



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

June 23, 1999

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

Telefax No. (505) 982-2151

Administrative Order NSL-4315

Dear Mr. Bruce:

Reference is made to the following: (i) your application on behalf of the operator, Chi Energy, Inc. ("Chi") dated June 9, 1999; and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe: all concerning Chi's request for authorization to drill its Stake Your Claim Federal Well No. 1, to test both the shallower wildcat Delaware formation and the Undesignated Benson-Bone Spring Pool, at an unorthodox oil well location for both intervals 1060 feet from the South line and 2210 feet from the West line (Unit N) of Section 1, Township 19 South, Range 30 East, NMPM, Eddy County, New Mexico. The SE/4 SW/4 of Section 1 is to be dedicated to this well in order to form a standard 40-acre oil spacing and proration unit for both intervals.

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

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

Sincerely,

Lori Wrotenbery
Director

LW/MES/kv

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