



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

14 October 2005

Chi Operating, Inc.
P. O. Box 1799
Midland, Texas 79702

Reference: WC "3" Well # 2 M-3-22-26 30-015-31772

Operator,

The NMOCD District II office (OCD) received a complaint of noise coming from your location. During the follow up to the complaint an open drilling pit was noticed on this location. After further investigation and inspection it was found that this pit is in violation of rule 50. It appears that the pit has been purposely drained into an unlined pit. A line running to another unlined pit indicates that well fluids were purposely discharged into the pit. Due to the construction of the pits, this must be called a sensitive area.

Please have in this office on or before 28 October, 2005 a C-144 detailing your purposed closure plan. This plan must include at a minimum:

1. That all excavations are to be delineated for any constitutes of concern. This delineation must determine vertical and horizontal extent.
2. The OCD is to be notified 24 hours prior to commencement of pit closure actions, delineation work, remediation actions and obtaining samples where analysis of such samples are to be submitted to the OCD. Failure of notice will cause Operator to resample.
3. Delineation operations are to commence no later than 1 November, 2005.
4. Manner in which the pit will be closed.
5. Fully completed form C-144.

Depending on the findings of the delineation, a remediation work plan may be requested.

If I can be of assistance in this matter, my contact information is listed below.

Van Barton
(505) 748-1283 Ext. 109