



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

March 8, 1999

Chi Energy, Inc.
c/o **James Bruce**
P. O. Box 1056
Santa Fe, New Mexico 87504

#12158

RE: *Administrative application of Chi Energy, Inc. to drill its Greenstone Federal Com. Well No. 1: (i) as a straight hole from an unorthodox Morrow gas well location 480 feet from the South line and 1650 feet from the East line (Unit O) of Section 19, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico; or in the alternative (ii) for a non-standard subsurface Morrow gas well location 760 feet from the South line and 1650 feet from the East line of Section 19. In either case the E/2 of Section 19 is to be dedicated in order to form a standard 320-acre gas spacing and proration unit within either the Undesignated West Lynch-Morrow Gas Pool or the Undesignated Quail Ridge-Morrow Gas Pool.*

Dear Mr. Bruce:

On March 5, 1999 the Division received an objection from Santa Fe Energy Resources, Inc. to the subject application, see copy of letter attached.

This application therefore will be set for hearing before a Division Hearing Examiner on the next available docket scheduled for April 1, 1999. Please provide adequate notice pursuant to Rule 1207.A(5) of the Division's Rules and Regulations.

Should you have any questions concerning this matter, please contact me in Santa Fe at (505) 827-8185.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
U. S. Bureau of Land Management - Carlsbad
Santa Fe Energy Resources, Inc. (Attn: Steven J. Smith) - Midland, Texas
Kathy Valdes - NMOCD, Santa Fe
Florene Davidson - NMOCD, Santa Fe