



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

November 20, 2000

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-A

Dear Mr. Bruce:

Reference is made to the following: (i) your letters of application dated October 3 and 4, 2000 on behalf of the operator, Chi Energy, Inc.; (ii) your telephone conversation with Mr. Michael E. Stogner, Engineer/Chief Hearing Officer with the New Mexico Oil Conservation Division in Santa Fe ("Division") on Tuesday, October 24, 2000; (iii) your letter dated October 27, 2000 which serves to complete this application; (iv) your letter dated November 4, 2000 with supplemental data attached; and (v) the Division's records, including the file on Administrative Order NSL-4284: all concerning Chi's request for an unorthodox oil well location in the upper Pennsylvanian formations for its existing Silver Streak State Com. Well No. 1 (**API No. 30-015-30664**) at an unorthodox oil well location 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 this pool.

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. It is our understanding that the Morrow interval is to be abandoned and the upper Pennsylvanian interval is to be perforated in an attempt to establish oil production; however, pursuant to Division Rule 104.B (1), as revised, this location is considered to be unorthodox for the proposed 40-acre unit.

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

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hereby approved for oil production from the upper Pennsylvanian formation.

Further, Division Administrative Order NSL-4284 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 Wrotenbery" followed by a stylized flourish or initials.

Lori Wrotenbery
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