



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

June 12, 2001

Chi Energy, Inc.
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87501

Telefax No. (505) 982-2151

Administrative Order NSL-4591

Dear Mr. Bruce:

Reference is made to the following: (i) your application on behalf of the operator, Chi Energy, Inc., dated April 30, 2001; and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe: all concerning Chi Energy, Inc.'s request for an unorthodox Delaware oil well location for its proposed Munchkin Federal Well No. 5 to be drilled 1200 feet from the South line and 2150 feet from the East line (Unit O) of Section 1, Township 19 South, Range 30 East, NMPM, Eddy County, New Mexico.

The SW/4 SE/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 the Undesignated Benson-Delaware Pool.

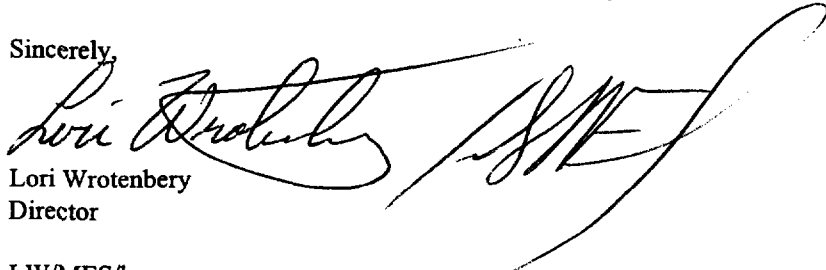
This application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

It is our understanding that the SE/4 is comprised of two separate Federal leases (N/2 SE/4 is covered by U. S. Government Lease No. LC-063613 and the S/2 SE/4 is covered by U. S. Government Lease No. NM-0560353) and that mineral ownership in both are common throughout; therefore, there are no adversely effected offset mineral interests to the subject 40-acre tract.

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

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

Sincerely,


Lori Wrotenbery
Director

LW/MES/kv

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