



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

February 13, 2001

Lori Wrotenbery

Director

Oil Conservation Division

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

Telefax No. (505) 982-2151

Administrative Order NSL-4284-B

Dear Mr. Bruce:

Reference is made to the following: (i) your letter of application dated January 16, 2001 on behalf of the operator, Chi Energy, Inc.; and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe including the files on Administrative Orders NSL-4284 and NSL-4284-A: all concerning Chi's request for an unorthodox oil well location in the Yeso formation for the existing Silver Streak State Com. Well No. 1 (**API No. 30-015-30664**), located 1400 feet from the North line and 1650 feet from the East line (Unit G) of Section 8, Township 17 South, Range 28 East, NMPM, Eddy County, New Mexico. The SW/4 NE/4 of Section 8 is to be dedicated to this well in order to form a standard 40-acre oil spacing and proration unit for wildcat Yeso oil production.

Division Administrative Order NSL-4284, dated May 17, 1999, authorized the drilling of the above-described Silver Streak State Com. Well No. 1 at an unorthodox gas well location [see Division Rule 104.C (2) (b) applicable at that time] within a standard 320-acre lay-down gas spacing and proration unit comprising the N/2 of Section 8 in order to test the Undesignated Crow Flats-Morrow Gas Pool. Under the authority of Division Administrative Order NSL-4284-A, dated November 20, 2000, the Morrow interval was abandoned and the well was completed up-hole into to test the Cisco formation for oil production. It is our understanding however that this completion was unsuccessful and that at this time the Cisco interval will be abandoned and the Yeso interval is to be perforated in an attempt to establish oil production. Pursuant to Division Rule 104.B (1), as revised, this location is also considered to be unorthodox for the proposed 40-acre unit in the Yeso interval.

This application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

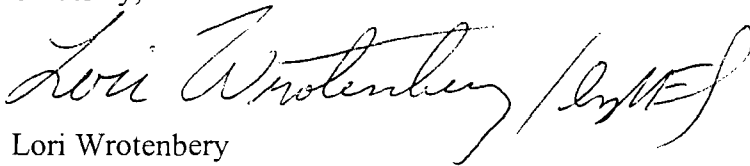
By the authority granted me under the provisions of Division Rule 104.F (2), as revised, the above-described unorthodox oil well location for the Chi's Silver Streak State Com. Well No. 1 is hereby approved for Yeso oil production.

Administrative Order NSL-4284-B
Chi Energy, Inc.
February 13, 2001
Page 2

Further, Division Administrative Orders NSL-4284 and NSL-4284-A shall be placed in abeyance until further notice.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lori Wrotenberg / by MES".

Lori Wrotenberg
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe
U. S. Bureau of Land Management - Carlsbad
File: NSL-4284
NSL-4284-A