



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

29 November 2005

LETTER OF VIOLATION

Chi Operating Inc.
P. O. Box 1799
Midland, Texas 79702

Certified Mail
Return Receipt: 7001 1940 0001 9971 3846

VIOLATION OF OCD RULES: 19.15.3.107.I
19.15.3.111.B
19.15.13.1103.D
19.15.13.1105.A

Dear Sir or Madam:

On multiple occasions Bryan Arrant has spoken with Chi Operating personnel about forms that have been submitted. On these occasions Mr. Arrant apprised you of the information that was not submitted. OCD Rule requires this information.

Attached to this Letter of Violation are forms that have been submitted. These forms do not meet the minimum requirements of OCD Rules 19.15.3.107, 19.15.3.111, 19.15.13.1103, and 19.15.13.1105. Please note the highlighted areas where information was not submitted. Chi must re-submit these forms with all of the information required. These forms must be in this office on or before 12-12-2005.

Any forms completed and dated by Chi Operating five days after the receipt of this letter must meet all requirements of OCD Rules 19.15.3.107, 19.15.3.111, 19.15.13.1103, and 19.15.13.1105 for information and timeliness. Incomplete or late forms received in this office after that date will be considered a knowing and willful violation of OCD Rules .

If this matter is not satisfactorily resolved in the time period set out above we may assess penalties against you for each violation of OCD Rules, in accordance with NMSA 1978, Section 70-2-31(A). Section 70-2-31(A) authorizes penalties of up to \$1,000.00 per day per violation for any knowing and willful violation of any provision of the Oil and Gas Act or any rule adopted pursuant to the Act. Alternatively or in addition to the penalties the OCD may seek other remedies deemed appropriate for the situation.

Van Barton
Field Supervisor

cc: Tim Gum, Artesia District Supervisor
Bryan Arrant, Artesia District
Well file

See Attachments

Submit 3 Copies To Appropriate District
Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., 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 and Natural Resources

Form C-103
May 27, 2004

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO.

30-015-33962

5. Indicate Type of Lease

STATE ☐ FEE ☒

6. State Oil & Gas Lease No.

7. Lease Name or Unit Agreement Name

KODIAK

8. Well Number 2

9. OGRID Number

004378

10. Pool name or Wildcat

SUNDRY NOTICES AND REPORTS ON WELLS

(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well ☐ Gas Well ☒ Other

2. Name of Operator
CHI OPERATING, INC

3. Address of Operator
PO BOX 1799 MIDLAND, TX 79702

4. Well Location

Unit Letter O : 885 feet from the SOUTH line and 2460 feet from the EAST line

Section 17 Township 22S Range 27E NMPM County EDDY

11. Elevation (Show whether DR, RKB, RT, GR, etc.)

3122' GR

Pit or Below-grade Tank Application ☐ or Closure ☐

Pit type Depth to Groundwater Distance from nearest fresh water well Distance from nearest surface water

Pit Liner Thickness: mil Below-Grade Tank: Volume bbls; Construction Material

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐

TEMPORARILY ABANDON ☐ CHANGE PLANS ☐

PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

OTHER: ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐

COMMENCE DRILLING OPNS. ☐ P AND A ☐

CASING/CEMENT JOB ☒

OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

10/7/05 MIRU, Circ hole w/260bbls 2% KCL wtr, tst csg t/2000#, all OK, find PBTD @ 11,092', set pkr @ 11,615', Perf 11,712-722', Put dwn line 10/31/05.

Time on casing pressure test is
not noted

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOC guidelines ☐, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE:

Robin Askeu

TITLE:

DATE: 11/9/05

Type or print name: ROBIN ASKEW

E-mail address:

Telephone No: 432-685-5001

For State Use Only

FOR RECORDS ONLY

NOV 29 2005

APPROVED BY:

TITLE

DATE

Conditions of Approval (if any):

Attach 1

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

Form C-104
Reformatted July 20, 2001

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

Submit to Appropriate District Office
5 Copies

☐ AMENDED REPORT

I. REQUEST FOR ALLOWABLE AND AUTHORIZATION TO TRANSPORT

¹ Operator name and Address Chi Operating, Inc. P.O. Box 1799 Midland, TX 79702		² OGRID Number 004378
		³ Reason for Filing Code/ Effective Date New Well
⁴ API Number 30-015-33962	⁵ Pool Name Carlsbad South, Morrow	⁶ Pool Code 73960
⁷ Property Code	⁸ Property Name Kodiak	⁹ Well Number #2

II. ¹⁰ Surface Location

Ul or lot no. O	Section 17	Township 22s	Range 27e	Lot Idn	Feet from the 885	North/South Line South	Feet from the 2460	East/West line East	County EDDY
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¹¹ Bottom Hole Location

UL or lot no. Actual	Section BHL	Township 13	Range N	Lot Idn N	Feet from the Noted	North/South line	Feet from the	East/West line	County
¹² Lse Code	¹³ Producing Method Code FLWG	¹⁴ Gas Connection Date 10/31/05	¹⁵ C-129 Permit Number	¹⁶ C-129 Effective Date	¹⁷ C-129 Expiration Date				

III. Oil and Gas Transporters

¹⁸ Transporter OGRID 15694	¹⁹ Transporter Name and Address NAVAJO	²⁰ POD	²¹ O/G O	²² POD ULSTR Location and Description
	Enterprise		G	
				RECEIVED
				NOV 17 2005
				COULAFITERIA

47 Produced Water

²³ POD	²⁴ POD ULSTR Location and Description LOCATION
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47 Well Completion Data

²⁵ Spud Date 8/13/05	²⁶ Ready Date 10/31/05	²⁷ TD 11,990'	²⁸ PBSD 11,092'	²⁹ Perforations 11,712-722'	³⁰ DHC, MC
³¹ Hole Size 17½"	³² Casing & Tubing Size 13 3/8 54# J55	³³ Depth Set 360'	³⁴ Sacks Cement 500sx, Circ 75sx		
12¼"	9 5/8" 40/36# J55	5332'	1-700sx 2-600sx Circ 150sx		
8¾"	5½" 17/20# P110/N80	11,990'	1000sx		

47 Well Test Data

³⁵ Date New Oil 10/31/05	³⁶ Gas Delivery Date 10/31/05	³⁷ Test Date 11/08/05	³⁸ Test Length 24hr	³⁹ Tbg. Pressure 552#	⁴⁰ Csg. Pressure
⁴¹ Choke Size 64/64	⁴² Oil 0 BO	⁴³ Water 0 BW	⁴⁴ Gas 389 MCF	⁴⁵ AOF	⁴⁶ Test Method TOTAL FLOW METER
⁴⁷ I hereby certify that the rules 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: <i>Robin Askew</i>			OIL CONSERVATION DIVISION DENIED Approved by: <i>Re Submit</i>		
Printed name: ROBIN ASKEW			Title:		
Title: REGULATORY CLERK			Approval Date: NOV 29 2005		
Date: 11/10/05		Phone: 432-685-5001			

Attach 2