

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

August 8, 2005

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

Re: July 2005, Compliance Report

Dear Mr. Williams,

Per the Agreed Compliance Letter, signed by Chi Operating 7-10-04, there have been 43 wells brought back to compliance. We are currently waiting on a pulling unit in order to start another series of wells.

Sincerely,


Oren Albright
cc: WRB

