

UNITED STATES **OCD-HOBBS**
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0137
Expires: March 31, 2007

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE- Other instructions on reverse side.

| | | |
|--|---|---|
| 1. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other | | 5. Lease Serial No. NM 98137 98831 |
| 2. Name of Operator CHI Operating, Inc. | | 6. If Indian, Allottee or Tribe Name |
| 3a. Address P.O. Box 1799, Midland, Texas 79792 | 3b. Phone No. (include area code) 432-685-5001 | 7. If Unit or CA/Agreement, Name and/or No |
| 4. Location of Well (Footage, Sec, T., R., M., or Survey Description) 2310' FSL & 1850' FWL Sec. 8-T26S-R34E Unit K | | 8. Well Name and No. Salado Fed. #1 |
| | | 9. API Well No. 30-025-38402 |
| | | 10. Field and Pool, or Exploratory Area Wildcat Delaware |
| | | 11. County or Parish, State Lea Co., New Mexico |

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

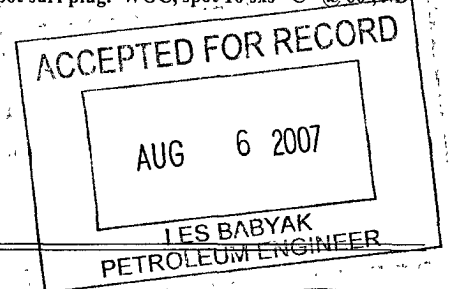
| TYPE OF SUBMISSION | TYPE OF ACTION | | | |
|---|---|---|--|---|
| <input type="checkbox"/> Notice of Intent | <input type="checkbox"/> Acidize | <input type="checkbox"/> Deepen | <input type="checkbox"/> Production (Start/Resume) | <input type="checkbox"/> Water Shut-Off |
| <input checked="" type="checkbox"/> Subsequent Report | <input type="checkbox"/> Alter Casing | <input type="checkbox"/> Fracture Treat | <input type="checkbox"/> Reclamation | <input type="checkbox"/> Well Integrity |
| <input type="checkbox"/> Final Abandonment Notice | <input type="checkbox"/> Casing Repair | <input type="checkbox"/> New Construction | <input type="checkbox"/> Recomplete | <input type="checkbox"/> Other |
| | <input type="checkbox"/> Change Plans | <input type="checkbox"/> Plug and Abandon | <input type="checkbox"/> Temporarily Abandon | |
| | <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Plug Back | <input type="checkbox"/> Water Disposal | |

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

5/29/07 Spud well(notified BLM). Drld a 12 3/4" hole to 928'. Ran 8 5/8" J55 24# surface csg. Cmt d w/Lead 35:65 POZ "C" 305sx 6% GEL + 2% CACL + 3#LCM. Tail 150sx "C" 2% CACL + .125#CF, Circ 113sx t/pit. WOC 21 hrs. NU, Tst BOP, Tst csg t/2000#-all ok.

Drld a 7 7/8" hole to 5580' TD. Circ. for open hole logs. Log depth @ 5580'. TIH w/ 4 1/2" open end DP tg up @ 5580'. Spot 100 sxs cmt ball plug @ 5560', tg plug @ 5190', circ. hole spot CBP 100 sxs "C"+add @3290', WOC, tg plug @ 3113', circ., spot CBP 100 sxs "C"+add @1143', WOC, TIH tg @ 1020', spot 75 sxs CBP "C"+add @ 984', WOC, TIH tg plug @ 804', TOH to spot surf plug. WOC, spot 10 sxs "C" @ 60', ND BOP, RD and release rig.

**Approved as to plugging of the well bore.
Liability under bond is retained until
Surface restoration is completed.**



14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

PAM CORBETT

Title Regulatory Clerk

Signature

Pam Corbett

Date

7/5/07

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Conditions of approval, if any, are attached. Approval of this notice 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.

Title

Date

Office

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 page 2)

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