

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD-ARTESIA

FORM APPROVED
OMB No 1004-0135
Expires January 31, 2004

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE- Other instructions on reverse side.

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

OCT 09 2008

2. Name of Operator **CHI OPERATING, INC.**

OCD-ARTESIA

3a. Address
212 N. Main, Midland, TX 79702

3b. Phone No (include area code)
432-685-5001

4. Location of Well (Footage, Sec., T, R, M, or Survey Description)

SESW1 T19S R30E EDDY CO., NM

5 Lease Serial No

NMNM0560353

6 If Indian, Allottee or Tribe Name

7 If Unit or CA/Agreement, Name and/or No.

8 Well Name and No.

MUNCHKIN FEDERAL BATTERY A

9. API Well No.

3001530715

10. Field and Pool, or Exploratory Area

11. County or Parish, State

Eddy

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input checked="" type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection)

WATER DISPOSAL AND PRODUCTION INFORMATION:

Water from this facility comes from the Delaware formation. The Munchkin #1 (35 bbls per day), #2 (15 bbls per day), #4 (55 bbls per day) and Wizard #3 (45 bbls per day) are produced through heater treaters and metered into the three 500 barrel storage tanks on the Munchkin 1 tank battery, from there it is pumped directly in a line to the T-Bone SWD #950 (certification attached)
Location of disposal is Oxy T-Bone Federal Well No. 1 (API 30-015-32122) #950 - 660 feet from the North line and 1,980 feet from the West line of Section 33, T18S, R31E, Eddy Co., NM

Water Analysis is attached.

ACCEPTED FOR RECORD

OCT 14 2008

ACCEPTED FOR RECORD

OCT 7 2008

/s/ JD Whitlock Jr

14 I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

Gerry Guye, Deputy Field Inspector
NMOC-District II ARTESIA

PAM CORBETT

Title REGULATORY CLERK

BUREAU OF LAND MANAGEMENT
CARLSBAD FIELD OFFICE

Signature

Pam Corbett

Date

08/26/2008

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Conditions of approval, if any, are attached Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon

Title

Date

Office

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

I & E CFO

Number 08CD4112

Page 1 of 2

☒ Certified Mail - Return Receipt Requested
70073020000206490978

☐ Hand Delivered Received by

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

NOTICE OF INCIDENTS OF NONCOMPLIANCE

Identification

IID

Lease NMNM0560353

CA

Unit

PA

Bureau of Land Management Office CARLSBAD FIELD OFFICE				Operator CHI OPERATING INCORPORATED			
Address 620 E GREENE STREET CARLSBAD NM 88220				Address P O BOX 1799 MIDLAND TX 79702			
Telephone 575-234-5911				Attention			
Inspector DE MONTIGNY				Attn Addr			
Site Name MUNCHKIN FEDERAL BATTERY	Well or Facility A	1/4 1/4 Section SESW 1	Township 19S	Range 30E	Meridian NMP	County EDDY	State NM
Site Name (FACILITY)	Well or Facility	1/4 1/4 Section	Township	Range	Meridian	County	State

THE FOLLOWING VIOLATION WAS FOUND BY BUREAU OF LAND MANAGEMENT INSPECTORS ON THE DATE AND AT THE SITE LISTED ABOVE

Date	Time (24 - hour clock)	Violation	Gravity of Violation
07/22/2008	09:15	43 CFR 3162.1(a), ONSHORE ORDER #3.III.1.1.	MINOR
Corrective Action To Be Completed By	Date Corrected	Assessment for Noncompliance	Assessment Reference
08/22/2008		\$250.00	43 CFR 3163.1(a)(2)

Remarks

FAILURE TO COMPLY TO "NOTICE OF INCIDENTS OF NONCOMPLIANCE" NUMBER 08CD411, ISSUED 09/12/08, TO BE CORRECTED BY 06/20/08. PROVIDE UPDATED FACILITY DIAGRAM FOR MUNCHKIN FACILITY #1.

IF YOU HAVE ANY QUESTIONS, CONTACT CHERYL DE MONTIGNY AT (505) 234-5911.
(Remarks continued on following page(s).)

Bureau of Land Management
RECEIVED

SEP 25 2008

When violation is corrected, sign this notice and return to above address.

Company Representative Title Eng tech Signature Pam Collett Date 8/26/08

Company Comments

WARNING

Incidents of Noncompliance correction and reporting timeframes begin upon receipt of this Notice or 7 business days after the date it is mailed, whichever is earlier. Each violation must be corrected within the prescribed time from receipt of this Notice and reported to the Bureau of Land Management office at the address shown above. Please note that you already may have been assessed for noncompliance (see amount under "Assessment for Noncompliance"). If you do not comply as noted above under "Corrective Action To Be Completed By" you may incur an additional assessment under (43 CFR 3163.1) and may also incur Civil Penalties (43 CFR 3163.2). All self-certified corrections must be postmarked no later than the next business day after the prescribed time for correction.

Section 109(d)(1) of the Federal Oil and Gas Royalty Management Act of 1982, as implemented by the applicable provisions of the operating regulations at Title 43 CFR 3163.2(f)(1), provides that any person who "knowingly or willfully" prepares, maintains, or submits, false, inaccurate, or misleading reports, notices, affidavits, record, data, or other written information required by this part shall be liable for a civil penalty of up to \$25,000 per violation for each day such violation continues, not to exceed a maximum of 20 days.

REVIEW AND APPEAL RIGHTS

A person contesting a violation shall request a State Director review of the Incidents of Noncompliance. This request must be filed within 20 working days of receipt of the Incidents of Noncompliance with the appropriate State Director (see 43 CFR 3165.3). The State Director review decision may be appealed to the Interior Board of Lands Appeals, 801 North Quincy Street, Suite 300, Arlington VA 22203 (see 43 CFR 3165.4). Contact the above listed Bureau of Land Management office for further information.

Signature of Bureau of Land Management Authorized Officer <u>[Signature]</u>		Date 7/22/08	Time 11:05
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FOR OFFICE USE ONLY

Number 15	Date	Assessment \$250.00	Penalty	Termination
Type of Inspection PI				



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

ADMINISTRATIVE ORDER SWD-950

APPLICATION OF JUDAH OIL FOR PRODUCED WATER DISPOSAL, EDDY COUNTY, NEW MEXICO.

ADMINISTRATIVE ORDER OF THE OIL CONSERVATION DIVISION

Under the provisions of Rule 701(B), Judah Oil made application to the New Mexico Oil Conservation Division on October 8, 2004, for permission to utilize for produced water disposal its Oxy T-Bone Federal Well No. 1 (API No. 30-015-32122) located 660 feet from the North line and 1,980 feet from the West line of Section 33, Township 18 South, Range 31 East, NMPM, Eddy County, New Mexico.

THE DIVISION DIRECTOR FINDS THAT:

- (1) The application has been duly filed under the provisions of Rule 701(B) of the Division Rules and Regulations;
- (2) Satisfactory information has been provided that all offset operators and surface owners have been duly notified;
- (3) The applicant has presented satisfactory evidence that all requirements prescribed in Rule 701 will be met; and
- (4) No objections have been received within the waiting period prescribed by said rule.

IT IS THEREFORE ORDERED THAT:

The applicant is hereby authorized to utilize its Oxy T-Bone Federal Well No. 1 (API No. 30-015-32122) located 660 feet from the North line and 1,980 feet from the West line of Section 33, Township 18 South, Range 31 East, NMPM, Eddy County, New Mexico, in such manner as to permit the injection of produced water for disposal purposes into the Grayburg and San Andres formations through perforations from 3,980 feet to 4,310 feet and through plastic-lined tubing set with a packer located within 100 feet of the top of the injection interval.

Administrative Order SWD-950
Judah Oil
November 19, 2004
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IT IS FURTHER ORDERED THAT:

The operator shall take all steps necessary to ensure that the injected water enters only the proposed injection interval and is not permitted to escape to other formations or onto the surface.

As part of the conversion to injection, the operator shall plug back the well with a cast iron bridge plug and cement to within 200 feet of the bottom of the intended injection interval. In addition, the operator shall estimate the initial reservoir pressure of the injection interval and submit this in writing to the Division (referencing SWD-950).

After installing injection tubing, the casing shall be pressure tested from the surface to the packer setting depth to assure the integrity of said casing.

The casing-tubing annulus shall be loaded with an inert fluid and equipped with a pressure gauge or an approved leak detection device in order to determine leakage in the casing, tubing, or packer.

The wellhead injection pressure on the well shall be limited to no more than 796 psi. In addition, the injection well or system shall be equipped with a pressure limiting device in workable condition which shall, at all times, limit surface injection pressure to the maximum allowable pressure for this well.

The Director of the Division may authorize an increase in injection pressure upon a proper showing by the operator of said well that such higher pressure will not result in migration of the injected fluid from the injection formation. Such proper showing shall consist of a valid step-rate test run in accordance with and acceptable to this office.

The operator shall notify the supervisor of the Artesia district office of the Division of the date and time of the installation of disposal equipment and of any mechanical integrity test so that the same may be inspected and witnessed.

The operator shall immediately notify the supervisor of the Artesia district office of the Division of the failure of the tubing, casing, or packer in said well and shall take such steps as may be timely and necessary to correct such failure or leakage.

PROVIDED FURTHER THAT, jurisdiction is retained by the Division for the entry of such further orders as may be necessary for the prevention of waste and/or protection of correlative rights or upon failure of the operator to conduct operations (1) to protect fresh water or (2) consistent with the requirements in this order, whereupon the Division may, after notice and hearing, terminate the injection authority granted herein.

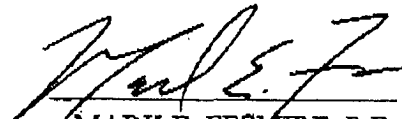
The operator shall provide written notice of the date of commencement of injection to the Artesia district office of the Division.

Administrative Order SWD-950
Judah Oil
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The operator shall submit monthly reports of the disposal operations on Division Form C-115, in accordance with Rule Nos. 706 and 1120 of the Division Rules and Regulations.

The injection authority granted herein shall terminate one year after the effective date of this order if the operator has not commenced injection operations into the subject well, provided however, the Division, upon written request by the operator, may grant an extension thereof for good cause shown.

Approved at Santa Fe, New Mexico, on this 19th day of November 2004.


MARK E. FESMIRE, P.E.
Director

MEF/wvjj

cc: Oil Conservation Division – Artesia
Bureau of Land Management – Carlsbad