

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD-ARTESIA

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FORM APPROVED
OMB No. 1004-0135
Expires November 30, 2000**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

☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator

Chi Operating, Inc

3a Address

P.O. Box 1799 Midland, TX 79702

3b Phone No (include area code)

432/685-5001

4 Location of Well (Footage, Sec., T, R., M., or Survey Description)

1980' FSL & 2250' FEL. Sec. 8-T18S-R27E New Surface Location

1497' FSL & 2022' FEL. Sec. 8-T18S-R27E original surface location

5 Lease Serial No

NM-89156

6 If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No

8 Well Name and No

OXY Whipsnake Federal, #1

9 API Well No

30 015 35031

10 Field and Pool, or Exploratory Area

Undsg. Red Lake Atoka- Morrow

11 County or Parish, State

Eddy

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

TYPE OF SUBMISSION

TYPE OF ACTION

☒ Notice of Intent☐ Subsequent Report☐ Final Abandonment Notice☐ Acidize☐ Alter Casing☐ Casing Repair☒ Change Plans☐ Convert to Injection☐ Deepen☐ Fracture Treat☐ New Construction☐ Plug and Abandon☐ Plug Back☐ Production (Start/Resume)☐ Reclamation☐ Recomplete☐ Temporarily Abandon☐ Water Disposal☐ Water Shut-Off☐ Well Integrity☐ Other

3 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 recompleat 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.)

Occidental Permian Limited Partnership has transferred the operating rights to the above captioned lease and well APD to Chi Operating, Inc. The original APD was shown to be a directional well the from original location. Chi Operating, Inc. is proposing to drill this well as a vertical drilled hole from the above listed location, which is a 538.45' NW move in the same 40 and 360 acre spacing. The drilling, casing and mud program will remain the same as the original approved APD and stips, which was extended to 6/13/09. The final bottom hole location only 67' NW of the original location.

The following exhibits are included:

1. Original copy of APD
2. Sundry Notice to show Change of Operator
3. Survey Plat
4. Location Plat
5. Sundry Notice approved to extend Occidental APD

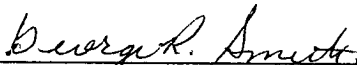
Lease Responsibility Statement: Chi Operating< Inc. accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land or portion thereof.

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

George R. Smith

Title Agent for Chi Operating, Inc.

Signature



Date November 15, 2007

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by (Signature)

/s/ Don Peterson

Name
(Printed/Typed)

Title FIELD MANAGER

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.

Office CARLSBAD FIELD OFFICE Date DEC 19 2007

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.

(Continued on next page)

DEC 26 2007
OCD-ARTESIA

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DISTRICT I
1625 N. FRENCH DR., HOBBS, NM 88240

State of New Mexico
Energy, Minerals and Natural Resources Department

DISTRICT II
1301 W. GRAND AVENUE, ARTESIA, NM 88210

OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

| | | |
|----------------------|-------------------------------------|---|
| API Number 30-015 | Pool Code 83620 | Pool Name Undesignated Red Lake Atoka-Morrow |
| Property Code | Property Name WHIP SNAKE FEDERAL | Well Number 1 |
| OGRID No. 4378 | Operator Name CHI OPERATING | Elevation 3456' |

Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| J | 8 | 18-S | 27-E | | 1980 | SOUTH | 2250 | EAST | EDDY |

Bottom Hole Location If Different From Surface

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|------------------------|-----------------|--------------------|-----------|---------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |
| Dedicated Acres 320 | 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>GEODETIC COORDINATES NAD 27 NME</p> <p>Y=640347.7 N X=510607.0 E</p> <p>LAT.=32.760404° N LONG.=104.298829° W</p> | | <p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information 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 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> 11/14/07 Signature Date</p> <p>George R. Smith, agent Printed Name</p> <p>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>OCTOBER 19, 2007 Date Surveyed REV. NOV. 8, 2006 DSS</p> <p>Signature & Seal of Professional Surveyor <i>Ronald J. Eidson</i> 11/12/07 07.11.1458</p> <p>Certificate No. GARY G. EIDSON 12641 RONALD J. EIDSON 3239</p> |
|--|--|---|

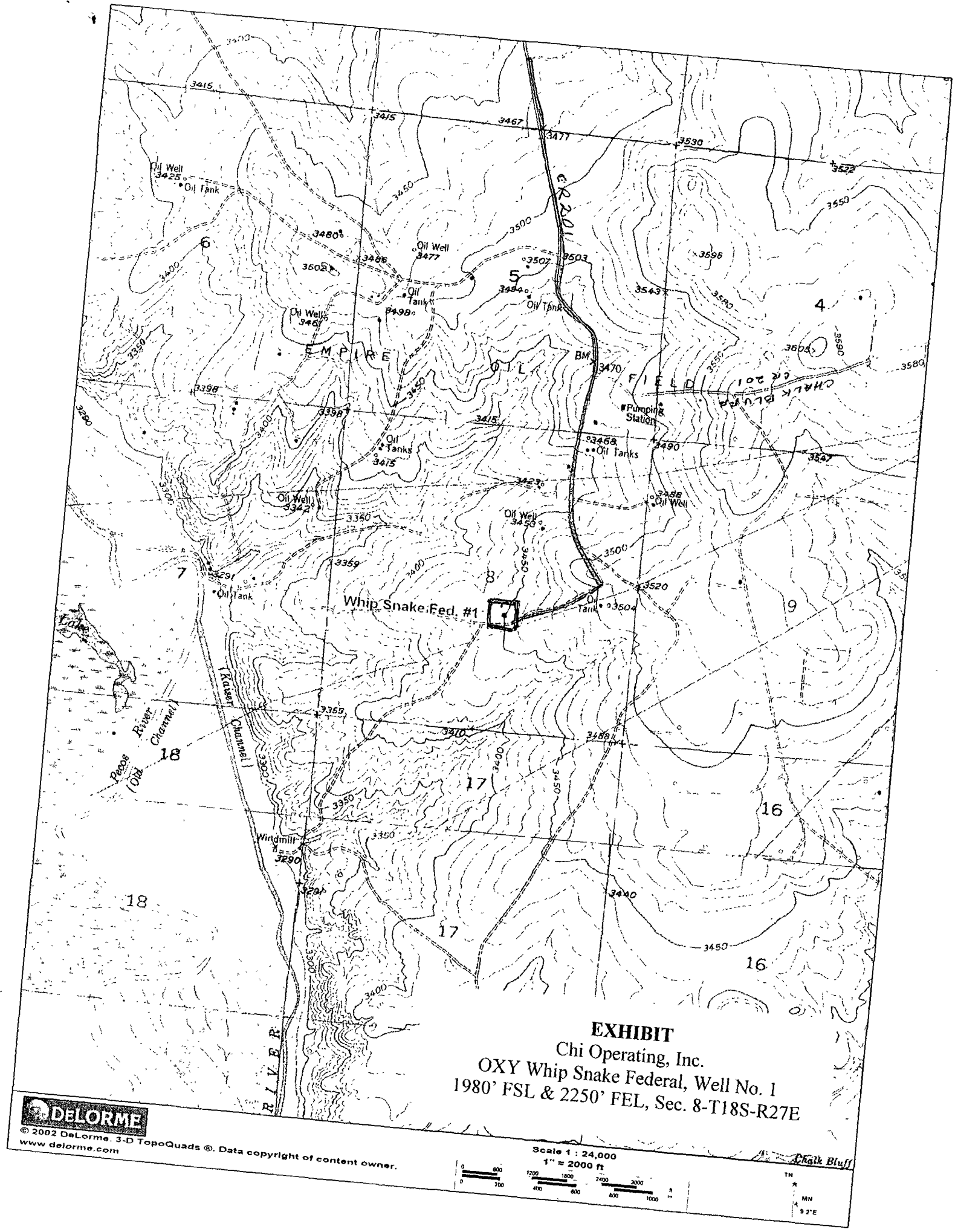
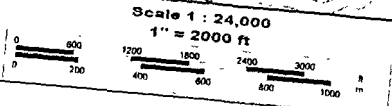


EXHIBIT
Chi Operating, Inc.
OXY Whip Snake Federal, Well No. 1
1980' FSL & 2250' FEL, Sec. 8-T18S-R27E



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www.delorme.com



TN
MN
92°E

| | | | |
|-------------------------|---------|---------------------|----------------|
| Survey Date: 10/19/07 | | Sheet 1 of 1 Sheets | |
| W.O. Number: 07.11.1458 | | Dr By: DSS | Rev 1:11/8/07 |
| Date: 10/29/07 | Disk: . | 07111458 | Scale: 1"=100' |

PECOS DISTRICT CONDITIONS OF APPROVAL

| | |
|-----------------------|-------------------------------------|
| OPERATOR'S NAME: | CHI Operating, Inc |
| LEASE NO.: | NMNM-89156 |
| WELL NAME & NO.: | 1 – OXY Whipsnake Federal |
| SURFACE HOLE FOOTAGE: | 1980' FSL & 2250' FEL |
| BOTTOM HOLE FOOTAGE: | 1950' FSL & 2190' FEL |
| LOCATION: | Section 08, T. 18 S., R 27 E., NMPM |
| COUNTY: | Eddy County, New Mexico |

I. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

The BLM is to be notified a minimum of 2 hours in advance for a representative to witness:

- a. Spudding well
- b. Setting and/or Cementing of all casing strings
- c. BOPE tests

☒ **Eddy County**

Call the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220,
(575) 361-2822

1. **Although Hydrogen Sulfide has not been reported in this section, it is always a potential hazard. If Hydrogen Sulfide is encountered, please report measured amounts to the BLM.**
2. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.
3. Floor controls are required for 3M or Greater systems. These controls will be on the rig floor, unobstructed, readily accessible to the driller and will be operational at all times during drilling and/or completion activities. Rig floor is defined as the area immediately around the rotary table; the area immediately above the substructure on which the draw works are located, this does not include the dog house or stairway area.

B. CASING

1. The 13-3/8 inch surface casing shall be set **at approximately 400** feet and cemented to the surface.
 - a. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.
 - b. Wait on cement (WOC) time for a primary cement job will be a minimum 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compressive strength, whichever is greater. (This is to include the lead cement). **Please provide WOC times to inspector for cement slurries.**
 - c. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compressive strength, whichever is greater.
 - d. If cement falls back, remedial action will be done prior to drilling out that string.

**Possible lost circulation in the Grayburg and San Andres formations.
Medium cave/karst potential.**

2. The minimum required fill of cement behind the 9-5/8 inch intermediate casing is:
 - ☒ Cement to surface. If cement does not circulate see B.1.a-d above.
Please provide WOC times to inspector for cement slurries.
 3. The minimum required fill of cement behind the 5-1/2 inch production casing is:
 - ☒ Cement should tie-back at least 200 feet into previous casing string. Operator shall provide method of verification.
Please provide WOC times to inspector for cement slurries.
 4. If hardband drill pipe is rotated inside casing, returns will be monitored for metal. If metal is found in samples, drill pipe will be pulled and rubber protectors which have a larger diameter than the tool joints of the drill pipe will be installed prior to continuing drilling operations.
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C. PRESSURE CONTROL

1. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2 and API RP 53 Sec. 17.
2. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be **2000 (2M)** psi.
3. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the **9-5/8"** intermediate casing shoe shall be **5000 (5M)** psi.
4. The appropriate BLM office shall be notified a minimum of 2 hours in advance for a representative to witness the tests.
 - a. The tests shall be done by an independent service company.
 - b. The results of the test shall be reported to the appropriate BLM office.
 - c. All tests are required to be recorded on a calibrated test chart. A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the appropriate BLM office.
 - d. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug.
 - e. BOP/BOPE must be tested by an independent service company within 500 feet of the top of the **Wolfcamp** formation **if the time between the setting of the intermediate casing and reaching this depth exceeds 20 days**. This test does not exclude the test prior to drilling out the casing shoe as per Onshore Order No. 2.
 - f. A variance to test the surface casing and BOP/BOPE to the reduced pressure of **1000** psi with the rig pumps is approved.

D. DRILLING MUD

Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, shall be operating before drilling into the **Wolfcamp** formation, and shall be used until production casing is run and cemented.

Engineer on call phone (after hours): Carlsbad: (575) 706-2779

WWI 121907