

CHI ENERGY, INC.
P.O. BOX 1799
MIDLAND, TEXAS 79702

February 3, 2006

Chris Williams
NMOCD District 1
1625 N. French Dr.
Hobbs, NM 88240

Re: January 2006, Compliance Report

Dear Mr. Williams,

Per the Agreed Compliance Letter, signed by Chi Operating 7-10-04, there have been 55 wells brought back to compliance. As last month, we are waiting on a pulling unit, in order to start another series of wells.

Sincerely,



Oren Albright
cc: WRB

