



NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505  
(505) 827-7131

June 23, 1999

Chi Energy, Inc.  
c/o James Bruce  
P. O. Box 1056  
Santa Fe, New Mexico 87504

Telefax No. (505) 982-2151

*Administrative Order NSL-4315*

Dear Mr. Bruce:

Reference is made to the following: (i) your application on behalf of the operator, Chi Energy, Inc. ("Chi") dated June 9, 1999; and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe: all concerning Chi's request for authorization to drill its Stake Your Claim Federal Well No. 1, to test both the shallower wildcat Delaware formation and the Undesignated Benson-Bone Spring Pool, at an unorthodox oil well location for both intervals 1060 feet from the South line and 2210 feet from the West line (Unit N) of Section 1, Township 19 South, Range 30 East, NMPM, Eddy County, New Mexico. The SE/4 SW/4 of Section 1 is to be dedicated to this well in order to form a standard 40-acre oil spacing and proration unit for both intervals.

The application has been duly filed under the provisions of Rule 104.F of the Rules and Regulations of the New Mexico Oil Conservation Division ("Division").

By the authority granted me under the provisions of Division Rule 104.F(2), the above-described unorthodox oil well location is hereby approved.

Sincerely,

Lori Wrotenbery  
Director

LW/MES/kv

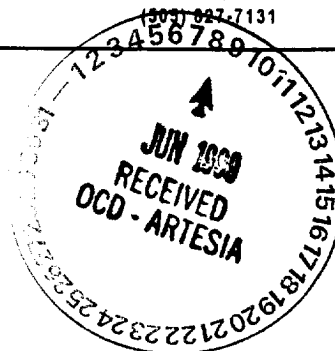
cc: New Mexico Oil Conservation Division - Artesia  
U. S. Bureau of Land Management - Carlsbad





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OIL CONSERVATION DIVISION  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505  
(505) 827-7131



June 7, 1999

Chi Energy, Inc.  
c/o James Bruce  
P. O. Box 1056  
Santa Fe, New Mexico 87504

*Re Administrative application on behalf of Chi Energy, Inc. for an unorthodox oil well location within the shallower wildcat Delaware formation and the deeper Undesignated Benson-Bone Spring Pool for its proposed Stake Your Claim Federal Well No. 1 to be drilled 1060 feet from the South line and 2210 feet from the West line (Unit N) of Section 1, Township 19 South, Range 30 East, NMPM, Eddy County, New Mexico. A standard 40-acre oil spacing and proration unit comprising the SE/4 SW/4 of Section 1 is the proposed acreage to be dedicated to this well for both intervals.*

Dear Mr. Bruce:

Your letter dated June 2, 1999 served to clarify my concerns about the discrepancy that existed between your original application filed with the New Mexico Oil Conservation Division's Santa Fe office on May 25, 1999 and the Federal "APD" Form 1004-0136 dated May 18, 1999 that was attached. However, Chi Energy, Inc.'s request to also include the deeper Undesignated Benson-Bone Spring Pool changes this application significantly. Since the notification letter/waiver from Mr. Ray Westall dated May, 17, 1999 specified the shallower Delaware interval, it is inadequate to cover the deeper Bone Spring interval; therefore, Chi Energy, Inc.'s application is hereby withdrawn and is being returned to be resubmitted in its entirety.

Sincerely,

Michael E. Stogner  
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Artesia  
U. S. Bureau of Land Management - Carlsbad

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Form 3160-3  
(July 1992)

# N. M. Oil Cons. Division

811 SUBMIT IN TR DATE\*

ARTESIA, NM 88210-28\*  
(Include instructions on reverse side)

FORM APPROVED  
OMB NO. 1004-0136  
Expires: February 28, 1995

## UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT

### APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL ☒

DEEPEN ☐

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

1060' FSL & 2210' FWL

At proposed prod. zone

Same UNIT N

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

16 road miles S. Loco Hills, NM

15. DISTANCE FROM PROPOSED\*

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

503'

18. DISTANCE FROM PROPOSED LOCATION\*

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

948'

16. NO. OF ACRES IN LEASE

2160.92

17. NO. OF ACRES ASSIGNED

TO THIS WELL 40

19. PROPOSED DEPTH

6700'

20. ROCKET OR CABLE TOOLS

Rotary

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

3509' GL

22. APPROX. DATE WORK WILL START\*

June 7, 1999

23. PROPOSED CASING AND CEMENTING

### CAPTAN CONTROLLED WATER BASIN

SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17 1/2"	13 3/8" H-40	48.0#STC	450'	Circ. 450 sx "C"
* 11"	8 5/8" J-55	32.0#LTC	3,200'	Circ 900 sx "C" + a
7 7/8"	5 1/2" N-80	15.5#LTC	6,700'	600 sx "C"

Mud Program:

0' - 450': Fresh water w/Gel spud mud  
450' - 3200': Brine mud  
3200' - 6700': Controlled brine mud

Mud Wt.

8.4- ppg  
10.2 ppg  
8.6- 8.7 ppg

Vis.

34-36  
28-32  
28-32

W/L Control

No W/L control  
No W/L control  
No W/L control

BOP Program:

A 10" 3000 psi wp Shaffer Type "E" double hydraulic ram BOP will be installed on the 13 3/8" casing. Casing and BOP will be tested before drilling out with 11". BOP will be will be tested daily.

\*NOTE: If severe lost circulation is NOT encountered, the 11" hole will be reduced at 3200' to 7 7/8" and drill ahead WITHOUT setting the 8 5/8" casing. The 5 1/2" casing will be cemented in two stages with 1600 sx of "C" + add. circulated to surface.

NSL-4315 6/23/99

APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS AND  
SPECIAL STIPULATIONS  
ATTACHED

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present production zone and proposed new productive 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.

Agent for:

Chi Operating, Inc.

May 25, 1999

SIGNED George R. Smith

TITLE

(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:

APPROVED BY

B/E Splendox

TITLE

Acting

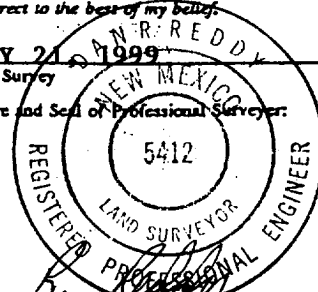
DATE

7-21-99

\*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes 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.



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			<p><b>17 OPERATOR CERTIFICATION</b></p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p style="text-align: right;"><i>George R. Smith</i></p> <hr/> <p>Signature</p> <p><b>George R. Smith, agent for:</b></p> <hr/> <p>Printed Name</p> <p><b>Chi Operating, Inc.</b></p> <hr/> <p>Title</p> <p><b>May 25, 1999</b></p> <hr/> <p>Date</p>
			<p><b>18 SURVEYOR CERTIFICATION</b></p> <p>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.</p> <p style="text-align: center;"><b>MAY 21 1999</b></p> <hr/> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor:</p> <div style="text-align: center;">  </div> <p>Certificate Number</p> <p><b>NM PE&amp;PS NO. 5412</b></p>

LC-0560353

2210'

1060'

RIG #3<sup>or</sup>1

BLOWOUT PREVENTOR ARRANGEMENT

10" SHAFFER TYPE "E", 3000 psi WP

80 GALLON, 4 STATION KOOMEY ACCUMULATOR

3000 psi WP CHOKE MANIFOLD

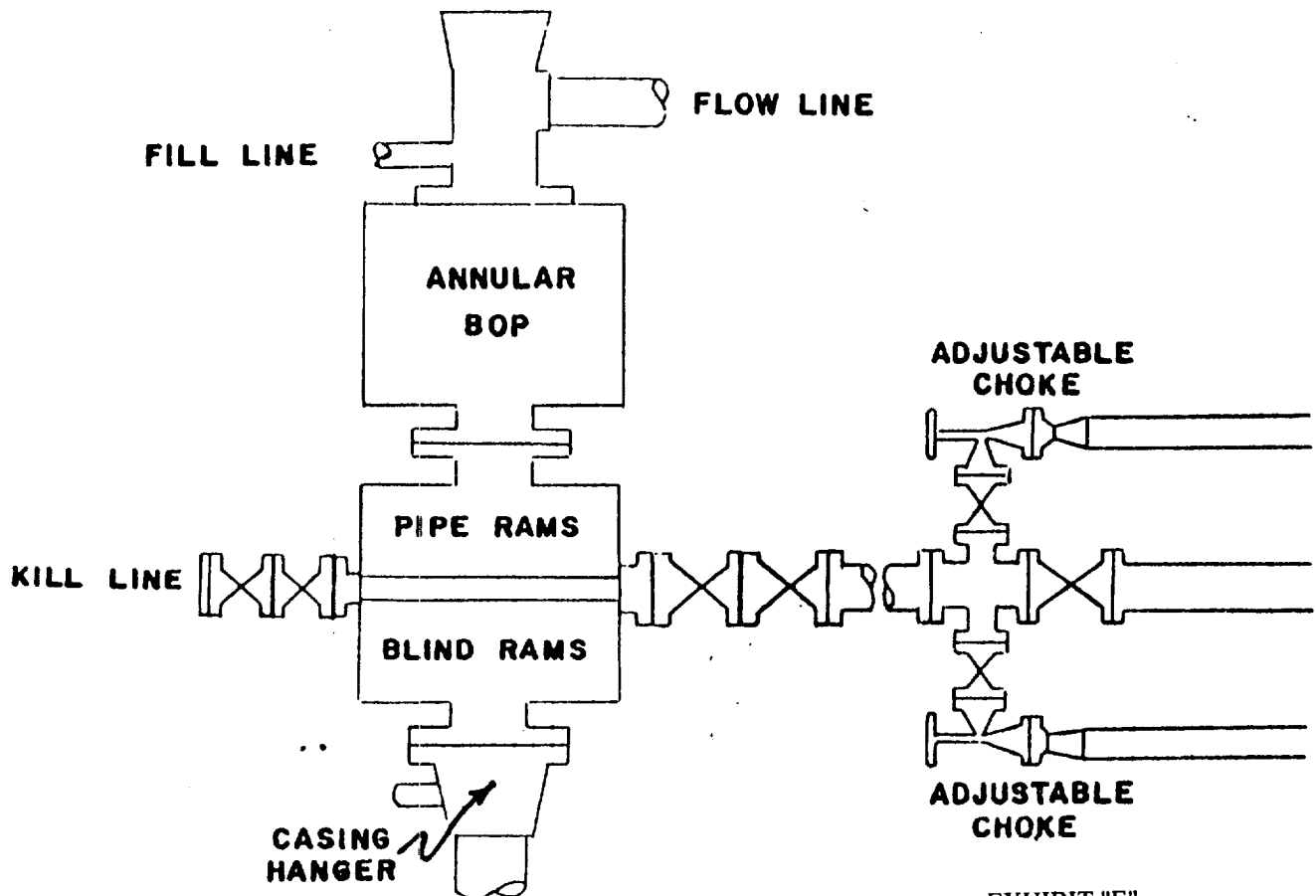


EXHIBIT "E"  
CHI OPERATING, INC.  
Stake Your Claim Federal, Well No. 1  
BOP Specifications

