

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

NM000

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.

5. Lease Serial No.
LC-028990-A

6. If Indian, Allottee or Tribe Name

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well RECEIVED
 Oil Well Gas Well Other

2. Name of Operator OCT 21 2004
Chi Operating, Inc. OCC-ARTES

3a. Address 3b. Phone No. (include area code)
P.O. Box 1799 Midland, TX 79702 915/685-5001

4. Location of Well (Footage, Sec., T, R., M., or Survey Description)
678' FSL & 1667' FEL @ Surface---Bottom Hole Location: 850' FSL & 2200' FEL
Sec.13-T18S-R30E

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

8. Well Name and No.
Shugart West 13 Fed.Com., Well #1

9. API Well No.
30-015-33577

10. Field and Pool, or Exploratory Area
Shugart Bone Spring

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			
<input checked="" 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 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 checked="" 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	

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.)

Chi Operating, Inc. requests that the Application for Permit to drill the above captioned well be changed to a directional drilled well with a bottom hole location as follows:

850' FSL & 2200' FEL, Sec. 13-T18S-R30E

Exhibits attached:
Survey Plat
Directional Drilling Program

RECEIVED
 2004 OCT 19 PM 1:30
 BUREAU OF LAND MGMT
 ROSWELL OFFICE

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

George R. Smith Title Agent for Chi Operating, Inc.

Signature *George R. Smith* Date October 19, 2004

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by (Signature) (ORIG. SGD.) ALEXIS C. SWOBODA Name (Printed/Typed) PETROLEUM ENGINEER

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 RFO Date OCT 20 2004

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.

District I
1625 N. French Dr. Hobbs, NM 88240

District II
811 South First, Artesia, NM 88210

District III
1000 Rio Brazos Rd., Aztec NM 87410

District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources

OIL CONSERVATION DIVISION

2040 South Pacheco
Santa Fe, N M 87505

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code 56405	Pool Name Shugart Bone Spring* N.
Property Code	Property Name SHUGART WEST 13 FED COM	Well Number 1
OGRID No. 4378	Operation Name CHI OPERATING, INC.	Elevation 3626

Surface Location

UL or Lot No.	Section	Township	Range	Lot Idn.	Feet from the	North/South line	Feet from the	East/West line	County
0	13	18-S	30-E		678	SOUTH	1667	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
0	13	18-S	30-E		850	SOUTH	2200	EAST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTEREST HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

SURFACE LOCATION
LAT N32°44'31.3"
LONG W103°55'20.3"

BOTTOM HOLE

SURFACE LOCATION

OPERATOR CERTIFICATION

I HEREBY CERTIFY THAT THE INFORMATION HEREIN IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

RECEIVED
OCT-21-2004
JUDARTESIA

Signature *George R. Smith*

Printed Name **George R. Smith**

Title **agent for Chi Oper., Inc.**

Date **10/18/04**

SURVEYOR CERTIFICATION

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 KNOWLEDGE AND BELIEF.

OCTOBER 14, 2004

Date of Survey **R. REDDY**

Signature and Seal of Professional Surveyor

NM PROFESSIONAL SURVEYOR 5412

Certificate Number

CHI OPERATING
Shugart West 13 Fed #1

slot #1
UNKNOWN
Eddy County New Mexico

P R O P O S A L L I S T I N G

by
Baker Hughes INTEQ

Your ref : Pln 1
Our ref : prop4392
License :

Date printed : 15-Oct-2004
Date created : 14-Oct-2004
Last revised : 14-Oct-2004

Field is centred on n32 40 29.200,w103 55 30.8
Structure is centred on n32 44 31.300,w103 55 20.3

Slot location is n32 44 31.300,w103 55 20.300
Slot Grid coordinates are N 633905.826, E 626380.111
Slot local coordinates are 0.00 N 0.00 E

Projection type: mercator - New Mexico East (3001), Spheroid: Clarke - 1866

Reference North is True North



INTEQ

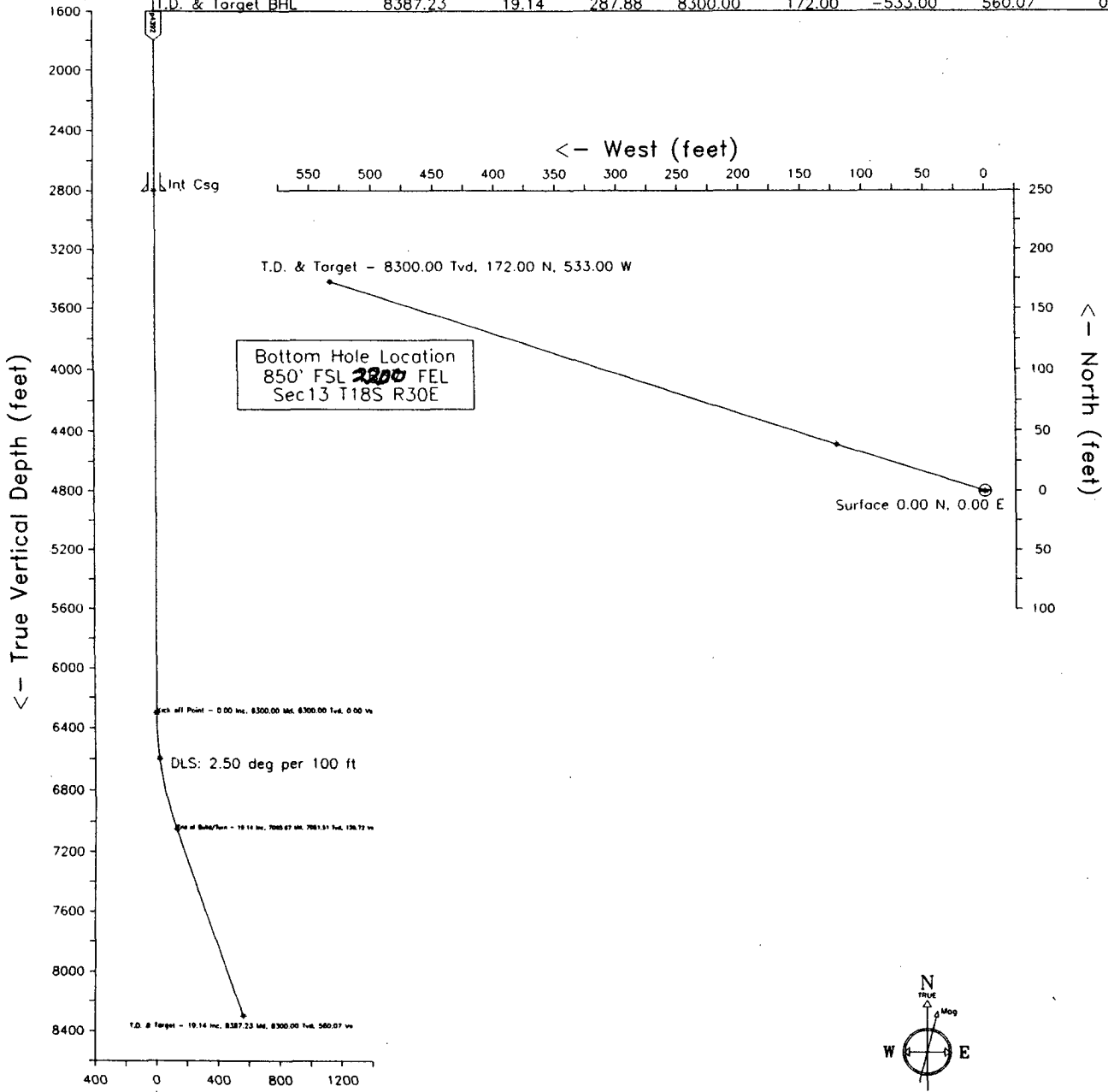
CHI OPERATING

Created by ronharr
 Date plotted : 15-Oct-2004
 Plot Reference is Pin 1.
 Coordinates are in feet reference slot #1.
 True Vertical Depths are reference rotary table.
 shu13pp
 --- Baker Hughes INTEQ ---

Structure : Shugart West 13 Fed #1 Slot : slot #1
 Field : UNKNOWN Location : Eddy County New Mexico

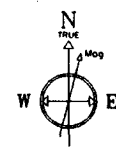
WELL PROFILE DATA

Point	MD	Inc	Dir	TVD	North	East	V. Sect	Deg/100
Tie on	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
KOP	6300.00	0.00	0.00	6300.00	0.00	0.00	0.00	0.00
End of Build/Turn	7065.67	19.14	287.88	7051.51	38.92	-120.59	126.72	2.50
T.D. & Target BHL	8387.23	19.14	287.88	8300.00	172.00	-533.00	560.07	0.00



Vertical Section (feet) -->

Azimuth 287.88 with reference 0.00 N, 0.00 E from slot #1



14-Oct-2004 (source: BOGM 2003)
 Magnetic North is 8.58 degrees East of TRUE North
 To correct azimuth from Magnetic to TRUE add 8.58 deg

Measured Depth	Inclin. Degrees	Azimuth Degrees	True Vert Depth	R E C T A N G U L A R C O O R D I N A T E S		Dogleg Deg/100ft	Vert Sect
0.00	0.00	0.00	0.00	0.00 N	0.00 E	0.00	0.00
500.00	0.00	0.00	500.00	0.00 N	0.00 E	0.00	0.00
1000.00	0.00	0.00	1000.00	0.00 N	0.00 E	0.00	0.00
1500.00	0.00	0.00	1500.00	0.00 N	0.00 E	0.00	0.00
2000.00	0.00	0.00	2000.00	0.00 N	0.00 E	0.00	0.00
2500.00	0.00	0.00	2500.00	0.00 N	0.00 E	0.00	0.00
3000.00	0.00	0.00	3000.00	0.00 N	0.00 E	0.00	0.00
3500.00	0.00	0.00	3500.00	0.00 N	0.00 E	0.00	0.00
4000.00	0.00	0.00	4000.00	0.00 N	0.00 E	0.00	0.00
4500.00	0.00	0.00	4500.00	0.00 N	0.00 E	0.00	0.00
5000.00	0.00	0.00	5000.00	0.00 N	0.00 E	0.00	0.00
5500.00	0.00	0.00	5500.00	0.00 N	0.00 E	0.00	0.00
6000.00	0.00	0.00	6000.00	0.00 N	0.00 E	0.00	0.00
6300.00	0.00	0.00	6300.00	0.00 N	0.00 E	0.00	0.00
6400.00	2.50	287.89	6399.97	0.67 N	2.08 W	2.50	2.18
6500.00	5.00	287.89	6499.75	2.68 N	8.30 W	2.50	8.72
6600.00	7.50	287.89	6599.14	6.02 N	18.66 W	2.50	19.61
6700.00	10.00	287.89	6697.97	10.69 N	33.14 W	2.50	34.82
6800.00	12.50	287.89	6796.04	16.68 N	51.70 W	2.50	54.33
6900.00	15.00	287.88	6893.17	23.98 N	74.32 W	2.50	78.09
7000.00	17.50	287.88	6989.17	32.58 N	100.95 W	2.50	106.07
7065.67	19.14	287.88	7051.51	38.92 N	120.59 W	2.50	126.72
7500.00	19.14	287.88	7461.82	82.65 N	256.13 W	0.00	269.13
8000.00	19.14	287.88	7934.18	133.00 N	412.16 W	0.00	433.09
8387.23	19.14	287.88	8300.00	172.00 N	533.00 W	0.00	560.07 BHL

All data is in feet unless otherwise stated.
 Coordinates from slot #1 and TVD from rotary table.
 Bottom hole distance is 560.07 on azimuth 287.88 degrees from wellhead.
 Vertical section is from wellhead on azimuth 287.88 degrees.
 Calculation uses the minimum curvature method.
 Presented by Baker Hughes INTEQ

CHI OPERATING
 Shugart West 13 Fed #1, slot #1
 UNKNOWN, Eddy County New Mexico

PROPOSAL LISTING Page 2
 Your ref : Pln 1
 Last revised : 14-Oct-2004

Comments in wellpath				
MD	TVD	Rectangular Coords.		Comment
8387.23	8300.00	172.00 N	533.00 W	BHL

Casing positions in string 'A'								
Top MD	Top TVD	Rectangular Coords.		Bot MD	Bot TVD	Rectangular Coords.		Casing
0.00	0.00	0.00N	0.00E	2800.00	2800.00	0.00N	0.00E	Int Csg

Targets associated with this wellpath					
Target name	Geographic Location		T.V.D.	Rectangular Coordinates	Revised
BHL			8300.00	172.00N 533.00W	14-Oct-2004