



NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

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

December 22, 1997

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

*Administrative Order NSL-3920*

Dear Mr. Bruce:

Reference is made to your application dated December 1, 1997 on behalf of the operator Chi Energy, Inc. for an unorthodox Morrow gas well location for its proposed USA "9" Federal Com Well No. 2 to be drilled 600 feet from the North line and 510 feet from the East line (Unit A) of Section 9, Township 20 South, Range 28 East, NMPM, Burton Flat-Morrow Gas Pool, Eddy County, New Mexico.

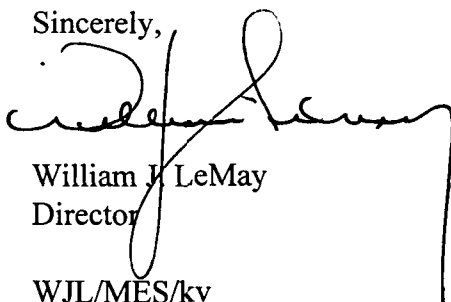
The E/2 of said Section 9 being a standard 320-acre gas spacing and proration unit for said pool is to be dedicated to said well.

The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox gas well location will be at a more favorable geologic position within the Morrow formation than a well drilled at a location considered to be standard.

The application has been duly filed under the provisions of Rule 104.F of the General Rules and Regulations of the New Mexico Oil Conservation Division.

By the authority granted me under the provisions of Division General Rule 104.F(2), the above-described unorthodox gas well location is hereby approved.

Sincerely,



William J. LeMay  
Director

WJL/MES/kv

cc: New Mexico Oil Conservation Division - Artesia  
U. S. Bureau of Land Management - Carlsbad