

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/>		5. LEASE DESIGNATION AND SERIAL NO. LC-062613 NM-0560353	
b. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER <input type="checkbox"/> SINGLE ZONE <input type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>		6. IF INDIAN, ALLOTTEE OR TRIBE NAME	
2. NAME OF OPERATOR Chi Operating, Inc. 4378 915/685-5001		7. UNIT AGREEMENT NAME 23147	
3. ADDRESS AND TELEPHONE NO. P. O. Box 1799 Midland, Texas 79702		8. FARM OR LEASE NAME, WELL NO. Land Rush Federal Com	
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		9. AP WELL NO. 1 30-015-30197	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE* 15 miles N of Carlsbad, NM		10. FIELD AND POOL, OR WILDCAT Wildcat	
16. NO. OF ACRES IN LEASE 280		11. SEC., T., R., M., OR BLK. AND SURVEY OR ARRA Sec. 1-T19S-R30E	
17. NO. OF ACRES ASSIGNED TO THIS WELL 320		12. COUNTY OR PARISH Eddy	
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. 2701'		13. STATE New Mexico	
19. PROPOSED DEPTH 12400'		20. ROTARY OR CABLE TOOLS Rotary	
21. ELEVATIONS (Show whether DF, RT, GR, etc.) 3477' GL		22. APPROX. DATE WORK WILL START* February 17, 1998	

SECRETARY'S POTASH		PROPOSED CASING AND CEMENTING PROGRAM		CONTROLLED WATER BASIN	
SIZE OF HOLE	GRADE, SIZE OF CASINO	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT	
17 1/2"	13 3/8" J-55	48.0#	450'	Circ. 450 sx	W/L
12 1/4"	8 5/8" J-55	32.0#	3,950'	Circ. 1300 sx "C"	W/L
7 7/8"	5 1/2" J-55	17 & 20#	12,400'	1500 sx "H" + add.	W/L

Mud Program

0' - 450': Fresh water spud:
450' - 3,950': Native brine:
3,950' - 9,700': Controlled brine:
9,700' - 10,600': Controlled brine:
10,600' - 11,500': Controlled brine:
11,500' - 12,400': Controlled brine:

Mud Wt.

8.8- 9.2 ppg 34 - 36 No W/L control
10.0-10.1 ppg 28 - 29 No W/L control
8.6- 8.8 ppg 28 - 29 No W/L control
9.0- 9.2 ppg 28 - 29 No W/L control
9.0- 9.4 ppg 34 - 38 W/L control 10cc +/-
9.0- 9.4 ppg 34 - 38 W/L control 8 cc +/-

- Vis.

- W/L Control

BOP Program:

A 11" 5000 psi wp Shaffer Type LWS BOP will installed on the 13 3/8" casing. Casing and BOP will be tested before drilling out with 11" 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, 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 George Smith TITLE Agent for: Chi Operating, Inc. DATE Feb. 2, 1998

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

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:

APPROVED BY /s/ M T Hoover TITLE State Director DATE 5-23-98

*See Instructions On Reverse Side

NEW MEXICO
5412
REGISTERED LAND SURVEYOR
PROFESSIONAL ENGINEER
Certificate Number
NEW MEXICO PROFESSIONAL ENGINEER 5412

RIG #2

BLOWOUT PREVENTOR ARRANGEMENT

11" SHAFFER TYPE LWS, 5000 psi WP
11" CAMERON SPHERICAL, 5000 psi WP
120 GALLON, 5 STATION KOOMEY ACCUMULATOR
5000 psi WP CHOKE MANIFOLD

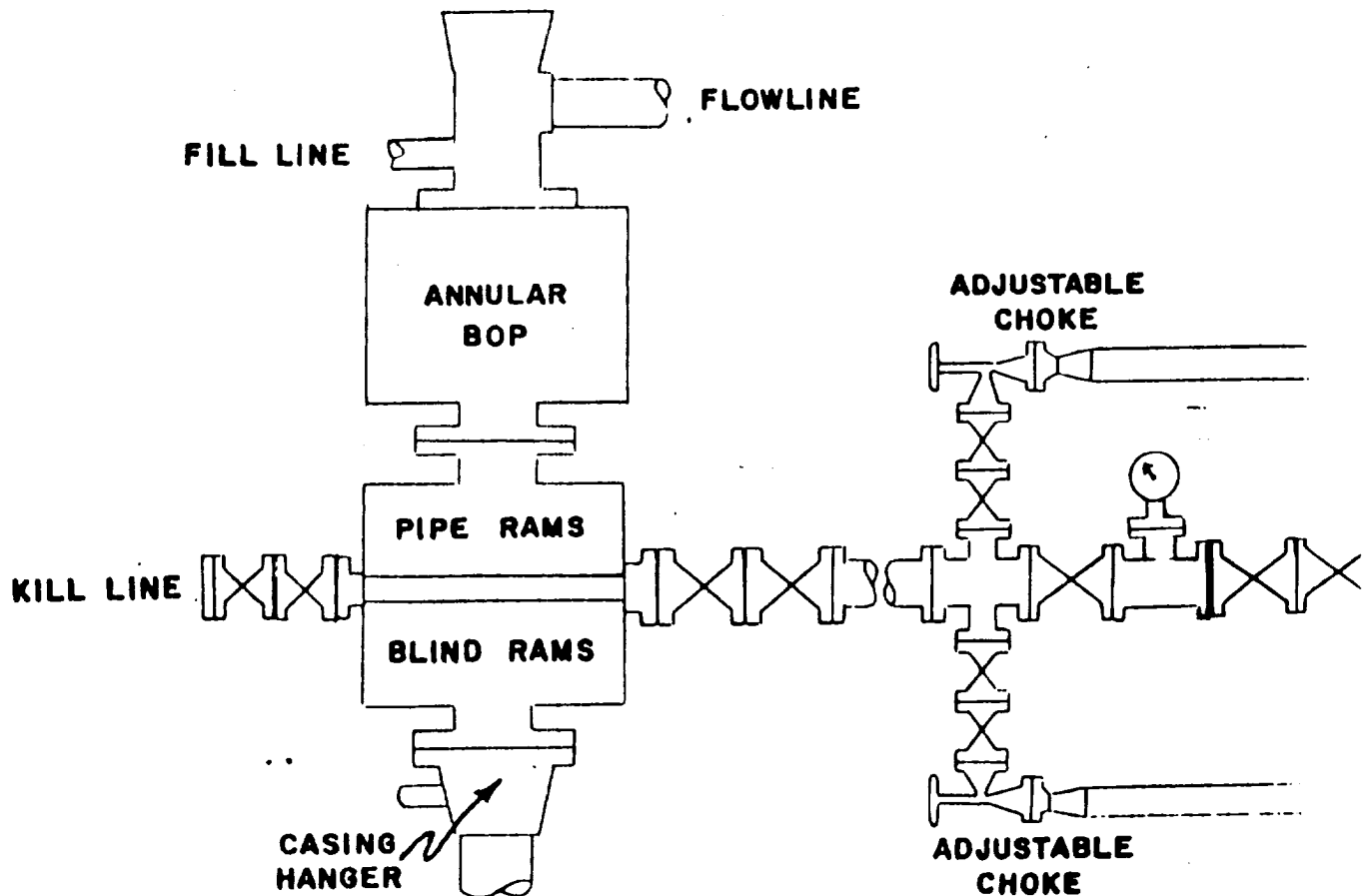


EXHIBIT "E"
CHI OPERATING, INC.
Land Rush Federal, Well No. 1
BOP Specifications