

CHI ENERGY, INC.
P.O. BOX 1799
MIDLAND, TEXAS 79702

July 19, 2004

"Certified-Return Receipt"

Land Department
Bird Creek Resources, Inc.
Box 21470
Tulsa, Oklahoma 74121

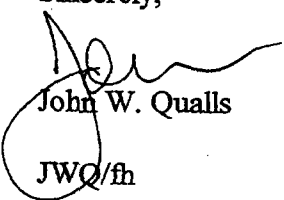
**Re: South Carlsbad Prospect
Skeen #2
821' FEL & 1786' FSL
S/2 of Section 28
T-22S-R-27E
Eddy County, New Mexico**

Gentlemen:

Chi Operating, Inc. is proposing a Morrow test in the SE/4SE/4 of Section 28-22S-27E, Eddy County, New Mexico to a depth of approximately 12,000'. The South one-half (S/2) of Section 28 is the proposed spacing unit. Attached is an "Authority for Expenditures" and approval page of same. Please return a signed AFE at your earliest convenience. Should you not wish to participate, Chi would be interested in acquiring a (2) Two year Term Assignment for \$150.00 per net acre with Chi being delivered a 77% NRI. A JOA is being prepared and will be forwarded should you decide to join in the drilling of the Skeen #2.

Thanks and please call should you have any questions.

Sincerely,


John W. Qualls

JWQ/fh

OIL CONSERVATION DIVISION
CASE NUMBER
EXHIBIT NUMBER 2

CHI ENERGY, INC.
P.O. BOX 1799
MIDLAND, TEXAS 79702

July 19, 2004

"Certified-Return Receipt"

Land Department
BK Exploration, Corp.
810 S. Cincinnati, Suite 208
Tulsa, Oklahoma 74119


**Re: South Carlsbad Prospect
Skeen #2
821' FEL & 1786' FSL
S/2 of Section 28
T-22S-R-27E
Eddy County, New Mexico**

Gentlemen:

Chi Operating, Inc. is proposing a Morrow test in the SE/4SE/4 of Section 28-22S-27E, Eddy County, New Mexico to a depth of approximately 12,000'. The South one-half (S/2) of Section 28 is the proposed spacing unit. Attached is an "Authority for Expenditures" and approval page of same. Please return a signed AFE at your earliest convenience. Should you not wish to participate, Chi would be interested in acquiring a (2) Two year Term Assignment for \$150.00 per net acre with Chi being delivered a 77% NRI. A JOA is being prepared and will be forwarded should you decide to join in the drilling of the Skeen #2.

Thanks and please call should you have any questions.

Sincerely,


John W. Qualls

JWQ/fh