

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**APPLICATION OF CHI OPERATING,
INC. TO AMEND ORDER NO. R-13262,
EDDY COUNTY, NEW MEXICO.**

Case No. 15,019

AFFIDAVIT OF JOHN W. QUALLS

COUNTY OF MIDLAND)
) ss.
STATE OF TEXAS)

John W. Qualls, being duly sworn upon his oath, deposes and states:

1. I am over the age of 18, and have personal knowledge of the matters stated herein.
2. I am a landman for and officer of Chi Operating, Inc. ("Chi").
3. Chi is the operator of the Benson Delaware Unit (the "Unit Area"), which covers

the following federal lands located in Eddy County, New Mexico:

Township 19 South, Range 30 East, N.M.P.M.
Section 1: NE $\frac{1}{4}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ SW $\frac{1}{4}$, and W $\frac{1}{2}$ SE $\frac{1}{4}$
Section 11: E $\frac{1}{2}$ NE $\frac{1}{4}$ and SW $\frac{1}{4}$ NE $\frac{1}{4}$
Section 12: NW $\frac{1}{4}$ and N $\frac{1}{2}$ SW $\frac{1}{4}$

Containing 560.00 acres.

4. Division Order No. R-13262, as amended, approved the Unit Area and an enhanced recovery project for the Unit Area in the Brushy Canyon formation.

5. Division Order No. R-13262 approved (among others) the following injection wells for the Unit Area:

Well Name
Munchkin No. 14W
Munchkin No. 16W
Munchkin No. 17W
Munchkin No. 18W

Surface Location
330 FNL & 500 FWL §12

Bottom Hole Location
330 FNL & 330 FWL §12
300 FSL & 1650 FEL §1
1700 FSL & 1500 FWL §1
1500 FSL & 2200 FEL §1

Oil Conservation Division
Case No. 1
Exhibit No. 1

Munchkin No. 19W	2300 FNL & 400 FEL §11	1300 FNL & 1000 FEL §11
Munchkin No. 22W	900 FNL & 1980 FWL §12	930 FNL & 2620 FWL §12

6. The Munchkin Well Nos. 16W, 17W, 18W, and 22W have not yet been drilled. The Munchkin Well Nos. 14W and 19W (now the Benson Delaware Unit Well Nos. 14 and 19, respectively) are producing wells that have not yet been converted to injection.

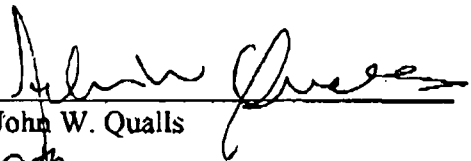
7. Chi is obtaining approval of APDs for the following producing wells from the United States Bureau of Land Management (the "BLM"):

<u>Well Name</u>	<u>Surface Location</u>	<u>Bottom Hole Location</u>
Benson Delaware Unit No. 23	990 FNL & 150 FEL §12	450 FNL & 330 FEL §12
Benson Delaware Unit No. 24	1040 FNL & 125 FEL §11	1650 FNL & 330 FEL §11

8. As part of the approval of the APDs for the Benson Delaware Unit Well Nos. 23 and 24, the BLM has requested that the wells listed in paragraph 5 above be removed from the list of approved injection wells.

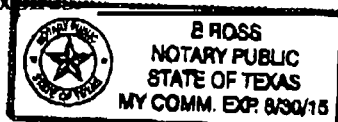
9. As a result, Chi requests that the Munchkin Well Nos. 14W, 16W, 17W, 18W, 19W, and 22W be deleted from the list of approved injection wells in Division Order No. R-13626.

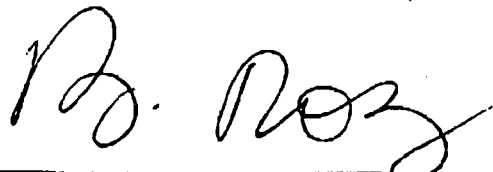
10. Chi requests that future injection wells within the Unit Area be approved administratively by the Division as provided in NMAC 19.15.26.8.A.


John W. Qualls

SUBSCRIBED AND SWORN TO before me this 9th day of July, 2013 by John W. Qualls.

My Commission Expires




Notary Public

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

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

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-0560353
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input 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.		7. If Unit or CA Agreement, Name and No. Benson Delaware Federal Unit, #23
3a. Address P.O. Box 1799 Midland, TX 79702		8. Lease Name and Well No.
3b. Phone No. (include area code) 432-685-5001		9. API Well No.
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 990' FNL & 150' FEL At proposed prod. zone 450' FNL & 330' FEL		10. Field and Pool, or Exploratory Benson Delaware
14. Distance in miles and direction from nearest town or post office* 16 road miles south of Loco Hilda, NM:		11. Sec., T. R. M. or Bk. and Survey or Area Sec. 11 T19S-R30E
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drg. unit line, if any) 150'	16. No. of acres in lease 2160.32	17. Spacing Unit dedicated to this well 40
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 57'	19. Proposed Depth 5,200'	20. BLM/BIA Bond No. on file NM-1616
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3464.8 GL	22. Approximate date work will start* 06/19/2012	23. Estimated duration 3-4 weeks

24. Attachments

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

- | | |
|---|--|
| 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 04/05/2012
Title POA Agent for Chi Operating, Inc.		
Approved by (Signature)	Name (Printed Typed)	Date
Title 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.

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)

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised October 15, 2009
Submit one copy to appropriate
District Office
☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number		Pool Code 97083	Pool Name Benson, Delaware						
Property Code 27108	Property Name BENSON DELAWARE UNIT			Well Number 23					
OGRID No. 4378	Operator Name CHI OPERATING, INC.			Elevation 3464.8					
10 Surface Location									
UL or lot no. A	Section 11	Township 19 S	Range 30 E	Lot Ida	Feet from the 990	North/South line NORTH	Feet from the 150	East/West line EAST	County EDDY
11 Bottom Hole Location If Different From Surface									
UL or lot no. A	Section 11	Township 19 S	Range 30 E	Lot Ida	Feet from the 450	North/South line NORTH	Feet from the 330	East/West line EAST	County EDDY
Dedicated Acres 40.	Joint or Infill	Consolidation Code	Order No.						

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

<p>N O CORNER SEC. 11 LAT. = 32.6819655°N LONG. = 103.9421560°W</p> <p>NOTE: LATITUDE AND LONGITUDE COORDINATES ARE SHOWN USING THE NORTH AMERICAN DATUM OF 1927 (NAD27), AND ARE IN DECIMAL DEGREE FORMAT.</p>	<p>NE CORNER SEC. 11 LAT. = 32.6813805°N LONG. = 103.9335731°W</p> <p>330'</p>	<p>BOTTOM OF HOLE LAT. = 32.6807454°N LONG. = 103.9346447°W</p> <p>450'</p> <p>150'</p> <p>SURFACE LOCATION</p> <p>BENSON DELAWARE UNIT #23 ELEV. = 3464.8' LAT. = 32.6792605°N (NAD27) LONG. = 103.9340626°W</p>	<p>E O CORNER SEC. 11 LAT. = 32.6747249°N LONG. = 103.9335782°W</p>	<p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>George R. Smith</i> 4/4/12 Signature Date</p> <p>Printed Name George R. Smith</p>
	<p>18 SURVEYOR CERTIFICATION</p> <p>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 belief.</p> <p>FEBRUARY 10, 2012</p> <p>Date of Survey</p> <p><i>Edmund J. Laramillo</i> Signature and Seal of Professional Surveyor</p> <p>Certificate Number: EDMUND J. LARAMILLO, PLS 17797 EDDY COUNTY SURVEY NO. 873R</p>			