

Previous well name: *and Rush Federal Com.,* Well No. 1
Date APD approved: *March 23, 1998*

N. M. Oil Conservation Division

FORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

811 S. 1ST ST.

ARTESIA, NM 88210

APPLICATION FOR PERMIT TO DRILL OR REENTER

580

Lease Serial No.
LC-063613

6. If Indian, Allottee or Tribe Name

1a. Type of Work: ☒ DRILL ☐ REENTER

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

1b. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other ☐ Single Zone ☐ Multiple Zone

8. Lease Name and Well No.

Wizard Federal Com., Well # 1

2. Name of Operator

Chi Operating, Inc.

3a. Address

P.O. Box 1799 Midland, TX 79702

3b. Phone No. (include area code)

(915) 685-5001

9. API Well No.

30-015-31715

4. Location of Well (Report location clearly and in accordance with any State requirements. *)

At surface 1750' FSL & 760' FEL

At proposed prod. zone same

10. Field and Pool, or Exploratory

N. Hackberry Morrow

11. Sec., T., R., M., or Blk. and Survey or Area

Sec. 1-T19S-R30E

14. Distance in miles and direction from nearest town or post office*

16 road miles S. of Loco Hills, NM

12. County or Parish

Eddy

13. State

NM

15. Distance from proposed*
location to nearest
property or lease line, ft.
(Also to nearest drig. unit line, if any) 760'

16. No. of Acres in lease

280

17. Spacing Unit dedicated to this well

320

18. Distance from proposed location*
to nearest well, drilling, completed,
applied for, on this lease, ft.

1553'

19. Proposed Depth

12,400'

20. BLM/BIA Bond No. on file

NM-1616

21. Elevations (Show whether DF, KDB, RT, GL, etc.)

3477' GL

22. Approximate date work will start*

4/5/01

23. Estimated duration

4 weeks

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

1. Well plat certified by a registered surveyor.

2. A Drilling Plan.

3. A Surface Use Plan (if the location is on National Forest System Lands, the
SUPO shall be filed with the appropriate Forest Service Office).

4. Bond to cover the operations unless covered by an existing bond on file (see
Item 20 above).

5. Operator certification.

6. Such other site specific information and/or plans as may be required by the
authorized officer.

25. Signature

George R. Smith

Name (Printed Typed)

George R. Smith

Date

03/16/01

Title

Agent for Chi Operating, Inc.

Approved by (Signature)

Name (Printed Typed)

ISI RICH

Date

Title

Office

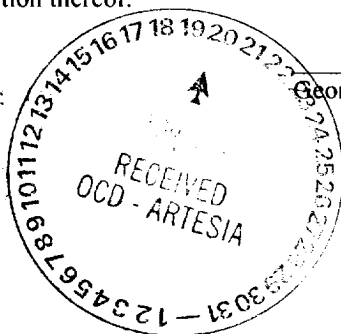
Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached.

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 reverse)

Lease Responsibility Statement: Chi Operating, Inc. accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land or portion thereof.



RECEIVED

2001 MAR 16 PM 1:43

BUREAU OF LAND MGMT.
ROSSELL OFFICE

16			
LC-063613 O'Neill Prop. etal		760' 1750'	

17 OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief

George R. Smith
 Signature

George R. Smith, agent for
 Printed Name

Chi Operating, Inc.
 Title

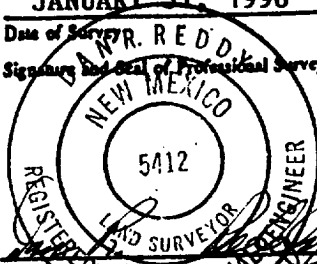
March 16, 2001
 Date

18 SURVEYOR CERTIFICATION

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.

JANUARY 31, 1998
 Date of Survey

Signature and Seal of Professional Surveyor:



Certificate Number
 NM-200-000000-5412

APPLICATION FOR DRILLING

CHI OPERATING, INC.

Wizard Federal Com., Well No. 1
Previous Name: Land Rush Federal Com., Well No. 1
1750' FSL & 760' FEL, Sec. 1-T19S-R30E
Eddy County, New Mexico
Lease No.: NM-063613
(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:

Yates	2,200'	Strawn	10,800'
Queen	3,100'	Atoka	11,000'
Delaware	4,050'	Morrow Clastic	11,600'
Bone Spring	6,210'	Lower Morrow	12,000'
Avalon SD	6,400'	T.D.	12,400'
Wolfcamp	9,900'		

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

Water: Surface water between 100' - 300'.

Oil: Possible in the Queen, Delaware and Bone Spring

Gas: Possible in the Atoka below 11,000' and the Morrow below 11,600'.

4. Proposed Casing Program:

HOLE SIZE	CASING SIZE	WEIGHT	GRADE	JOINT	SETTING DEPTH	QUANTITY OF CEMENT
17 1/2"	13 3/8"	48.0#	J-55	ST&C	450' 475	Circ. 450 sx "C" + add.
11"	8 5/8"	32.0#	J-55	ST&C	3,200'	Circ. 1300 sx "C" cement.
7 7/8"	5 1/2"	17.0#	N-80	LT&C	12,400'	1500 sx of "H" + add.

5. Proposed Control Equipment: A 12" 5000 psi wp Shaffer Type LWS Double Gate BOP will be installed on the 13 3/8" casing. Casing and BOP will be tested before drilling out with 11" and will be tested daily. See Exhibit "E".

6. MUD PROGRAM:	MUD WEIGHT	VIS.	W/L CONTROL
0' - 450': Fresh water mud:	8.4 - 8.5 ppg	32 - 38	No W/L control
450' - 3200': Brine mud:	10.0 - 10.1 ppg	32 - 38	No W/L control
3200' - 9700': Fresh water mud:	8.4 - 8.5 ppg	32 - 38	No W/L control
9700' - 10,600': Cut Brine mud:	9.2 - 9.5 ppg	32 - 38	No W/L control
10,600' - 11,500': Brine (starch) mud:	9.5 - 9.7 ppg	35 - 38	W/L control 12 cc +/-
11,500' - 12,400': Controlled Brine	9.5 - 9.7 ppg	386 - 42	W/L control 8 cc +/-

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: As deemed necessary.

Logging: Run #1: Pending shows: 2000' - 3000': GR/CAL/CNL/LDT/DLL/MSFL

Run #2: Pending shows: 3200' - 6450': GR/CAL/CNL/LDT/DLL/MSFL

Run #3: T.D. - 6450': GR/CAL/CNL/LDT/DLL/MSFL

T.D. - 6450: GR/CNL if runs 1 and/or 2 not performed.

Coring: As dictated by logs.

Chi Operating, Inc.
Wizard Federal Com., Well No. 1
Page 2

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 = 4960 with a temperature of 184°.

10. H₂S: None expected.

11. Anticipated starting date: April 5, 2001.
Anticipated completion of drilling operations: Approximately 30 days.

MULTI POINT SURFACE USE AND OPERATIONS PLAN

CHI OPERATING, INC
Wizard Federal Com., Well No. 1
1750' FSL & 660' FEL, Sec. 1 -T19S-R30E
Eddy County, New Mexico
Lease No.: NMLC-063613
(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 Hackberry Lake Topo map showing the location of the proposed well as staked. The well site location is approximately 36 road miles southeast of Artesia, NM. Traveling east of Artesia on U.S. Highway 82, NM Hwy 360 and county roads No. 250 and 251, there will be 33 miles of paved highway, plus 3 miles of existing gravel oilfield roads.
- B. Directions: Travel east from U. S. Highway #285 in Artesia, NM on U. S. Highway 82 for approximately 14 miles, turn southeast on NM Hwy 360 for approximately 13 miles to paved County Rd #251. Turn north on #251 for 1.8 mile to County Rd. # 250, then turn right on #250 for 3.8 miles to top of Nimenim Ridge. Turn south onto a gravel oilfield road just west of a cattle guard with a pipeline buried near the road. Continue south for .8 mile to a large tank battery and injection pump house; turn right (west) for .25 mile to a pump jack, then south (left) for .5 mile to another pump jack. Turn left (east) for .2 mile to the start of the proposed access road on the right, which will run south 1500 feet to the southwest corner of the proposed well site.

2. PLANNED ACCESS ROAD:

- A. Length and Width: There will be approximately 1500 feet of new access roads 12 feet wide (24' Max.). The proposed and existing roads are color coded on Exhibit "A".
- B. Construction: The new access road will be constructed by grading and topping with compacted caliche. The existing access road will be graded and repaired as required.
- C. Turnouts: One increasing the road width to 20 feet for passing will be constructed at the midpoint
- D. Culverts: None required.
- E. Cuts and Fills: There will be some minor leveling of the surface.
- F. Gates, Cattle guards: None required.
- G. Off Lease ROW: An off lease ROW No. NM-102279 was issued with a previous APD covering the existing access road in the E2 of Sec. 1-T19S-R30E.

3. LOCATION OF EXISTING WELLS:

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

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES;

- A. Chi Operating, Inc. has no production facilities on the lease at this time.
- B. If the well proves to be commercial, the necessary production facilities and gas production-process equipment and tank battery, if required, will be installed on the drilling pad. A three (3) inch poly gas flow line will be run 300' to the southwest to an existing gas flow line and will parallel this flow line to a gas hookup at a P&A well site, 2500' E8L & 1980' E8L Sec. 1-T19S-R30E.

They
cancelled
Pipe line
Burr
4/2/01

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 Federal pit in the NW¼SW¼, Sec. 26-T18S-R30E. No surface materials will be disturbed except those necessary for actual grading and leveling of the drill site and access roads.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be disposed of in the reserve pits.
- B. Drilling fluids will be allowed to evaporate in the reserve 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 landfill within 30 days after finishing drilling and/or completion operations.

8. ANCILLARY FACILITIES:

- A. None required.

9. WELL SITE LAYOUT:

- A. Exhibit "D" shows the relative location and dimensions of the well pad, reserve pits, and major rig components. The pad and pit area has been staked and flagged, 400' X 400'.
- B. Mat Size: 250' X 175', plus 100' X 110 reserve pits on the north.
- C. Cut & Fill: The location will require a cut of 3-4 foot cut on the north with fill to the south.
- D. The surface will be topped with compacted caliche and the reserve 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 required 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 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 well site and access road are located in a area on top of the Niminem Ridge with a draw 300 feet east of the location. There is an overall 2.5% slope to the southeast from an elevation of 3477' GL.
- B. Soil: The topsoil at the well site is a shallow dark brown colored gravely sandy loam over caliche rock. The soil is of the Potter-Simona complex series.
- C. Flora and Fauna: The vegetation cover is a fair to good grass cover of threeawn, grama, dropseed, fluff grass, along with plants of mesquite, creosote bush, broomweed, yucca, cacti and miscellaneous weeds and wildflowers. The wildlife consists of rabbits, coyotes, rattlesnakes, lizards, dove, quail and other wildlife typical of the semi-arid desert land.
- D. Ponds and Streams: None except an intermittent drainage draw 300 feet to the east running north/south.
- E. Residences and Other Structures: None in the area except oil field equipment and tank batteries and a gas pipeline pump station 1,400 feet southeast of the location
- F. Land Use: Cattle grazing.
- 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 area. Archaeological Survey Consultants, P. O. Box D, Roswell, NM 88202 conducted an archaeological survey and their ASC Report No. 98-010 (NMCRIS NO. 59554), dated February 21, 1998, was submitted to the appropriate government agencies.

12. OPERATOR'S REPRESENTATIVE:

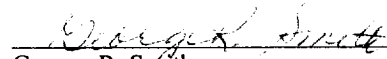
- A. The field representative for assuring compliance with the approved use and operations plan is as follows:

John Qualls
Chi Operating, Inc.
P. O. Box 1799
Midland, Texas 79701
Office Phone: (915) 685-5001
Home Phone: (915) 684-6847

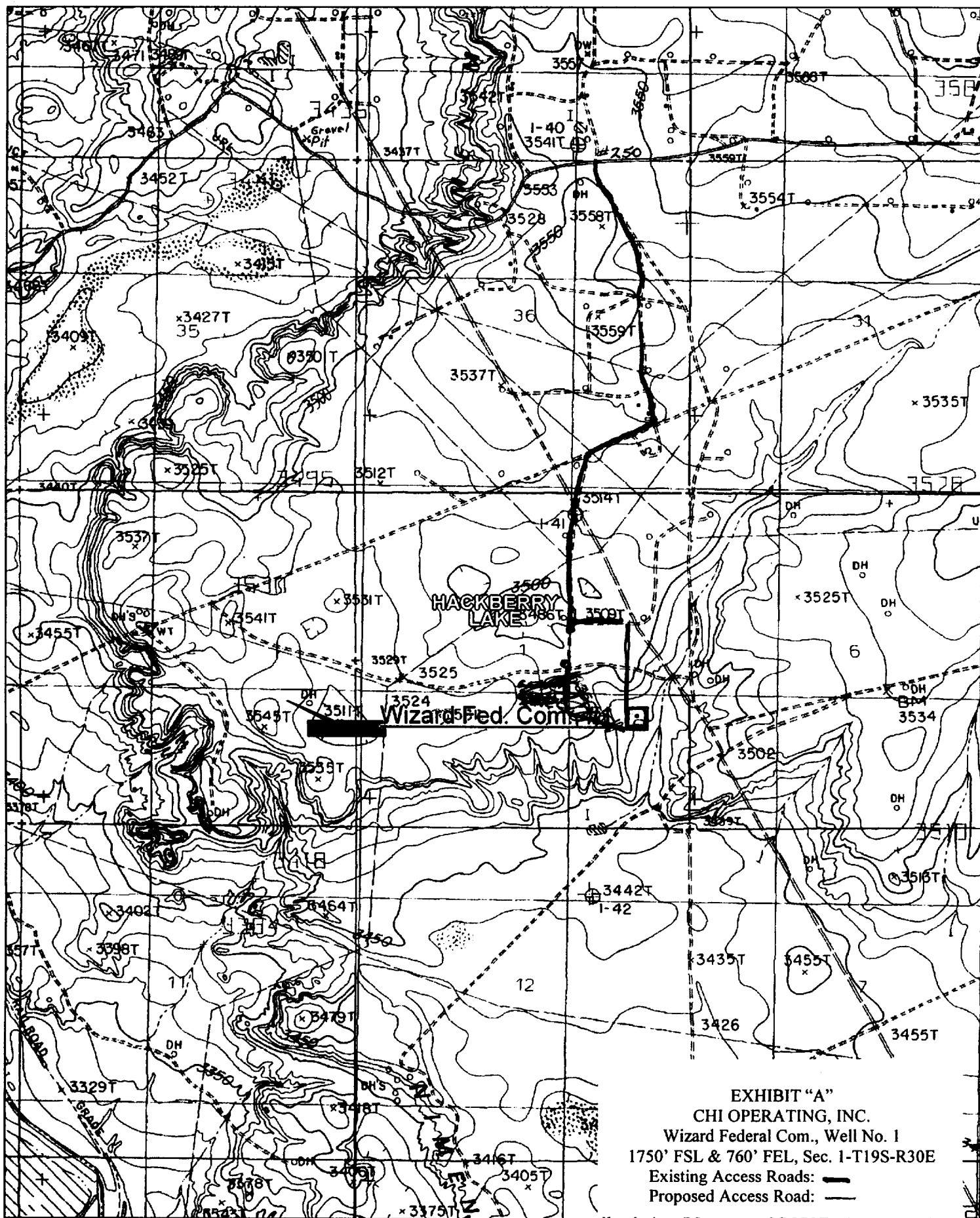
13. CERTIFICATION:

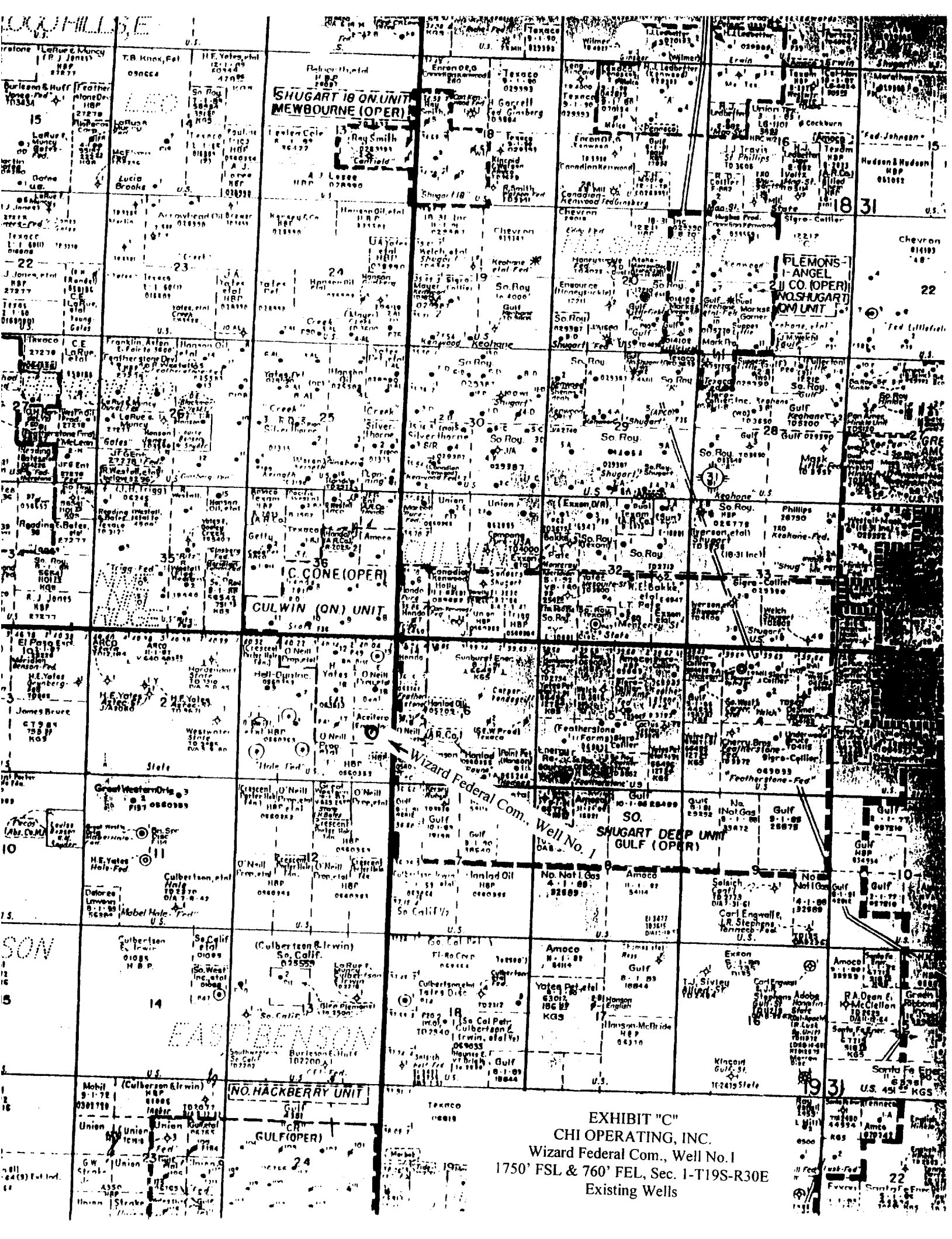
I hereby certify that I have inspected the proposed drill site and access route; that I am familiar with the conditions which presently exist; that the statements made in the plan are, to the best of my knowledge, true and correct; and, that the work associated with the operations proposed herein will 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.

March 16, 2001

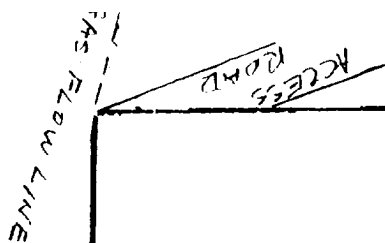


George R. Smith
Agent for: Chi Operating, Inc.





100



REV 7/7/95

TIMEB // SHARP DRILLING

B.O.P. Equipment Intended for use on Rig # 24 + 22

Well To Be drilled for Time/Sharp

* All B.O.P equipment is H2S Trim *

* All Accumulators are Kookey Type-80 : Dual Power Electric/Air *

* Choke Manifold: * See sheet 2

4" Valves : Cameron F/FC, Shaffer DB Hydraulic

2" Check Valve: Cameron Type R

2" Valves : Cameron or Shaffer

Annular Shaffer Type: Spherical

Annular PSI: 3000

(If Shaffer: Spherical , If Hydril: Type OK)

BOP Type Shaffer LWS

(If Shaffer: LWS or SL, If Cameron: Type U)

BOP Size: 13 5/8 " - 5000 PSI

Rotating Head Type Smith

Rot-Head Furnished By Time

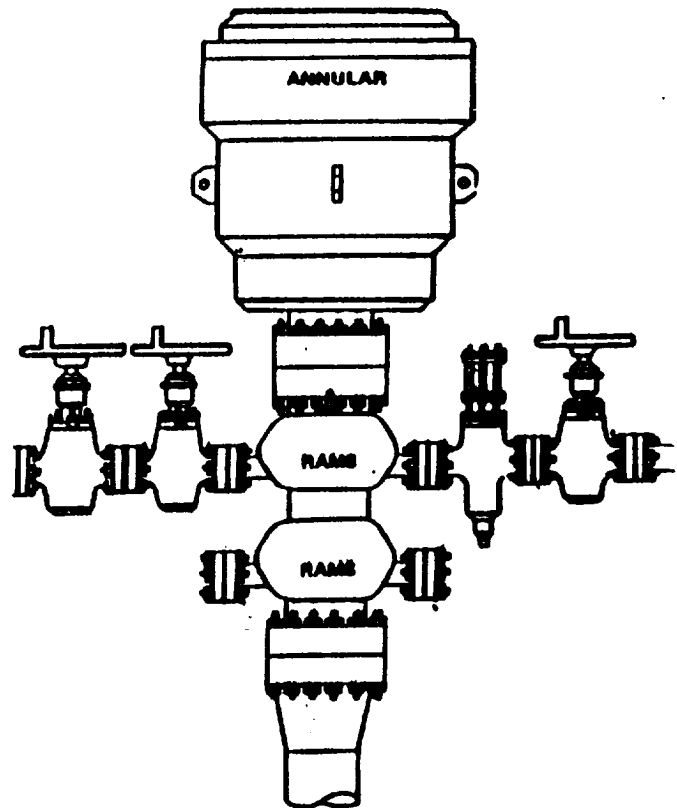
Rams in top gate: 4 1/2 pipe

Rams in bottom: Blinds

Side Outlets used:

Bottom X Top

4" Valves on Tee



B.O.P. Equipment Intended for use on Rig # 24 + 22

Well To Be drilled for Time/Sharp

* All Valves (H2S) *

Choke Manifold:

Pressure Rating 3,000 or 5,000 (as Req.)

1 - 4" Valves

2 - 2" Valves

2 - 2" Adjustable Chokes

Valve Types Used:

Cameron - F or FC

Shaffer - B Floseal

WKM - type 2

Chokes - Cameron H2 or TC unbolt

