

C15F

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

N.M. Oil Cons. Division
841 S. 1st Street
Artesia, NM 88210-2834

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. LC- 063613
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator Chi Operating, Inc. 4378		7. If Unit or CA Agreement, Name and No. 29492
3a. Address P.O. Box 1799 Midland, TX 79702		8. Lease Name and Well No. Wizard Federal, Well # 3
3b. Phone No. (include area code) (915) 685-5001		9. API Well No. 30-015-32210
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 1980' FSL & 2310' FEL At proposed prod. zone same Unit J		10. Field and Pool, or Exploratory Benson Bone Spring
11. Sec., T., R., M., or Blk. and Survey or Area Sec. 1-T19S-R30E		12. County or Parish Eddy
14. Distance in miles and direction from nearest town or post office* 16 road miles S. of Loco Hills, NM		13. State NM
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 330	16. No. of Acres in lease 280	17. Spacing Unit dedicated to this well 40
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1567'	19. Proposed Depth 6,700'	20. BLM/BIA Bond No. on file NM-1616
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3512' GL	22. Approximate date work will start* 8/15/01	23. Estimated duration 3 weeks

POTASH

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. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification. |
| 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). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature <i>George R. Smith</i>	Name (Printed/Typed) George R. Smith	Date 07/12/01
Agent for Chi Operating, Inc.		
Approved by (Signature) /s/ RICHARD A. WHITLEY	Name (Printed/Typed) /s/ RICHARD A. WHITLEY	Date FEB 11 2002
Title ASSOC. STATE DIRECTOR	Office NM STATE 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.

APPROVAL FOR 1 YEAR

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.

George R. Smith
George R. Smith, agent



MM STATE OFFR

RECEIVED
2001 JUL 13 AM 8:29
BUREAU OF LAND MGMT
ROSWELL OFFICE

District I
1825 N. French Dr., Hobbs, NM 88240

District II
811 South First, Artesia, NM 88210

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
2840 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-102
Revised March 17, 1999

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number		Pool Code		Pool Name Benson Bone Spring	
Property Code		Property Name WIZARD FEDERAL			Well Number 3
OGRID No.		Operator Name CHI OPERATING INC.			Elevation 3512.

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	I	19-S	30-E		1980	SOUTH	2310	EAST	EDDY

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
¹² Dedicated Acres 40		¹³ Joint or Infill		¹⁴ Consolidation Code		¹⁵ Order No.			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

¹⁶					¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief	
					Signature <i>George R. Smith</i> George R. Smith agent for:	
					Printed Name Chi Operating, Inc.	
					Title July 12, 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.	
					JUNE 14, 2001 Date of Survey Signature and Seal of Professional Engineer	
					NEW MEXICO REGISTERED PROFESSIONAL ENGINEER 5412 DAN R. EDDY	

APPLICATION FOR DRILLING

CHI OPERATING, INC.
Wizard Federal, Well No. 3
1980' FSL & 2310' FEL, Sec. 1-T19S-R30E
Eddy County, New Mexico
Lease No.: NM-0560353
(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:

Anhydrite	400'	Delaware	4170'
Yates	2240'	Bone Spring	6175'
Seven Rivers	2430'	B/S Avalon Sand	6500'
Queen	3050'	T. D.	6700'

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 Bone Spring.

4. Proposed Casing Program:

HOLE SIZE	CASING SIZE	WEIGHT	GRADE	JOINT	SETTING DEPTH	QUANTITY OF CEMENT
12 1/4"	9 5/8"	36.0#	J-55	ST&C	475'	Circ. 400 sx "C" + add.
8 3/4"	7"	23.0#	J-55	LT&C	3,200'	Circ. 450 sx "C" + add. *
6 1/4"	4 1/2"	11.6#	N-80	LT&C	6,700'	1 st stage +/- 500 sx "C" 2 nd stage +/- 700 sx "C"

* NOTE: If severe lost circulation is NOT encountered, the 8 3/4" hole will be reduced at 3200' to 7 7/8" and drill ahead WITHOUT setting the 8 5/8" casing. See following casing program.

7 7/8"	5 1/2"	17.0#	J-55	LT&C	6,700'	Circ in 2 stages: 1200 sx of "C"
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5. Proposed Control Equipment: A 10" 3000 psi wp Shaffer Type "E" double hydraulic ram BOP will be installed on the 9 5/8" casing and used as a 2000 psi wp system. Casing and BOP will be tested as described in Onshore Order No. 2 before drilling out with 8 3/4" to a maximum expected surface pressure of 1500 psi wp, and will be tested weekly. See Exhibit "E".

6. MUD PROGRAM:		MUD WEIGHT	VIS.	W/L CONTROL
0' - 475':	Fresh water mud:	8.4 - 8.7 ppg	32 - 34	No W/L control
475' - 3200':	Brine mud:	10.0 ppg	29 - 30	No W/L control
3200' - 6700':	Brine mud:	10.0 ppg	29 - 32	No W/L control
Without Intermediate casing:				
0' - 475':	Fresh water spud mud	8.4 - 8.7 ppg	32 - 34	No W/L control
475' - 6700':	Brine mud	10.0 ppg	29 - 30	W/L cont. < 15 cc @ TD

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: T.D thru pay: GR-CAL-CNL-LDT-DLL-MICRO
T.D. to Surface: GR-Neutron

Coring: Rotary Sidewall: as dictated by logs.

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 = 2680 psi and a surface pressure of 1474 psi with a temperature of 127°.
10. H₂S: None expected.
11. Anticipated starting date: August 15, 2001.
Anticipated completion of drilling operations: Approximately 30 days.

MULTI POINT SURFACE USE AND OPERATIONS PLAN

CHI OPERATING, INC
Wizard Federal, Well No. 3
1980' FSL & 2310' FEL, Sec. 1 -T19S-R30E
Eddy County, New Mexico
Lease No.: LC-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 water injection pump house; turn right (west) for .25 mile to a pump jack, then south (left) for .8 mile to a well site and road turns east. The access road will detour around the west side of the well pad and run south. The proposed access road will start on the West side and will run for 100 feet to the northeast corner of the proposed pad.

2. PLANNED ACCESS ROAD:

- A. Length and Width: The proposed access road will be constructed to a width of 12 feet (24' Max.) and approximately 100 feet in length. 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: None required.
- D. Culverts: None required.
- E. Cuts and Fills: No cuts or fills required.
- 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 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 will be installed on the drilling pad. A three inch poly water flow line will be run parallel to the road south then west to the Munchkin Fed. #1 tank battery. A 3" poly gas flow line will run north, parallel to the proposed access road, to a gas hook up point in the NW4SE4 Sec. 1-T19S-R30E.

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: 225' X 165', plus 100' X 100' reserve pits on the west.
- C. Cut & Fill: The location will require a cut of 2 foot cut on the west with fill to the east.
- 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 drainage cuts on the east and west and a drop off to the south. There is an overall 2% slope to the east/northeast from an elevation of 3512' GL.
- B. Soil: The topsoil at the well site is a deep reddish brown colored loam with some caliche scatter on the surface and is underlain by caliche. The soil is of the Simona Gravelly Fine Sandy Loam complex series.
- C. Flora and Fauna: The vegetation cover is a fair to sparse grass cover of threeawn, dropseed, fluff grass, along with plants of mesquite, creosote bush, javalina bush, broomweed, yucca, cacti and miscellaneous weeds and wildflowers. The wildlife consists of rabbits, coyotes, antelope, rattlesnakes, lizards, dove, quail and other wildlife typical of the semi-arid desert land.
- D. Ponds and Streams: None in the area.
- E. Residences and Other Structures: None in the area except oil field equipment and tank batteries.
- 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 are conducting an archaeological survey, and their report will be submitted to the appropriate government agencies.

12. OPERATOR'S REPRESENTATIVE:

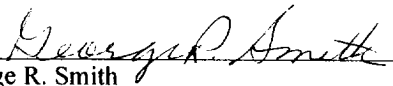
- A. The field representative for assuring compliance with the approved use and operations plan is as follows:

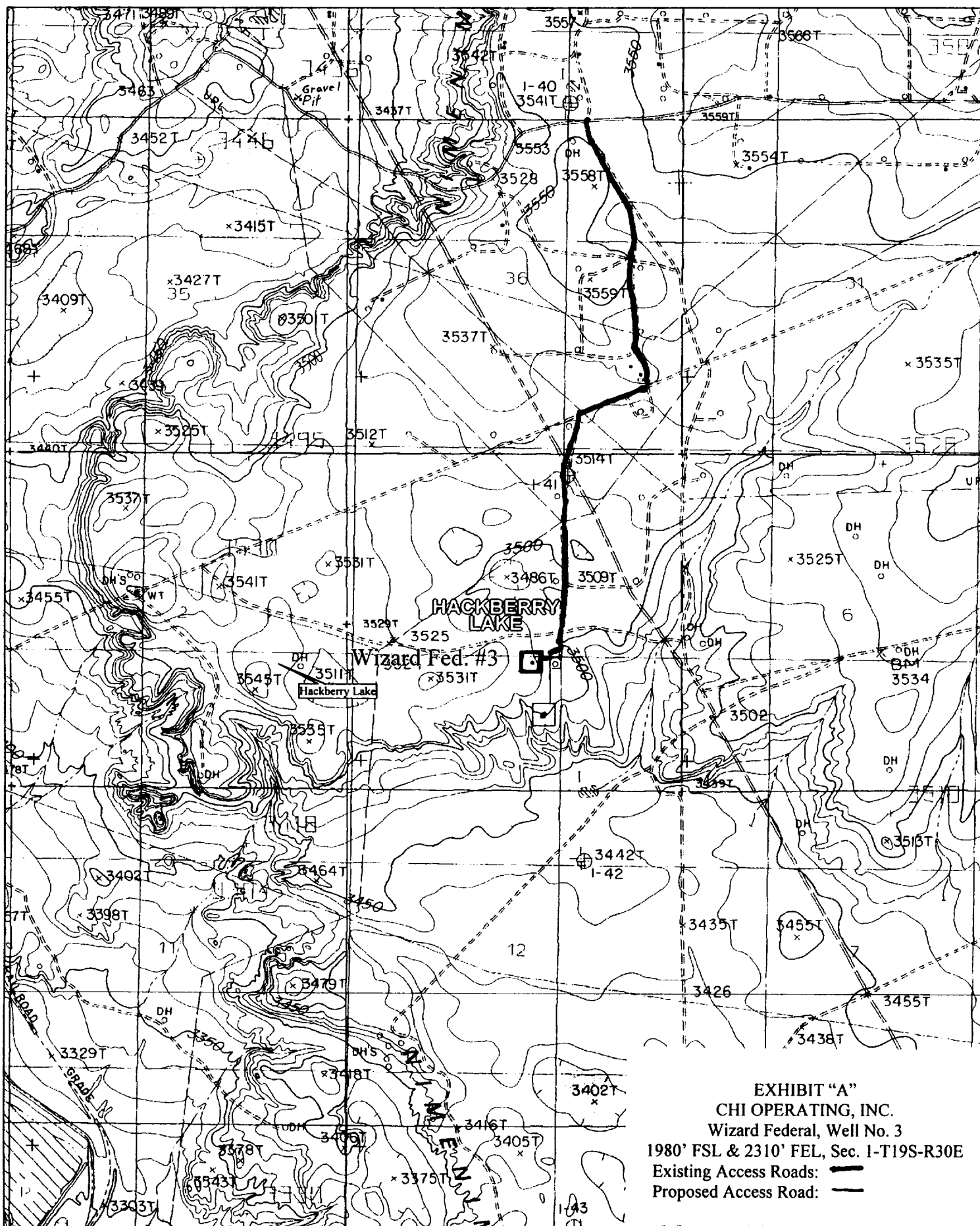
John Qualls
Chi Operating, Inc.
P. O. Box 1799
Midland, Texas 79701
Office Phone: (915) 685-5001
Home Phone: (915) 684-6847

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.

July 12, 2001


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





Rig 65

Access Road

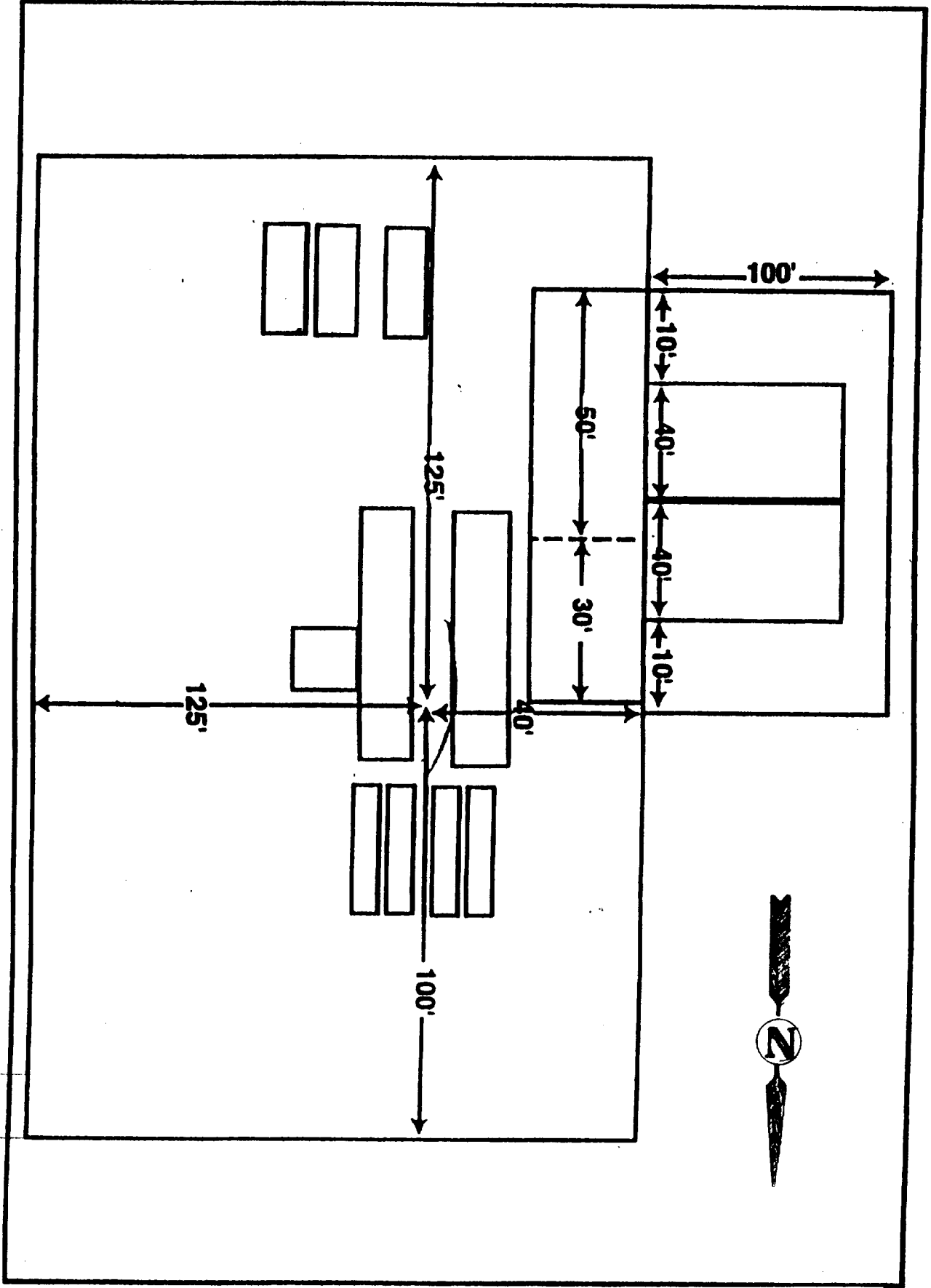


EXHIBIT "D"
CHI OPERATING, INC.
Wizard Federal, Well No. 3
Pad & Pit Layout

RIG # 65

BLOWOUT PREVENTOR ARRANGEMENT

2M SYSTEM

10" SHAFFER TYPE "E", 3000 psi WP

80 GALLON, 4 STATION KOOMEY ACCUMULATOR

3000 psi WP CHOKE MANIFOLD

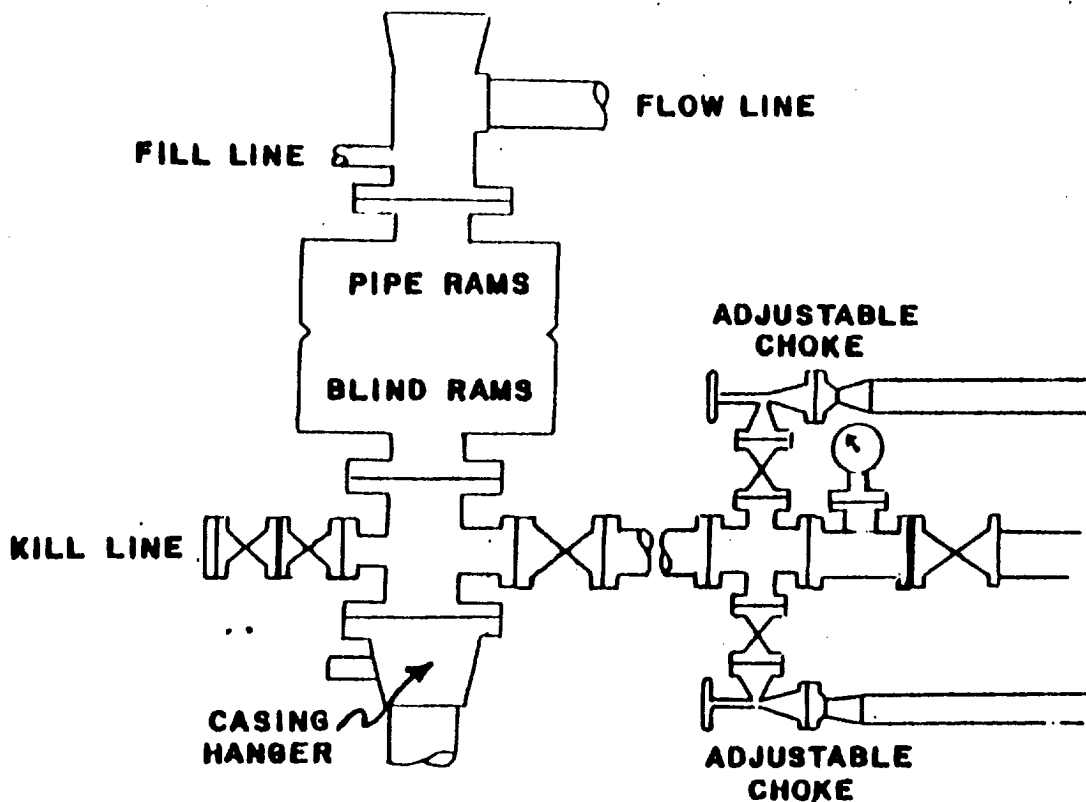


EXHIBIT "E"
CHI OPERATING, INC.
Wizard Federal, Well No. 3
BOP Specifications