-476-9635
National	National Emergency Response Center (Washington, D.C.)	800-424-8802

H2S CONTINGENCY DRILLING PLAN EMERGENCY CONTACTS

Emergency Services				
Name	Service	Location	Telephone Number	Alternate Number
Boots & Coots International Well Control	Well Control	Houston / Odessa	1-800-256-9688	281-931-8884
Cudd Pressure Control	Well Control & Pumping	Odessa	915-699-0139	915-563-3356
Baker Hughes Inc.	Pumping Service	Artesia, Hobbs and Odessa	575-746-2757	SAME
Total Safety	Safety Equipment and Personnel	Artesia	575-746-2847	SAME
Cutter Oilfield Services	Drilling Systems Equipment	Midland	432-488-6707	SAME
Assurance Fire & Safety	Safety Equipment and Personnel	Artesia	575-396-9702	575-441-2224
Flight for Life	Emergency Helicopter Evacuation	Lubbock	806-743-9911	SAME
Aerocare	Emergency Helicopter Evacuation	Lubbock	806-747-8923	SAME
Med Flight Air Ambulance	Emergency Helicopter Evacuation	Albuquerque	505-842-4433	SAME
Artesia General Hospital	Emergency Medical Care	Artesia	575-748-3333	702 North 13 Street

Chi Operating, Inc.

P. O. BOX 1799
MIDLAND, TEXAS 79702

August 27, 2012

Re: Authorization to Permit for Drilling and Right Of Way

To Whom it may concern,

Chi Operating, Inc. hereby authorizes Mr. Barry Hunt to serve as an agent for the purpose of permitting and obtaining Federal authority.

Gary Womack

Chi Energy, Inc.

432-634-8958 (C)

432-685-5001 (O)

New Mexico Energy, Minerals and Natural Resources Department

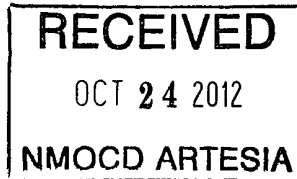
Susana Martinez
Governor

John H. Bemis
Cabinet Secretary-Designate

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

October 15, 2012

BUREAU OF LAND MANAGEMENT
ATT: James Rutley
620 E Greene Street
Carlsbad, NM 88220



Jami Bailey
Division Director
Oil Conservation Division



STATE LAND OFFICE
ATT: Joe Mraz
PO BOX 1148
Santa Fe, NM 87505

RE: APPLICATION FOR PERMIT TO DRILL IN POTASH AREA

OPERATOR: **CHI Operating, Inc.**

LEASE NAME: **Peacekeeper State 25 #003H**

PROPOSED LOCATION: **SHL Lot M Sec 25 T19S R29E; 200' FSL 400' FWL**
BHL Lot D Sec 25 T19S R29E; 330' FNL 330' FWL

PROPOSED DEPTH: **TVD 8,190' MD 12,738'**

2012 OCT 22 AM 8 28

Gentleman:

The application for permit to drill identified above has been filed with this office of the New Mexico Oil Conservation Division. Pursuant to the provisions of Oil Conservation Division Order R-111-P, please advise this office whether the location is within an established Life-of-Mine-Reserve are filed with and approved by your office. If not, please advise whether it is within the buffer zone established by the order.

Thank you for your assistance. Please Return as soon as possible.

Very truly yours,

OIL CONSERVATION DIVISION

Randy Dade
Supervisor, District II

*SHL is outside R-111-P
boundary JRM 10-23-12*

RESONSE:

The above referenced location is in LMR (____ year) 2012 -----Yes _____ No X

The above referenced location is within the Buffer Zone -----Yes _____ No X

Signed

Printed Signature Larry J. Roibal

Representing State Land office

Oil Conservation Division * 811 S. First St.*

* Artesia, New Mexico 88210

* Phone: (575) 748-1283 * Fax (575) 748-9720* <http://www.emnrd.state.nm.us>



New Mexico Energy, Minerals and Natural Resources Department

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Thank you for your assistance. Please Return as soon as possible.

Very truly yours,

OIL CONSERVATION DIVISION


Randy Dade
Supervisor, District II



RESPONSE:

The above referenced location is in LMR (2012 year) ----- Yes _____ No ☒

The above referenced location is within the Buffer Zone ----- Yes _____ No ☒

Signed _____

Printed Signature **JAMES S. RUTLEY**

Representing **BLM-CFO**

Oil Conservation Division * 811 S. First St.*

* Artesia, New Mexico 88210

* Phone: (575) 748-1283 * Fax (575) 748-9720* <http://www.emnrd.state.nm.us>

