

N.M. Oil Cons. Div-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

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

C/SF

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input type="checkbox"/> DRILL <input checked="" type="checkbox"/> REENTER		5. Lease Serial No. NM-98799
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" 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. 30395
3a. Address P.O. Box 1799 Midland, TX 79702		8. Lease Name and Well No. McIver Federal Com., Well # 2
3b. Phone No. (include area code) (915) 685-5001		9. API Well No. 30-015-00134
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 687' FSL & 2240' FEL At proposed prod. zone 1980' FSL & 1400' FWL SUBJECT TO LIKE APPROVAL BY STATE UT. D		10. Field and Pool, or Exploratory McIver Ranch Morrow
11. Sec., T., R., M., or Blk. and Survey or Area Sec. 20-T22S-R25E		12. County or Parish Eddy
13. State NM		
14. Distance in miles and direction from nearest town or post office* 12 road miles W. of Carlsbad, NM	15. Distance from proposed* location to nearest property or lease line, ft (Also to nearest drig. unit line, if any) 687'	16. No. of Acres in lease 600
17. Spacing Unit dedicated to this well 320	18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease. ft N/A	19. Proposed Depth 10,080' TVD
20. BLM/BIA Bond No. on file NM-1616	21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3947' GL	22. Approximate date work will start* 6/21/02
23. Estimated duration 6 weeks	24. Attachments Carlsbad Controlled Water Basin	

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

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| 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 05/15/02
Title Agent for Chi Operating, Inc.		
Approved by (Signature) <i>/s/ Mary J. Rugwell</i>	Name (Printed/Typed) /s/ Mary J. Rugwell	Date JUL 15 2002
Title FIELD MANAGER		
Office CARLSBAD FIELD 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)

Re-enter: Phillips Pot Co
GUAADALUPE #1
870-13, 1938

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, agent

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

