



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

7 December 2005

LETTER OF VIOLATION

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

Certified Mail

Return Receipt: 7001 1940 0001 9971 3846

VIOLATION OF OCD RULES: 19.15.3.107.I
19.15.3.111.B
19.15.13.1103.D
19.15.13.1105.A

Dear Sir or Madam:

On multiple occasions Bryan Arrant has spoken with Chi Operating personnel about forms that have been submitted. On these occasions Mr. Arrant apprised you of the information that was not submitted. OCD Rule requires this information.

Attached to this Letter of Violation are forms that have been submitted. These forms do not meet the minimum requirements of OCD Rules 19.15.3.107, 19.15.3.111, 19.15.13.1103, and 19.15.13.1105. Please note the highlighted areas where information was not submitted. Chi must re-submit these forms with all of the information required. These forms must be in this office on or before 12-12-2005.

Any forms completed and dated by Chi Operating five days after the receipt of this letter must meet all requirements of OCD Rules 19.15.3.107, 19.15.3.111, 19.15.13.1103, and 19.15.13.1105 for information and timeliness. Incomplete or late forms received in this office after that date will be considered a knowing and willful violation of OCD Rules .

If this matter is not satisfactorily resolved in the time period set out above we may assess penalties against you for each violation of OCD Rules, in accordance with NMSA 1978, Section 70-2-31(A). Section 70-2-31(A) authorizes penalties of up to \$1,000.00 per day per violation for any knowing and willful violation of any provision of the Oil and Gas Act or any rule adopted pursuant to the Act. Alternatively or in addition to the penalties the OCD may seek other remedies deemed appropriate for the situation.

Van Barton
Field Supervisor

See Attachments

cc: Tim Gum, Artesia District Supervisor
Bryan Arrant, Artesia District
Well file

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

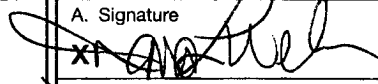
CHI OPERATING INC
PO BOX 1799
MIDLAND TX 79702

2. Article
(Trac)

7001 1940 0001 9971 3846

COMPLETE THIS SECTION ON DELIVERY

A. Signature

☐ Agent☐ Addressee

B. Received by (Printed Name)

Donald Welch

C. Date of Delivery

11-30-05

D. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

PS Form 3811, August 2001

Domestic Return Receipt

102595-01-M-2509

V.B.

Submit 3 Copies To Appropriate District
Office

District I

1625 N. French Dr., Hobbs, NM 88240

District II

1301 W. Grand Ave., Artesia, NM 88210

District III

1000 Rio Brazos Rd., Aztec, NM 87410

District IV

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

State of New Mexico
Energy, Minerals and Natural Resources

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-10
May 27, 2005

WELL API NO.

30-015-33493

5. Indicate Type of Lease

STATE ☒ FEE ☐

6. State Oil & Gas Lease No.

7. Lease Name or Unit Agreement Name
PEACEKEEPER

8. Well Number 1

9. OGRID Number
004378

10. Pool name or Wildcat

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A
DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH
PROPOSALS.)

1. Type of Well: Oil Well ☐ Gas Well ☒ Other

2. Name of Operator
CHI OPERATING, INC

3. Address of Operator
PO BOX 1799 MIDLAND, TX 79702

RECEIVED

JUN 13 2005

OCD-ARTESIA

4. Well Location

Unit Letter I : 1650 feet from the SOUTH line and 990 feet from the EAST line
Section 26 Township 22S Range 27E NMPM EDDY County

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
3349

Pit or Below-grade Tank Application ☐ or Closure ☐

Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____

Pit Liner Thickness: _____ mil Below-Grade Tank: Volume _____ bbls; Construction Material _____

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

OTHER: ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☒

OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated cost of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Drill intermediate hole to 3695'. Notified OCD of pipe job. Ran 8 5/8-32#-J-55 csg. Cmtd w/700 sks 10% salt+1# LCM+15%GEL, 2 sks+ 1/4 pps CF +1% CaCl2. Did not circ, plug down @ 08:30 hrs 5/20/05. WOC 6 hrs, ran temp survey, cmt @ 400'. Ran 1", & tgd @ 465', pmpd 100 sks "C"+2% CaCl2. Tgd @ 435', pmpd 100 sks "C"+2% CaCl2, Tgd @ 377', pmpd 100 sks "C"+2% CaCl2. Tgd @ 276', pmpd 100 sks "C", circ 16 sks to pit. Notified OCD of all cmtg. While WOC 21 hrs, cut off & NUBOPE, tstd to 5000#-ok., Dr out cmt & plug & tstd csg to 1500#-30 mins-ok. Resumed drilling 03:30 hrs 5/22/05.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below grade tank has been/will be constructed or closed according to NMOCD guidelines ☐, a general permit ☐ or an (attached) alternative OCD-approved plan ☐

SIGNATURE: John W. Wolf TITLE: _____ DATE 6/7/05

Type or print name: JOHN W. WOLF E-mail address: _____ Telephone No: 432-685-5001

For State Use Only

APPROVED BY: _____ FOR RECORDS ONLY TITLE _____ DATE JUN 15 2005
Conditions of Approval (if any): _____

Please Re-submit - wrong loc

Submit 3 Copies To Appropriate District Office

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State of New Mexico
Energy, Minerals and Natural Resources

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-10

May 27, 20

WELL API NO.

30-015-33493

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STATE ☒ FEE ☐

6. State Oil & Gas Lease No.

7. Lease Name or Unit Agreement Name
PEACEKEEPER

8. Well Number 1

9. OGRID Number
004378

10. Pool name or Wildcat

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well ☐ Gas Well ☒ Other

2. Name of Operator
CHI OPERATING, INC

RECEIVED

3. Address of Operator
PO BOX 1799 MIDLAND, TX 79702

MAY 24 2005

OCD-APPL-101

4. Well Location

Unit Letter I : 1650 feet from the SOUTH line and 990 feet from the EAST line
Section 26 Township 22S Range 27E NMPM EDDY County

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
3349

Pit or Below-grade Tank Application ☐ or Closure ☐

Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____

Pit Liner Thickness: _____ mil Below-Grade Tank: Volume _____ bbls; Construction Material _____

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

OTHER: ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☒ P AND A ☐
CASING/CEMENT JOB ☒

OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated cost of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Notified OCD prior to spud 5/6/05 @ 16:00 hrs CDT. Drilled surface to 324', set 13 3/8", J-55, 68#. Cmt'd @ 324' w/200 sks "H"+10% Gyp+6 pps Gils+2% CaCl2+.25 pps CF, 250 sks "C"+4% gel+2% CaCl2+2 pps Gils, 100 sks "C"+2% CaCl2+.25 pps CF. Did not circ. Plg dwn 5/12/05 @ 07:30 hrs-CDT. Notified OCD. Ran temp survey. Cmt @ 100', us 30 yds ready mix, cmt @ surface, informed OCD. NU wellhead, NUBOP, PUBHA, WOC 22 1/2 hrs before tstg. csg/annul to 1000#-1/2 hr-ok. @ 06:00 hrs - 5/13/05.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below grade tank has been/will be constructed or closed according to NMOC guidelines ☐, a general permit ☐ or an (attached) alternative OCD-approved plan ☐

SIGNATURE: _____ TITLE: _____ DATE 5/20/05

Type or print name: JOHN W. WOLF E-mail address: _____ Telephone No: 432-685-5001

For State Use Only

APPROVED BY: _____ TITLE _____ DATE MAY 24 2005

Conditions of Approval (if any) FOR RECORDS ONLY

Please Resubmit WRONG LOG

Submit 3 Copies To Appropriate District Office
District I
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1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-10
May 27, 2005

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO. 30-015-33493
5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name PEACEKEEPER
8. Well Number 1
9. OGRID Number 004378
10. Pool name or Wildcat

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)	
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other <input type="checkbox"/>	
2. Name of Operator CHI OPERATING, INC	
3. Address of Operator PO BOX 1799 MIDLAND, TX 79702	
4. Well Location Unit Letter <u>I</u> : <u>1650</u> feet from the <u>SOUTH</u> line and <u>990</u> feet from the <u>EAST</u> line Section <u>26</u> Township <u>22S</u> Range <u>27E</u> NMPM <u>EDDY</u> County	
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3349	
Pit or Below-grade Tank Application <input type="checkbox"/> or Closure <input type="checkbox"/>	
Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____	
Pit Liner Thickness: _____ mill Below-Grade Tank: Volume _____ bbls; Construction Material _____	

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	P AND A <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPL <input type="checkbox"/>	CASING/CEMENT JOB <input checked="" type="checkbox"/>	
OTHER: <input type="checkbox"/>		OTHER: <input type="checkbox"/>	

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated d of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed complet or recompletion.

Drilled 7 7/8" to 12060'. Pulled logs. Ran (2847'-17#-P-110, 9213'-17#-N-80). Cmted 1st stage w/600 sks "H" lite+.4% FL-52+.25 p CF, 600 sks Super "C" Mod+.8% BA-10+.65% CD-32+.35% FL-52+.3% SMS. Opnd DV @ 4220' & circ 4 hrs. Cmted 2nd stage w/20 sks "C"+.4% gel+.25 pps CF, 50 sks "C"+1% CaCl2+.25 pps CF. ND, set slips, cut off, NU "C" section. Released rig 6/29/05.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below grade tank has been/will be constructed or closed according to NMOCD guidelines ☐, a general permit ☐ or an (attached) alternative OCD-approved plan ☐

SIGNATURE: John W. Wolf TITLE: _____ DATE 7/11/05

Type or print name: JOHN W. WOLF E-mail address: _____ Telephone No: 432-685-5001

For State Use Only

APPROVED BY: FOR RECORDS ONLY TITLE _____ DATE NOV 12 2005

Conditions of Approval (if any):

Tac on production casing
not reported and how calculated