

**CHI ENERGY, INC.**

P.O. BOX 1799

MIDLAND, TEXAS 79702

May 2, 1999

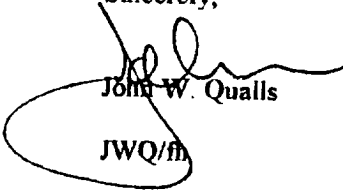
Mr. Michael E. Stogner  
Oil Conservation Division  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

**Re: Yates Petroleum Corporation  
Unorthodox Morrow Gas Well Location  
Concho ACT State Com. #1  
Township 17 South, Range 27 East, N.M.P.M.  
Section 8: 1650' FNL & 660' FEL  
Eddy County, New Mexico**

Dear Mr. Stogner:

Chi Energy, Inc. owns a working interest in OXY USA Inc.'s operated Wallace #1, Wallace #3 and the LD #4 offsetting the proposed unorthodox location referenced above. Chi believes the referenced unorthodox location is an effort to drain reserves underlying Chi's leasehold causing waste and thus should be denied. Please advise when this application will be scheduled for a formal hearing.

Sincerely,

  
John W. Qualls

JWQ/mh