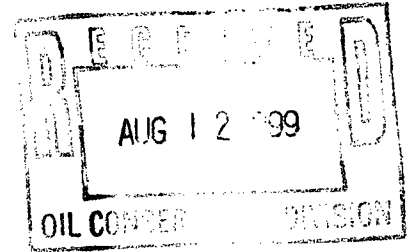


CHI ENERGY, INC.

P.O. BOX 1799
MIDLAND, TEXAS 79702



August 10, 1999

Mr. Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

"VIA FAX AND MAIL"

Re: Mewbourne Oil Company
Unorthodox Morrow Gas Well Location
Federal "R" Well No. 2
Township 17 South, Range 27 East, N.M.P.M.
Section 17: 1980' FSL & 660' FEL
Eddy County, New Mexico

Dear Mr. Stogner:

Chi Energy, Inc. owns a working interest in OXY USA Inc.'s operated Celtic State #1, offsetting the proposed unorthodox location referenced above. Chi believes the referenced unorthodox location is an effort to drain reserves underlying Chi's leasehold causing waste and thus should be denied. Please advise when this application will be scheduled for a formal hearing.

Sincerely,


John W. QuallsJWQ/fh


*Chi Energy, Inc.**P. O. Box 1799
Midland, TX 79702*FAX TRANSMISSIONDATE SENT: 8-9-99 TIME SENT: 9:10 AMTO: NAME: Mike Stagner
LOCATION: _____
TELEPHONE/FAX NO.: 505 827-1389FROM: NAME: John Duall
LOCATION: _____
TELEPHONE/FAX NO.: 915-685-5001/915-687-2662NUMBER OF PAGES: 1 + COVERMEMO:

This is a confidential facsimile. If you are not the intended party, please contact this office at 915-685-5001.

CHI ENERGY, INC.

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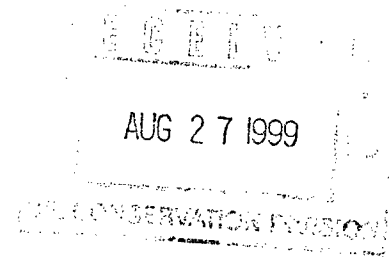
JWQ/fh

CHI ENERGY, INC.

P.O. BOX 1799

MIDLAND, TEXAS 79702

August 25, 1999



Michael E. Stogner
NMOCD
2040 South Pacheco Street
Santa Fe, New Mexico 87505

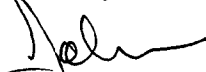
**Re: Application for Mewbourne Oil Company
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Eddy County, New Mexico**

Dear Mr. Stogner:

In reference to the above Application dated July 29, 1999, Chi Energy, Inc. hereby withdraws its objection to the subject application for the Unorthodox Morrow Well Gas Location which Mewbourne Oil Company seeks.

Thank you for your time and attention to this matter and please call should you have any questions.

Sincerely,



John W. Qualls

JWQ/fh

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715
FAX (915) 685-4170

FACSIMILE TRANSMITTAL COVER SHEET

Date: 8-27-89

Time: _____

Page 1 of 2 Pages

TO:

MIKE STOGNER / NMOCD

FACSIMILE NO.: (505) 827-1389 PHONE NO.: _____

FROM:

PAUL HADEN

TYPE OF DOCUMENT: _____

ORIGINAL TO FOLLOW IN MAIL (Y/N): _____

MESSAGE:

MIKE: RE: MOC "FEDERAL R" #2 WELL,
UNORTHODOX LOCATION APPLICATION. AT
YOUR EARLIEST CONVENIENCE, WE WOULD APPRECIATE
RECEIVING APPROVAL FROM THE NMOCD AS TO THE
REFERENCED WELL. IF POSSIBLE, PLEASE FAX THE
APPROVAL TO ME AS SOON AS YOU CAN. THANKS -

IF YOU DO NOT RECEIVE ALL PAGES CLEARLY, PLEASE CALL US AS SOON AS POSSIBLE.

CONFIDENTIALITY NOTE: The information contained in this facsimile message is confidential and is intended only for the use of the individual or entity named above. Dissemination of this facsimile to anyone else is strictly prohibited. If you have received this facsimile in error, please notify us by telephone immediately.

CHI ENERGY, INC.

P.O. BOX 1799

MIDLAND, TEXAS 79702

August 25, 1999

Michael E. Stogner
NMOCD
2040 South Pacheco Street
Santa Fe, New Mexico 87505

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Sincerely,

John W. Qualls by Bill Byrum
John W. Qualls President

JWQ/fh