

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL ☒ Re-entryDEEPEN ☐

b. TYPE OF WELL

OIL
WELL ☐GAS
WELL ☒

OTHER

SINGLE
ZONE ☐MULTIPLE
ZONE ☐

2. NAME OF OPERATOR

Chi Operating, Inc.

4378

915/685-5001

3. ADDRESS AND TELEPHONE NO.

P. O. Box 1799

Midland, Texas 79702

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*

At surface

660' FNL & 660' FEL

UT-A

At proposed prod. zone

Same

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

16 miles NE of Artesia, NM

15. DISTANCE FROM PROPOSED*

LOCATION TO NEAREST
PROPERTY OR LEASE LINE, FT.
(Also to nearest drlg. unit line, if any)

660'

16. NO. OF ACRES IN LEASE

800

17. NO. OF ACRES ASSIGNED
TO THIS WELL

160

18. DISTANCE FROM PROPOSED LOCATION*

TO NEAREST WELL, DRILLING, COMPLETED,
OR APPLIED FOR, ON THIS LEASE, FT.

N/A

19. PROPOSED DEPTH

1617'

20. ROTARY OR CABLE TOOLS

Workover Rig

21. ELEVATIONS (Show whether DF, RT, GR, etc.)

3525' GL

22. APPROX. DATE WORK WILL START*

April 27, 1999

23. PROPOSED CASING AND CEMENTING PROGRAM

WELL CONTROLLED WATER BASH

SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
8 1/4"	7" exist.	23.0#	30'	10 sacks
6 1/4"	4 1/2" exist.	9.5#	1627'	Circ. 650 sx, existing Plug back to 1617'

MUD PROGRAM: Drillout Fluid

0' - 1617': Brine mud;

MUD WT.

9.0 ppg

W/L Control

No W/L control.

Propose to re-enter well by drilling out existing plugs at the surface and the bottom plug between 1439' to 1617'. Will circulate hole clean with 2% kcl then re-perf original interval from 1568'-1584'. Will acidize formation and try to re-complete well

BOP PROGRAM:

A 10" 3000 psi wp Schaffer Type E double hydraulic BOP will be installed on the 4 1/2" casing. Casing and BOP will be tested to 500 psi before drilling out the 2nd plug. The BOP will be used as a 2000 psi wp system and will be tested daily. See Exhibit "E".

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present production zone and proposed production zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.

SIGNED

George P. Smith

TITLE

Agent for:
Chi Operating, Inc.

DATE

April 7, 1999

(This space for Federal or State office use)

PERMIT NO.

APPROVAL DATE

Application approval 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.

CONDITIONS OF APPROVAL, IF ANY:

Acting

Assistant Field Office Manager,
Lands and Minerals

MAY 27 1999

APPROVED BY

TITLE

DATE

*See Instructions On Reverse Side



NEW MEXICO OIL CONSERVATION COMMISSION

Well Location and Acreage Dedication Plat

Section A. CHI OPERATING, INC.

Date June 24, 1957

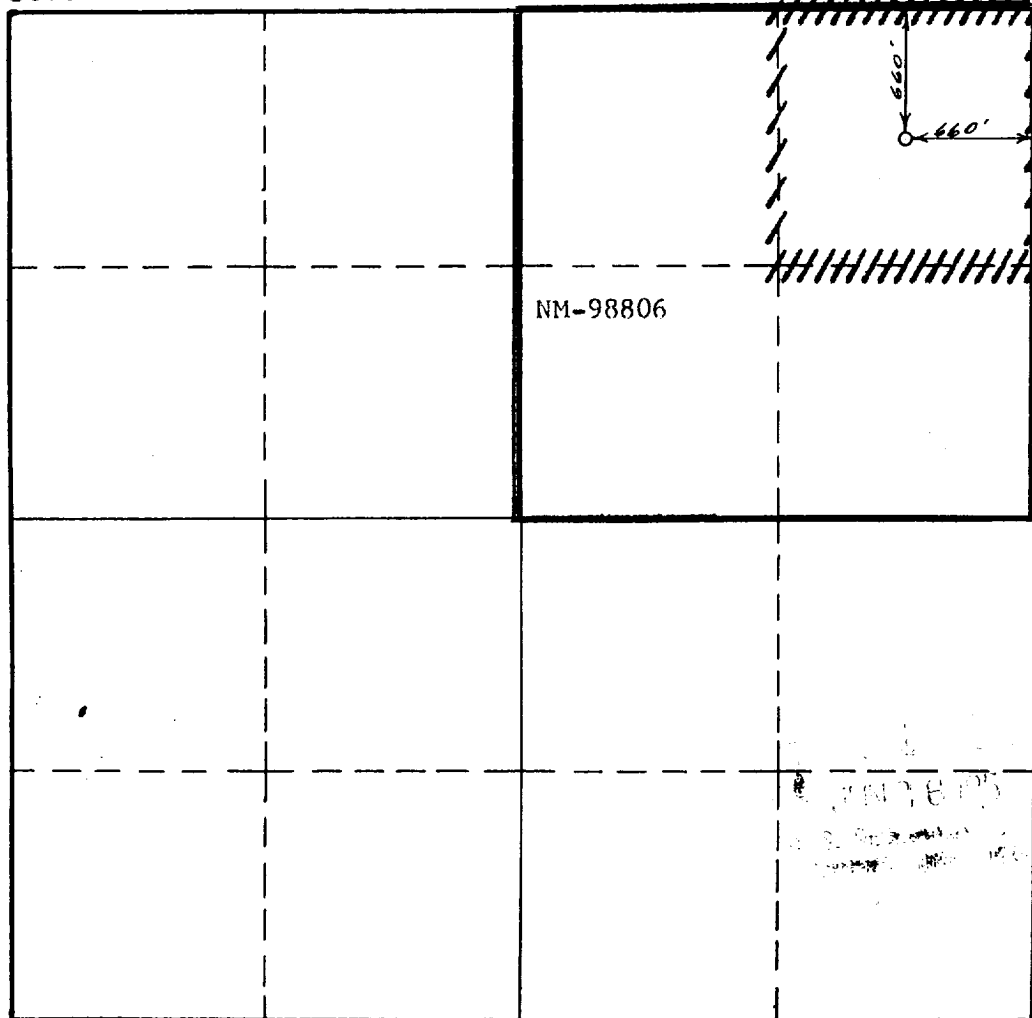
Operator ERNEST A. HANSON Lease Federal-Hitchcock
Well No. 1 Unit Letter Section 26 Township 16 South Range 27 East NMPM
Located 680 Feet From North Line, 640 Feet From East Line
County Eddy G. L. Elevation 3523 Dedicated Acreage 40 Acres
Name of Producing Formation Pool Wildcat

1. Is the Operator the only owner* in the dedicated acreage outlined on the plat below?
Yes No X.
2. If the answer to question one is "no," have the interests of all the owners been consolidated by communitization agreement or otherwise? Yes X No . If answer is "yes," Type of Consolidation Farmout agreement
3. If the answer to question two is "no," list all the owners and their respective interests below:

Owner

Land Description

Section B



This is to certify that the information in Section A above is true and complete to the best of my knowledge and belief.

ERNEST A. HANSON

(Operator)

Harry F. Schram
(Representative)

Roswell, New Mexico

Address

George R. Smith, agent

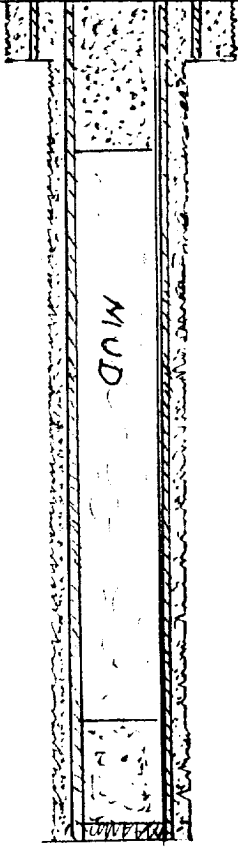
This is to certify that the well location shown on the plat in Section B was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed 6-24-57

Ernest A. Hanson
Registered Professional
Engineer and/or Land Surveyor.

Certificate No. 751

EXHIBIT APD "A"
 CHI OPERATING, INC.
 Hitchcock "A" Federal, Well No. 1
 Re-entry
 660' FNL & 660' FEL, Sec. 26-T16S-R27E
 Spud Date: 7/10/57 approx
 Plug Date: 8/22/68

PLUGGING	EXISTING CASING AND PLUGS	BIT	CASING	DEPTH	CEMENT
10 sx @ surface		8 1/4"	7" 23#	30'	10 sx
10 sx @ 1489' to PBTD 1617'		6 1/4"	4 1/2" 9.5#	1627'	circ 650 sx

APPLICATION FOR DRILLING

CHI OPERATING, INC.

Hitchcock "A" Federal, Well No. 1
660' FNL & 660' FEL, Sec. 26-T16S-R27E
Eddy County, New Mexico
Lease No.: NM-84851
(Development Well)

In conjunction with Form 3160-3, Application for Permit to Drill subject well, Chi Operating, Inc. submits the following items of pertinent information in accordance with BLM requirements:

1. The geologic surface formation is recent Permian with quaternary alluvium and other surficial deposits.
2. The estimated tops of geologic markers are as follows:

Seven Rivers	230'	Premier Sands	1570'
Queen	810'	T.D.	1628'
Grayburg	1240'		

3. The estimated depths at which water, oil or gas formations are anticipated to be encountered:

Water: Surface water between 100' - 300'.
Oil: None expected.
Gas: Possible in the Premier Sands below 1570'.

4. Proposed Casing Program: See Form 3160-3. This is a re-entry and all casing is in place to T.D.
5. Proposed Control Equipment: See Form 3160-3 and Exhibit "E".
6. Mud Program: See Form 3160-3.
7. Auxiliary Equipment: Blowout Preventer, gas detector, Kelly cock, pit level monitor, flow sensors and stabbing valve.
8. Testing, Logging, and Coring Program:

Drill Stem Tests: None.
Logging: 1617.' to 70' GRN
Coring: None.

9. No abnormal pressures or temperatures are anticipated. In the event abnormal pressures are encountered the proposed mud program will be modified to increase the mud weight. Estimated evacuated BHP = 800-1000 psi with a temperature of 80°.
10. H₂S: None expected .
11. Anticipated starting date: April 27, 1999.
Anticipated completion of drilling operations: Approximately 14 days.

MULTI POINT SURFACE USE AND OPERATIONS PLAN

CHI OPERATING, INC.

Hitchcock "A" Federal, Well No. 1
660' FNL & 660' FEL, Sec. 26-T16S-R27E
Eddy County, New Mexico
Lease No.: NM-98806
(Development Well)

This plan is submitted with the Application for Permit to Drill the above described well. The purpose of the plan is to describe the location of the proposed well, the proposed construction activities and operations plan, to be followed in rehabilitating the surface environmental effects associated with the operations.

1. EXISTING ROADS:

- A. Exhibit "A" is a portion of a BLM Public Access map showing the location of the proposed well as staked. The well site location is approximately 16 road miles east of Artesia, NM. Traveling east of Artesia on U.S. Highway 82 and county roads, there will be 9 miles of paved highway, plus 4 miles existing gravel County Rd. #202 and 3 miles of oilfield roads.
- B. Directions: Travel east from Artesia, NM on U. S. Highway 82 for approximately 9 miles to the SPS Power Station. Turn north on County Rd. #202 for 3.9 miles to a PNM gas pipeline sub station. Turn left (NW) on pipeline road for 2.2 mile to a white metal water tank and cattle guard. Continue northwest across cattleguard for 100 feet to a fork in the road. Take the road to the right (NE) for .1 mile. Turn left (north) on power line road for .9 mile to the Hitchcock "A" Fed., Well No. 1 dry hole marker about 500 feet west of the existing road. The proposed access road will start at this point and run west west for approximately 450 feet to the southeast corner of the proposed well site.

2. PLANNED ACCESS ROAD:

- A. Length and Width: There will be approximately 450 feet of new access road 12 feet wide (24' Max.). The proposed and existing roads are color coded on Exhibits "A" and "B".
- B. Construction: The proposed access road will be constructed by grading and topping with compacted caliche as needed. The surface will be properly drained.
- C. Turnouts: None required
- D. Culverts: None.
- E. Cuts and Fills: None required.
- F. Gates, Cattle guards: None required.
- G. Off Lease R/W: No new Right of Way is required. The existing R/W for the CV "23" Fed., Well No. 1 will be used.

3. LOCATION OF EXISTING WELLS:

- A. Existing wells within a two mile radius are shown on Exhibit "C".

Chi Operating, Inc.

Hitchcock "A" Federal, Well No. 1

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4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES;

- A. There is no production on this part of the lease at this time.
- B. If the well proves to be commercial, the necessary production facilities, gas separation-process equipment and tank battery will be installed on the proposed drilling pad.

5. LOCATION AND TYPE OF WATER SUPPLY:

- A. It is planned to drill the proposed well with fresh water that will be obtained from private or commercial sources and will be transported over the existing and proposed access roads

6. SOURCE OF CONSTRUCTION MATERIALS:

- A. Caliche for surfacing the proposed access road and well site pad will be obtained from a pit on the location, if available, or from a State pit in the NW¼, Sec. 4-T18S-R28E. No surface materials will be disturbed except those necessary for actual grading and leveling of the drill site and access road.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be disposed of in the earth pits.
- B. Drilling fluids will be allowed to evaporate in the earth pits until the pits are dry.
- C. All pits will be fenced with normal fencing materials to prevent livestock from entering the area.
- D. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or a separate disposal application will be submitted to the BLM for approval.
- E. Oil produced during operations will be stored in tanks until sold.
- F. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- G. Trash, waste paper, garbage and junk will be contained in trash bins to prevent scattering by the wind and will be removed for deposit in an approved sanitary land fill within 30 days after finishing drilling and/or completion operations.

8. ANCILLARY FACILITIES:

- A. None required.

Chi Operating, Inc.

Hitchcock "A" Federal, Well No. 1

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9. WELL SITE LAYOUT:

- A. Exhibit "D" shows the relative location and dimensions of the well pad, pits, and major rig components. The pad and pit area has been staked and flagged, 400' X 400'.
- B. Mat Size: 150' X 150', including an earth pit on the north for a work over rig.
- C. Cut & Fill: The location will require minor leveling of the old pad area to make a working area for the work over rig. There will possibly be a 1 foot cut on the north with fill to the south.
- D. The surface will be topped with compacted caliche and the earth pits will be plastic lined.

10. PLANS FOR RESTORATION OF THE SURFACE:

- A. After completion of drilling and/or completion operations, all equipment and other material not needed for operations will be removed. Pits will be filled and the location cleaned of all trash and junk to leave the well site in an aesthetically pleasing a condition as possible.
- B. Any unguarded pits containing fluids will be fenced and screened until they are filled.
- C. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible. All pits will be filled and leveled as soon as they are dry enough to be worked.

11. OTHER INFORMATION:

- A. Topography: The proposed well site and access road are located on a southerly slope that drains toward Dog Canyon Draw. There is a 2.5% slope to the south from an elevation of 3525' GL.
- B. Soil: The topsoil at the well site is a shallow light tan Gypsum soil over beds of Gypsum and alabaster with outcrops and surface scatter of fractured, gypsiferous rock, which is part of the Reeves-Gypsum Land complex.
- C. Flora and Fauna: The vegetation cover is a poor to fair grass cover of tobosa, burro, muhly and some grama, along with plants of broomweed, yucca, creosote, cacti and miscellaneous weeds and wildflowers. The wildlife consists of antelope, rabbits, coyotes, rattlesnakes, lizards, dove, quail and other wildlife typical of the semi-arid desert land.
- D. Ponds and Streams: None in the area except Dog Canyon Draw one mile to the south.
- E. Residences and Other Structures: None in area except oil and gas facilities, except a Southwestern Public Service Co. transmission line 700 feet east of the location.
- F. Land Use: Cattle grazing.

Chi Operating, Inc.

Hitchcock "A" Federal, Well No. 1

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11. OTHER INFORMATION: cont.....

- G. Surface Ownership: The proposed well site and access road is on Federal surface and minerals.
- H. There is no evidence of any archaeological, historical or cultural sites in the staked area. An archaeological survey is being conducted by Archaeological Survey Consultants, P. O. Box D, Roswell, NM 88202, and their report will be submitted to the appropriate government agencies.

12. OPERATOR'S REPRESENTATIVE:

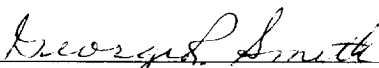
- A. The field representative for assuring compliance with the approved use and operations plan is as follows:

John Qualls
Chi Operating, Inc.
P. O. Box 1799
Midland, Texas 79701
Office Phone: (915) 685-5001
Home Phone: (915) 684-8825

13. CERTIFICATION:



I hereby certify that I have inspected the proposed drill site and access route; that I am familiar with the conditions which presently exist; that the statements made in the plan are, to the best of my knowledge, true and correct; and, that the work associated with the operations proposed herein will be performed by Chi Operating, Inc. and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

April 7, 1999



George R. Smith
Agent for: Chi Operating, Inc.



EXHIBIT 'A'
CHI OPERATING, INC.
Re-entry of:
Hitchcock "A" Federal, Well No. 1
660' FNL & 660' FEL, Sec. 26-T16S-R27E
Existing Access Roads: 
Proposed Access Road: 

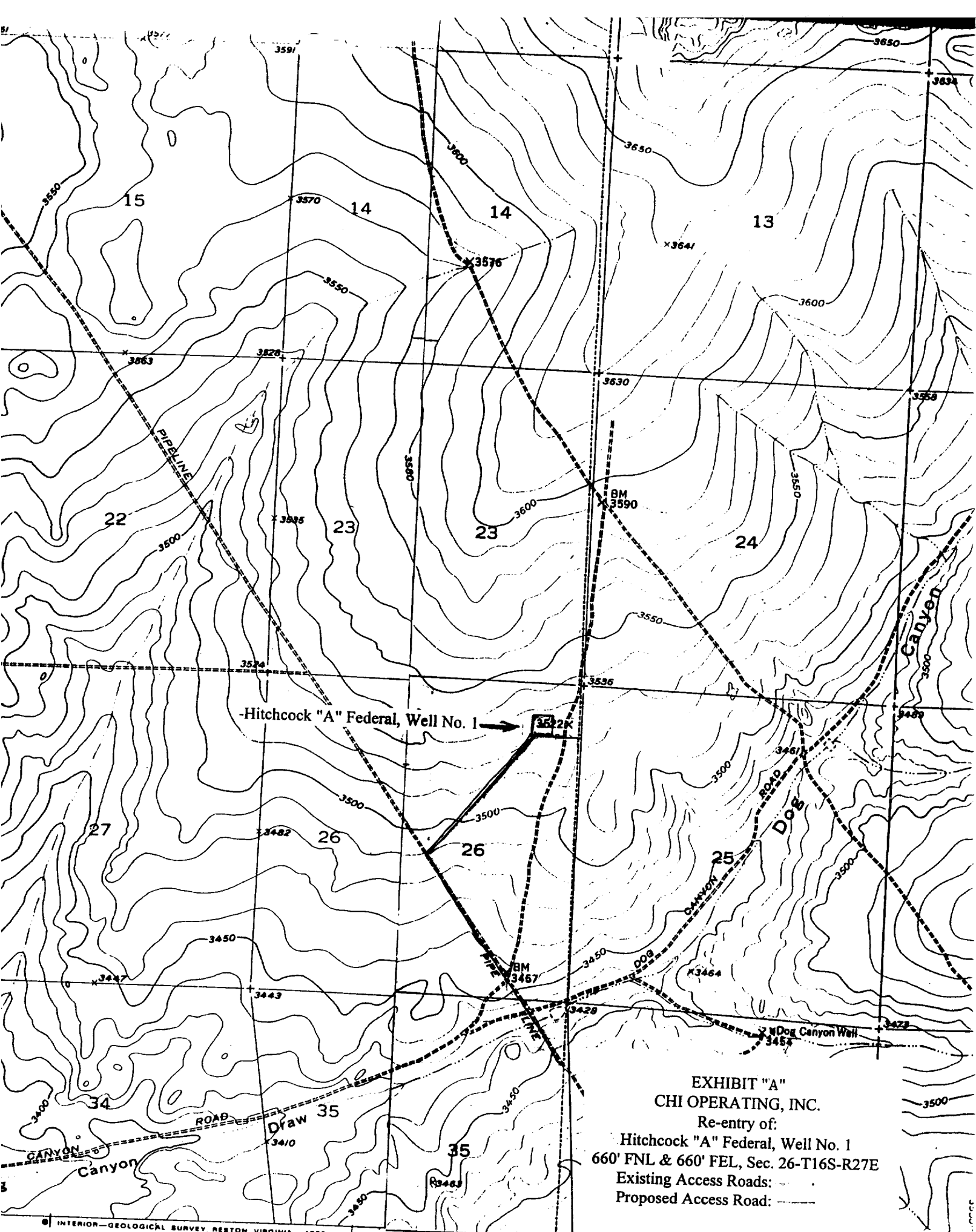


EXHIBIT "A"
CHI OPERATING, INC.

Re-entry of:
Hitchcock "A" Federal, Well No. 1
660' FNL & 660' FEL, Sec. 26-T16S-R27E
Existing Access Roads: - - - - -
Proposed Access Road: ————

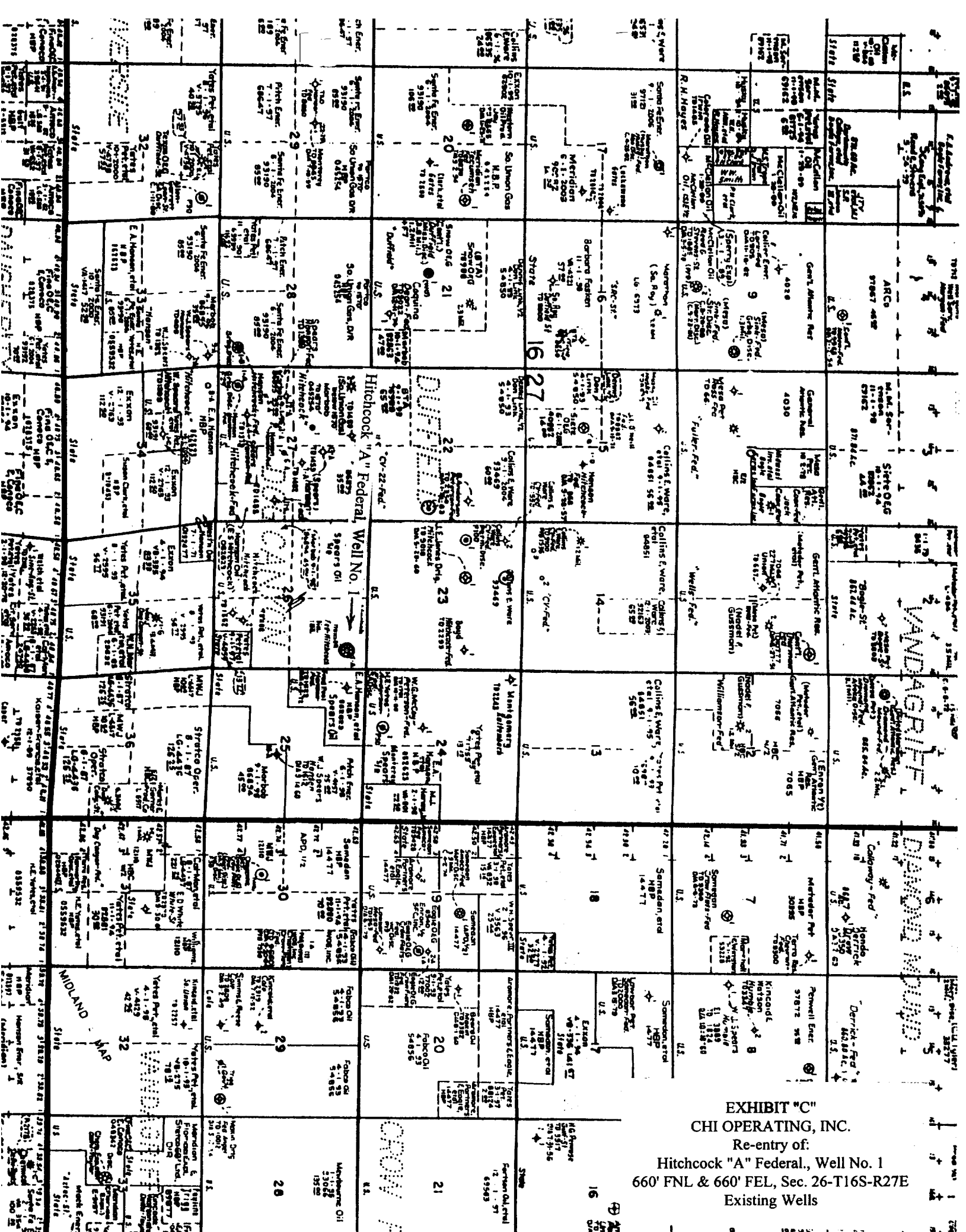


EXHIBIT "C"
CHI OPERATING, INC.
Re-entry of:
Hitchcock "A" Federal, Well No. 1
660' FNL & 660' FEL, Sec. 26-T16S-R27E
Existing Wells



Re-Entry Location Pad

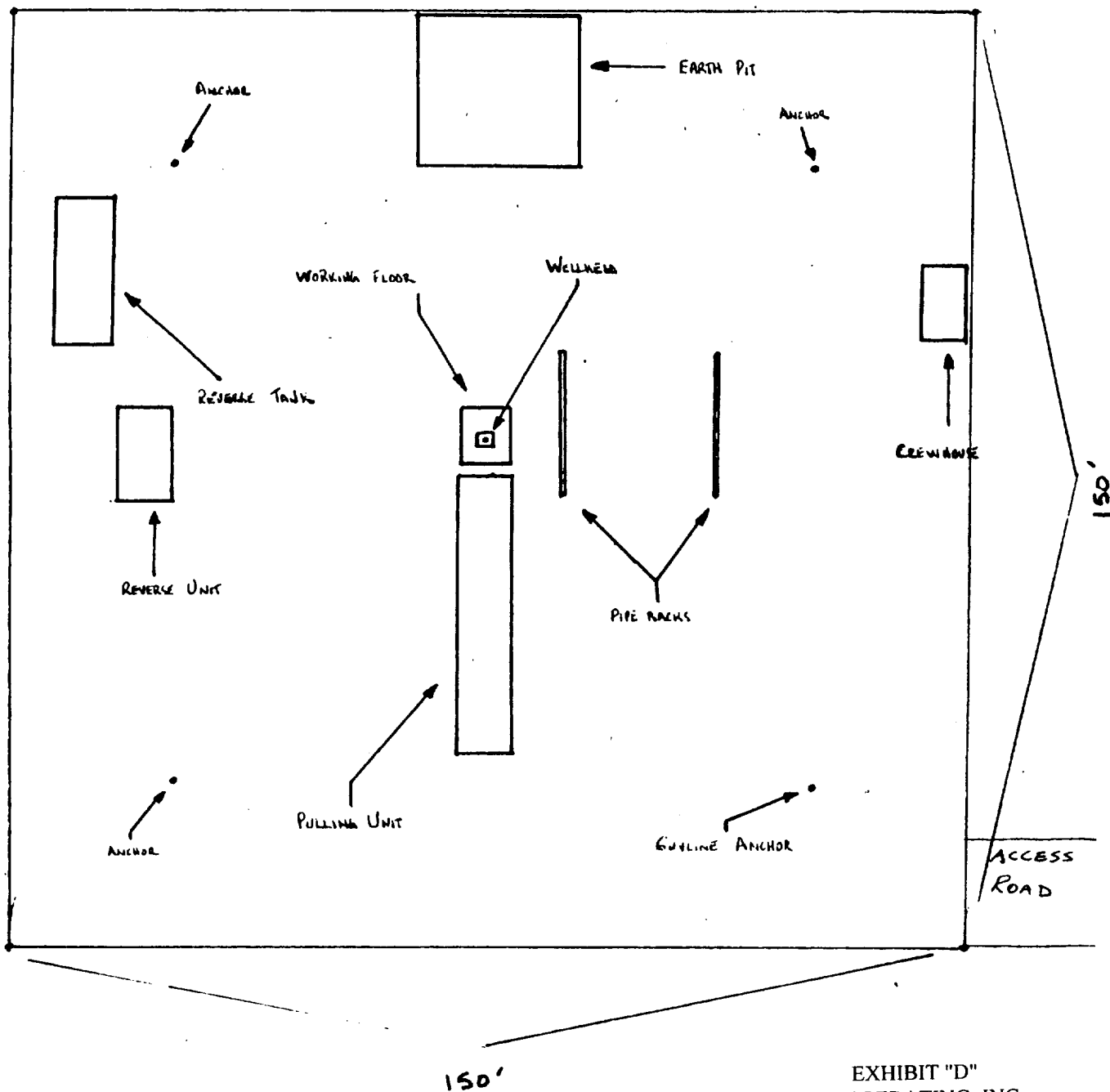


EXHIBIT "D"
CHI OPERATING, INC.
Re-entry of:
Hitchcock "A" Federal, Well No. 1
Pad & Pit Layout

BLOWOUT PREVENTOR ARRANGEMENT

2M SYSTEM

10" SHAFFER TYPE "E", 3000 psi WP

80 GALLON, 4 STATION KOOMEY ACCUMULATOR

3000 psi WP CHOKE MANIFOLD

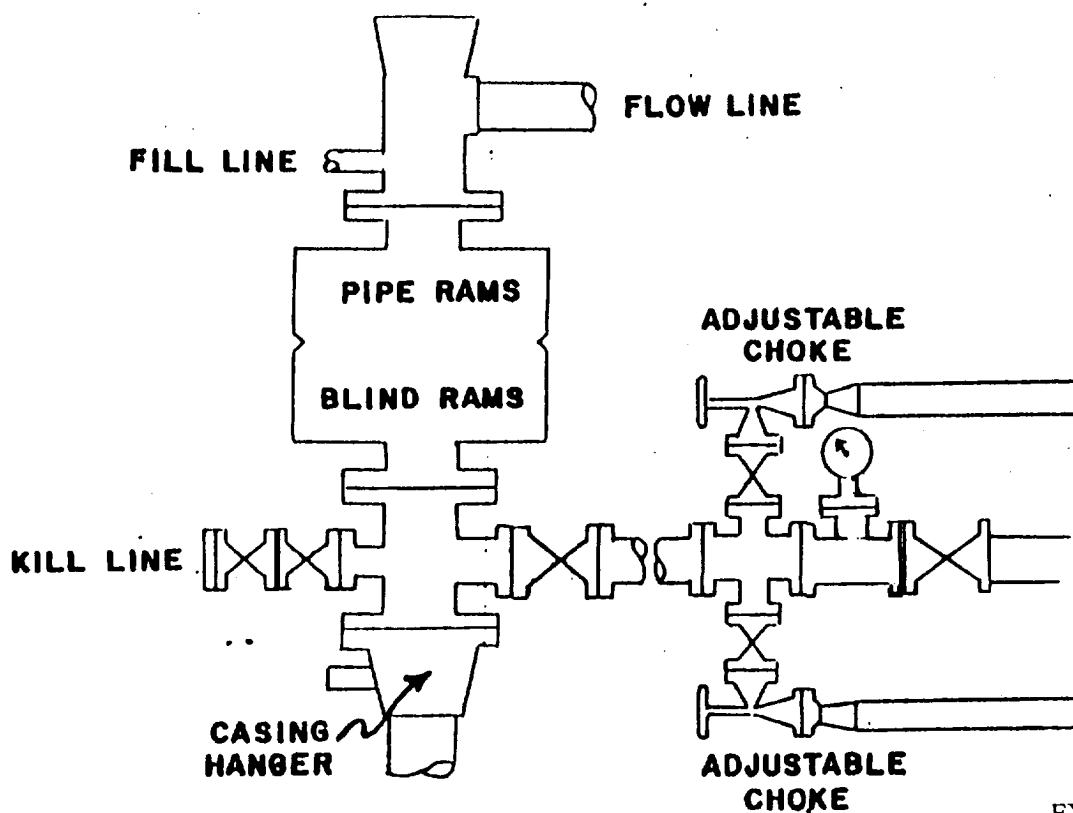


EXHIBIT "E"
CHI OPERATING, INC.
Re-entry of:
Hitchcock "A" Federal, Well No. 1
BOP Specifications