

District I
1625 N. French Dr., Hobbs, NM 88240

District II
1301 W. Grand Avenue, Artesia, NM 88210

District III
1000 Rio Brazos Road, Aztec, NM 87410

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-129
Revised March 17, 1999

Submit 3 Copies to appropriate District Office

NFO Permit No. 2-924
(For Division Use Only)

APPLICATION FOR EXCEPTION TO NO-FLARE RULE 306

(See Rule 306 and Rule 1129)

A. Applicant Chi Operating, Inc.

whose address is 221 N. Main, Midland, TX 79701.

hereby requests an exception to Rule 306 for 180 days or until

_____, Yr _____, for the following described tank battery (or LACT):

Name of Lease Chi 16 State #1 Name of Pool Golden Lane Delaware South

Location of Battery: Unit Letter D Section 16 Township 21S Range 29E

Number of wells producing into battery one (1)

B. Based upon oil production of 60 barrels per day, the estimated * volume of gas to be flared is 35 MCF; Value \$1,940 per day.

C. Name and location of nearest gas gathering facility:

Duke Energy Field Services

D. Distance _____ Estimated cost of connection _____

E. This exception is requested for the following reasons: This well has been connected to the Duke sales line since completion in 2001. Duke informed Chi Operating by phone on 1-6-03 that this well would be disconnected from their pipeline system indefinitely. Chi is presently drilling a second well on this lease and respectfully requests 180 days to flare gas and determine and obtain an alternate sales market.

Gas must be flared not vented.

OPERATOR

I hereby certify that the rules and regulations of the Oil Conservation Division have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

Signature _____

Printed Name

& Title Gary Womack (Petroleum Engineer)

Date 1-7-03 Telephone No. 915-685-5001

OIL CONSERVATION DIVISION

Approved Until 7-15-03

By _____

Title

Date JAN 9 2003