

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK

DRILL ☒

DEEPEN ☐

PLUG BACK ☐

b. TYPE OF WELL

OIL
WELL ☒

GAS
WELL ☐

OTHER ☐

SINGLE
ZONE ☐

MULTIPLE
ZONE ☐

2. NAME OF OPERATOR

Chi Operating, Inc. ✓

DEC 19 '90

3. ADDRESS OF OPERATOR

P. O. Box 1799

Midland, Texas 79702 C. D.

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

At surface

2310' FNL & 2160' FEL

At proposed prod. zone

Same

5. LEASE DESIGNATION AND SERIAL NO.

NM-0400877

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME

Hondo Federal

9. WELL NO.

3

10. FIELD AND POOL, OR WILDCAT

X Undesignat. Delaware

11. SEC., T., R., M., OR BLK.
AND SURVEY OR AREA

Sec. 9-T21S-R26E

12. COUNTY OR PARISH

Eddy

13. STATE

New Mexico

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

4 miles north of Carlsbad, NM

15. DISTANCE FROM PROPOSED*

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

480'

16. NO. OF ACRES IN LEASE

160

17. NO. OF ACRES ASSIGNED
TO THIS WELL

40

18. DISTANCE FROM PROPOSED LOCATION*
TO NEAREST WELL, DRILLING, COMPLETED,
OR APPLIED FOR, ON THIS LEASE, FT.

N/A

19. PROPOSED DEPTH

4200'

20. ROTARY OR CABLE TOOLS

Rotary

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

3232' GL

22. APPROX. DATE WORK WILL START*

Nov. 20, 1990

23.

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17 1/2"	13 3/8"	54.5#	350'	400 sx "C" circulated
12 1/4"	8 5/8"	24 or 32#	2100' *	Circ 530 sx H/L & 200 "C"
7 7/8"	5 1/2"	15.5-17#	4300'	600 sx "C"

* 2100' or 100' below the Capitan Reef

Mud Program:

0' - 350': Fresh water mud with gel and lost circulation material, if needed.

350' - 2150': Fresh water mud with gel and lost circulation material, if needed.

2100' - 4200': Brine mud, natural viscosity, W/L 10cc.

BOP Program:

A 10" 3000 psi wp Series 900 Cameron SS Space Saver BOP will be installed on the 8 5/8" casing. Casing and BOP will be tested before drilling out with 7 7/8". BOP will be used as a 2000 psi wp system and will be tested daily.

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS

ATTACHED

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive 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.

SIGNED [Signature] TITLE Agent for: Chi Operating, Inc. DATE Nov. 7, 1990

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

APPROVED BY _____ TITLE _____ DATE Nov 12 1990

CONDITIONS OF APPROVAL, IF ANY:

*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.

RECEIVED
NOV 11 1990

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

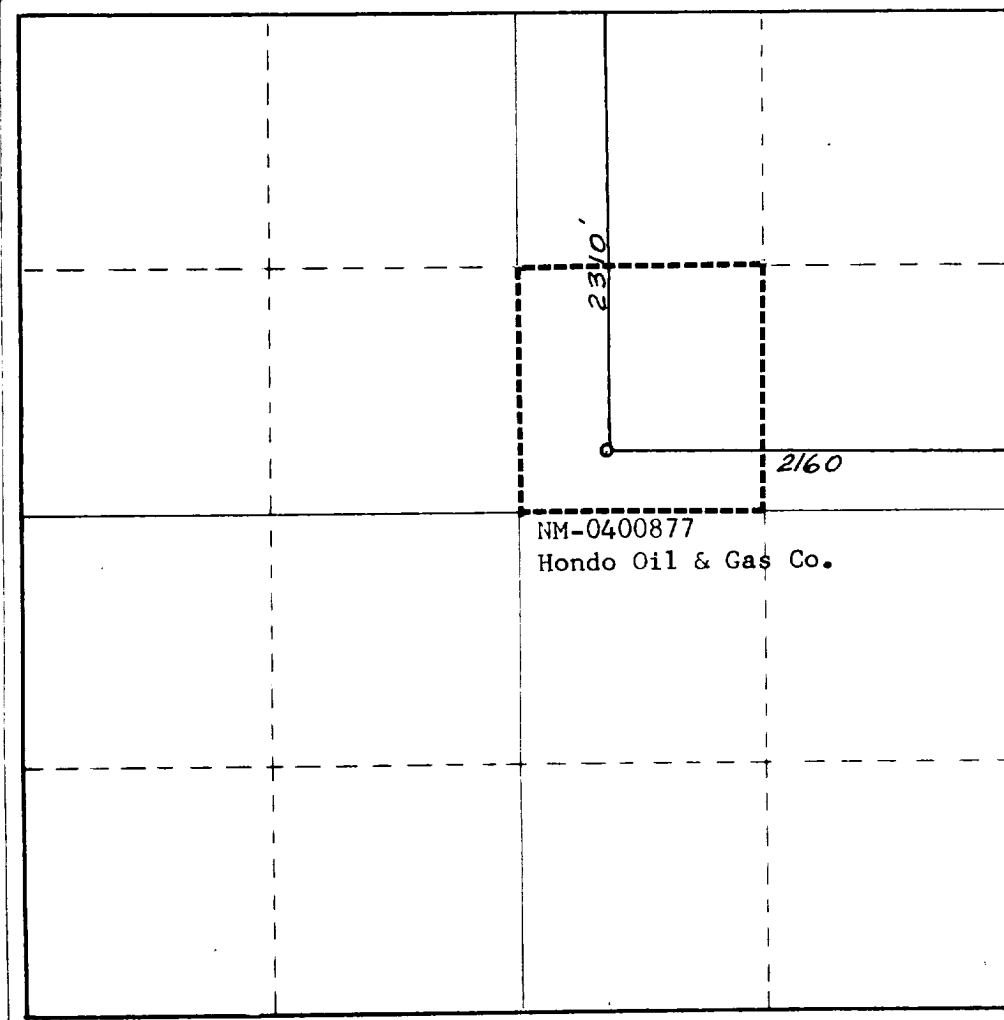
Operator CHI ENERGY, INC.			Lease Hondo Federal		Well No. 3
Unit Letter G	Section 9	Township 21 South	Range 26 East	County Eddy County, N.M.	
Actual Footage Location of Well: 2310 feet from the North line and 2160 feet from the East line					
Ground Level Elev. 3232.	Producing Formation Delaware		Pool Undesignated Delaware		Dedicated Acreage: 40 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

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

Name
George R. Smith
Position
Agent for:
Company
Chi Operating, Inc.
Date
November 7, 1990

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 knowledge and belief.

Date Surveyed
November 6, 1990
Registered Professional Engineer and/or Land Surveyor

George R. Smith
Certificate No.
NM PE&PS NO. 5412

0 330 660 990 1320 1650 1980 2310 2640 2000 1500 1000 500 0

APPLICATION FOR DRILLING

CHI OPERATING, INC.
Hondo Federal, Well No. 3
2310' FNL & 2160' FEL, Sec. 9-T21S-R26E
Eddy County, New Mexico
Lease No.: NM-0400877
(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:

Capitan Reef	600'
Base Capitan Reef	2050'
Cherry Canyon	2050'
Brushy Canyon	2700'
Bone Springs	4210'
T.D.	4200'

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

Water: Surface water between 100' - 350' and fresh water down to 2000' in the Capitan reef.

Oil: Possible in the Delaware below 2200'.

Gas: None.

4. Proposed Casing Program: See Form 3160-3.

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, unless required by wellsite geologist.

Logging: T.D. to intermediate casing: CNL-CDL, DLL/msfl
Intermediate casing to surface: GR/CNL

Coring: None, unless required by wellsite geologist.

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.

10. Anticipated starting date: November 20, 1990.
Anticipated completion of drilling operations: Approximately 3 weeks.

MULTI POINT SURFACE USE AND OPERATIONS PLAN

CHI OPERATING, INC.
Hondo Federal, Well No. 1
2310' FNL & 2160' FEL, Sec. 9-T21S-R26E
Eddy County, New Mexico
Lease No.: NM-0400877
(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 Topographic Carlsbad Quadrangle map showing the location of the proposed well as staked. The well site location is approximately 4 road miles north of Carlsbad, New Mexico. Traveling north of Carlsbad on U.S. Highway 285 there will be 3 miles of paved highway, plus 1.0 mile of gravel oilfield roads.
- B. Directions: Travel north from Carlsbad, NM on U. S. Highway 285 for approximately 3 miles to mileage marker 40. Turn north (right) onto gravel road circling east side of well pad and continue north for .9 mile to cattleguard. Turn right for .2 mile along fenceline to the northwest corner of the Hondo Fed. #2 well pad. The proposed access road starts at this point and will run north for 1000 feet to the southwest corner of the staked well site.

2. PLANNED ACCESS ROAD:

- A. Length and Width: There will be approximately 1000 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 new access road will be constructed by grading and topping with compacted caliche. The surface will be properly drained.
- C. Turnouts: None required.
- D. Culverts: None.
- E. Cuts and Fills: None required.
- F. Gates, Cattleguards: One cattleguard will be needed at the fence near the northwest corner the Hondo Fed. #2 well pad.
- G. Off Lease R/W: None required.

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. There are no production facilities on the lease at this time.
- B. If the well proves to be commercial, the necessary production facilities, gas separation-process equipment and flow lines will be installed on the drilling pad. Flow lines will run parallel to the road south to the Hondo Fed. #2 tank battery.

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 or a fast line beside existing roads.

6. SOURCE OF CONSTRUCTION MATERIALS:

- A. Caliche for surfacing the proposed access road and well site pad will be obtained from the 400' X 400' location. The topsoil from the location will be stockpiled near the location for future rehabilitation use. No surface materials will be disturbed except the on site caliche pit and 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 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 buried in a separate trash pit and covered with a minimum of 24 inches of dirt. All waste material will be contained to prevent scattering by the wind.
- H. All trash and debris will be buried or removed from the well site 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: 220' X 145', plus 60' X 100' reserve pits.
- C. Cut & Fill: The pad will require a 3-4 foot cut on the east with fill to the west.
- 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 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 within 90 days after abandonment or as soon as they can be worked.

11. OTHER INFORMATION:

- A. Topography: The well site and access road are located in the rocky hills west of the Pecos River and the Avalon Reservoir with a 3% slope to the west from an elevation of 3232' GL.
- B. Soil: The topsoil at the well site is a grayish brown gravelly loam of the Upton Gravelly Series with considerable caliche cobble scatter on the surface and is underlain with hard fractured caliche at a depth of a foot or less.
- C. Flora and Fauna: The vegetation cover is a poor to fair grass cover of grama, burro grass, fluffgrass and muhly, along with plants of creosote bush, mesquite, javelina bush, croton, cacti and miscellaneous weeds and wildflowers. The wildlife consists of rabbits, deer, coyotes, rattlesnakes, lizards, dove, quail and other wildlife typical of the semi-arid desert land.
- D. Ponds and Streams: The Pecos River and Avalon Reservoir is 1.5 to 2 miles northeast of the location.
- E. Residences and Other Structures: None except oilfield production equipment to the west.
- F. Land Use: Cattle grazing.
- G. Surface Ownership: The proposed well site and access road is on Federal surface and minerals, part of the Bureau of Reclamation Pecos River Project.

11. Other Information: cont.....

- H. There is no evidence of any archaeological, historical or cultural sites in the area. An archaeological survey has been conducted by Archaeological Survey Consultants, P. O. Box D, Roswell, NM 88202, and their report has been submitted to the appropriate government agencies.

12. OPERATOR'S REPRESENTATIVE:

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

David Harrison
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.

November 7, 1990

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

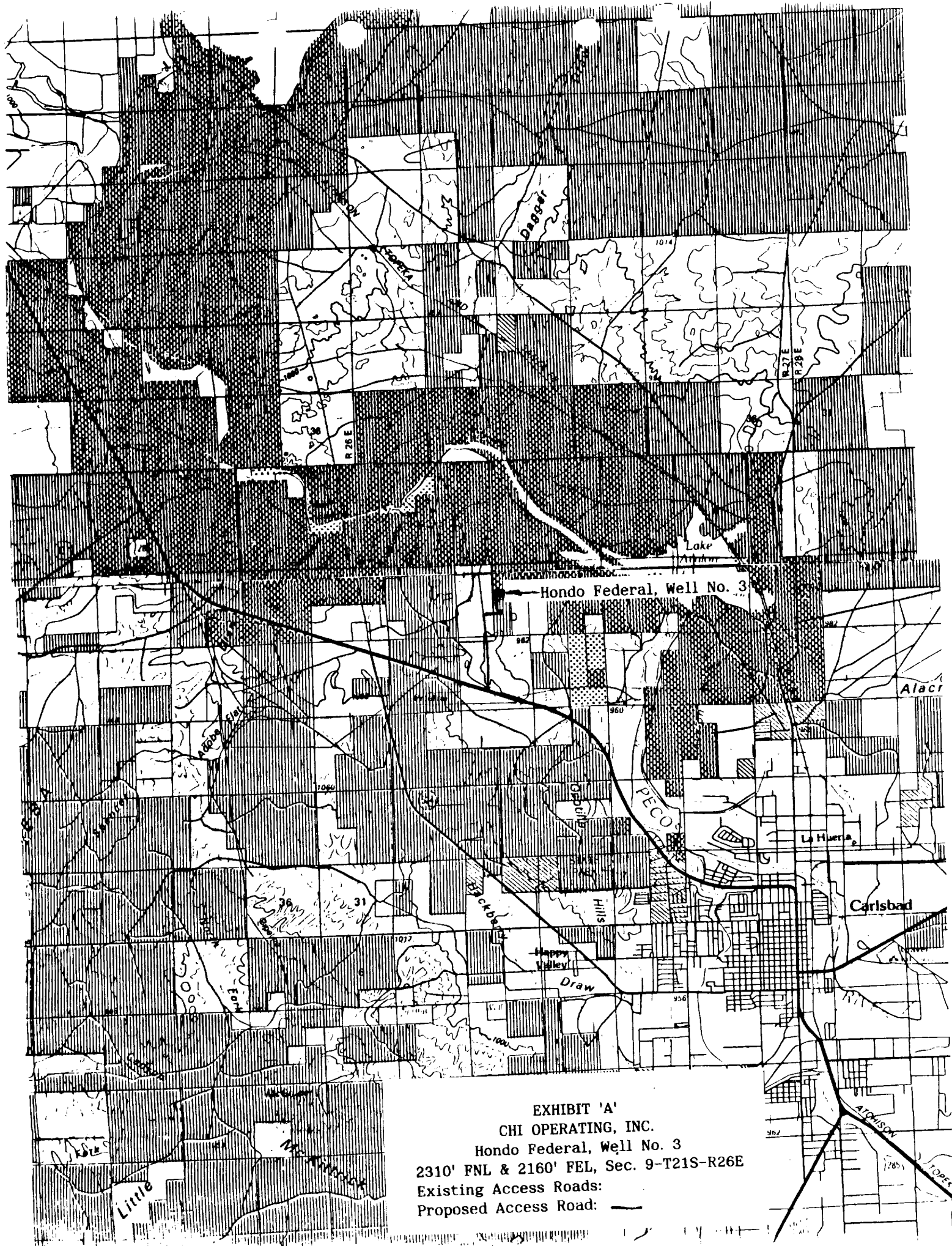
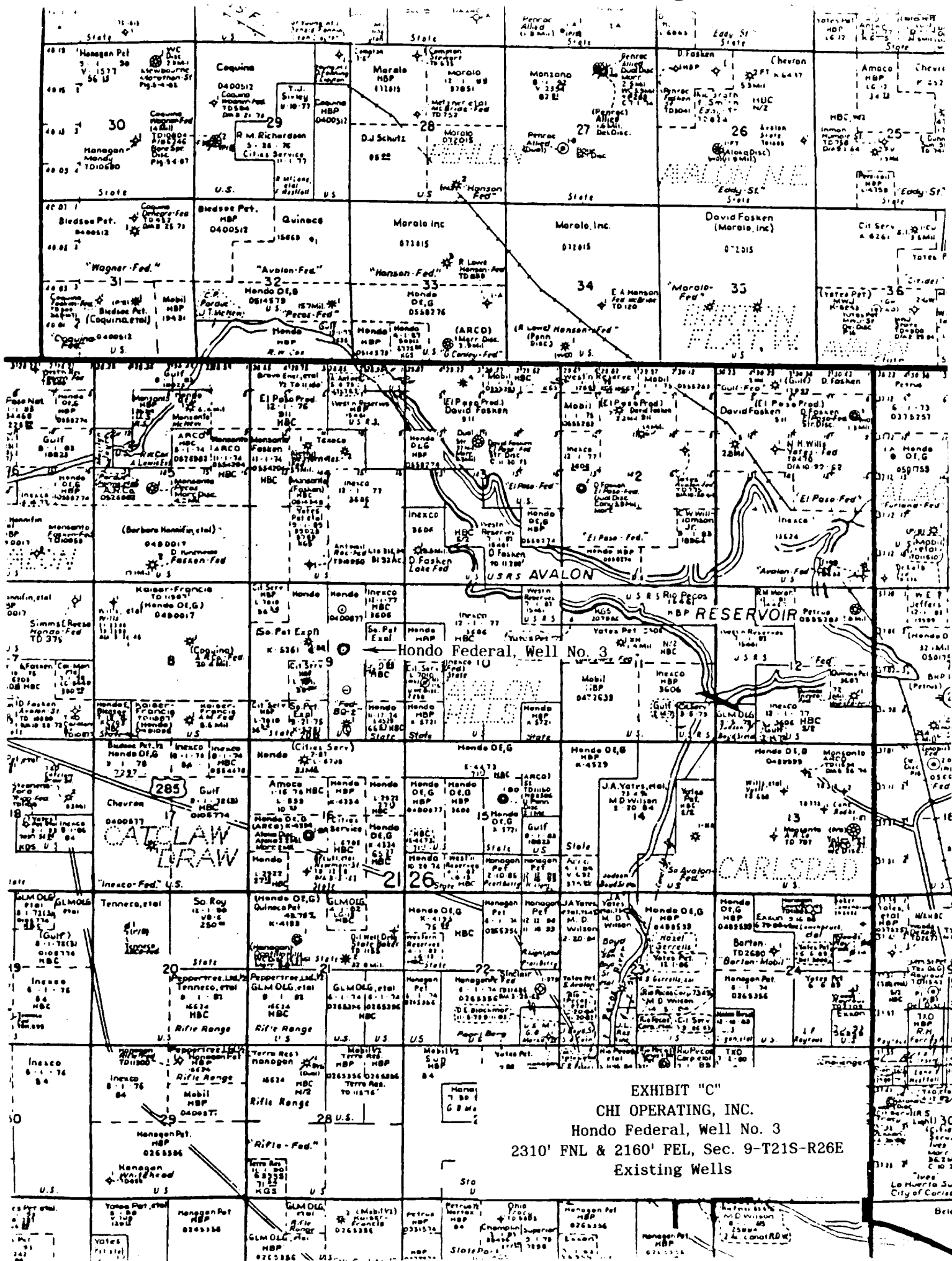


EXHIBIT 'A'
CHI OPERATING, INC.
Hondo Federal, Well No. 3
2310' PNL & 2160' FEL, Sec. 9-T21S-R26E
Existing Access Roads:
Proposed Access Road: —



PLAT FOR PIT LOCATION FOR ARTESIA FISHING TOOL

Rigs #1 & #2; L & M DRILLING #2 and LARUE
DRILLING #2

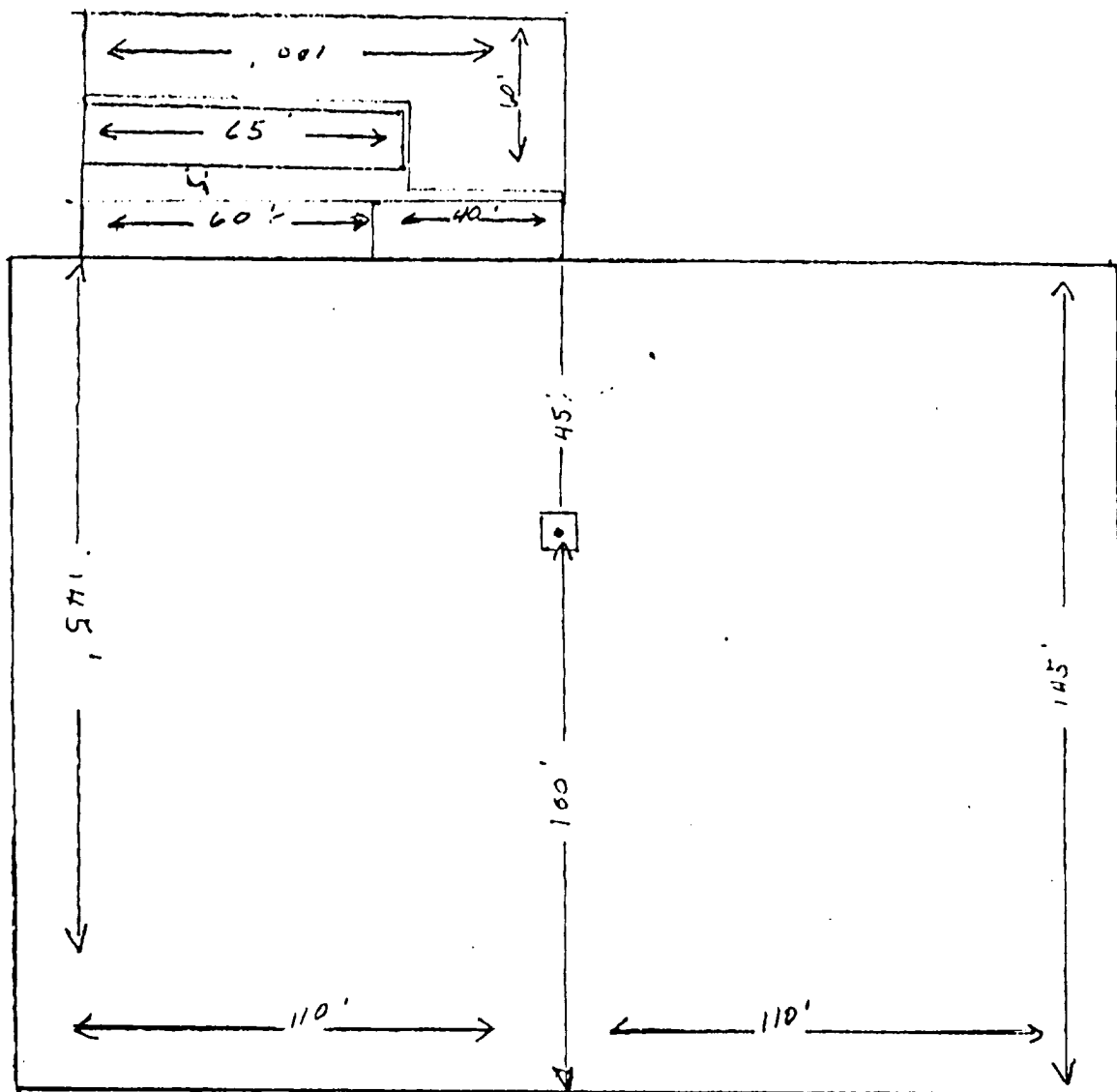
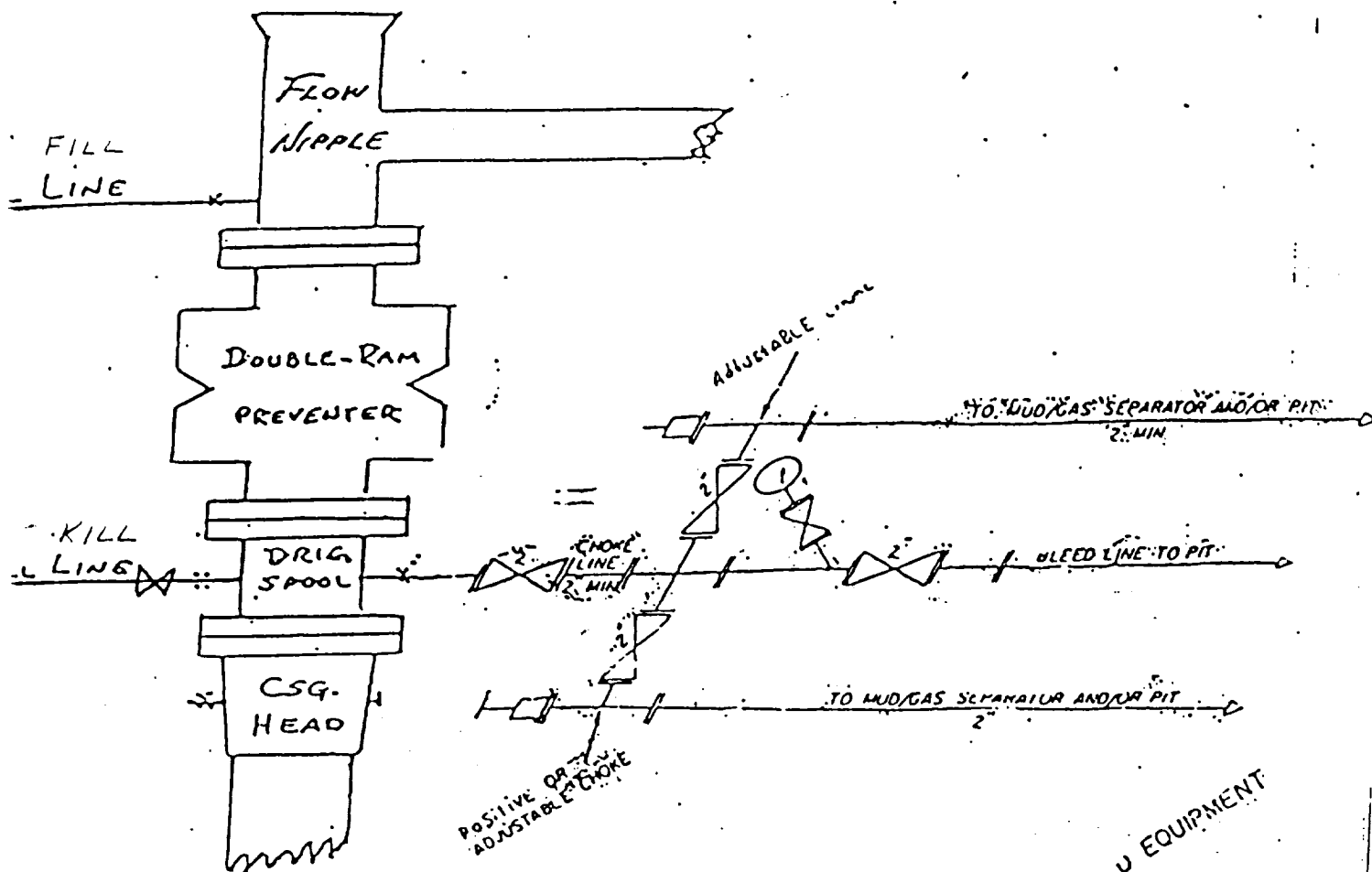


EXHIBIT "D"
CHI OPERATING, INC.
Hondo Federal, Well No. 3
Pad & Pit Layout

ACCESS
ROAD

B O P & CHOKE MANIFOLD

10"/900 Cameron SS Space Saver
3000# Working Pressure
3000# Working Pressure Choke Manifold



2 1/2" CHOKE MANIFOLD EQUIPMENT

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