



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

April 22, 2005

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Chi Energy, Inc.
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87501

Administrative Order NSP-1889

Dear Mr. Bruce:

Reference is made to the following: (i) your application on behalf of the operator, Chi Energy, Inc. ("Chi"), dated March 31, 2005 (*administrative application reference No. pSEM0-509127632*); and (ii) the records of the New Mexico Oil Conservation Division ("Division"): all concerning Chi's request for the formation of a non-standard 160-acre deep gas spacing unit comprising the following acreage within both the Undesignated Happy Valley-Strawn Gas Pool (78070) Undesignated Happy Valley-Morrow Gas Pool (78060):

EDDY COUNTY, NEW MEXICO
TOWNSHIP 21 SOUTH, RANGE 26 EAST, NMPM
Section 34: SE/4.

This unit is to be dedicated to Chi's proposed Mesa Oro "34" State Well No. 1 to be drilled at a standard deep gas well location, pursuant to Division Rule 104.C (2) (a), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, within the SE/4 of Section 34. Please note that any variance from this rule for the proposed well location will necessitate a hearing before a duly appointed examiner prior to being granted an exception.

This application has been duly filed under the provisions of Division Rule 104.D (2), as revised.

By the authority granted me under the provisions of Division Rule 104.D (2) (b), as revised, the above-described 160-acre non-standard deep Strawn and Morrow gas spacing units are hereby approved. Further, jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe