



United States Department of the Interior

BUREAU OF LAND MANAGEMENT ROSWELL FIELD OFFICE 2909 West Second Street Roswell, New Mexico 88201-2019

IN REPLY REFER NMNM106839 3105.2 (06300)

AUG 0 9 2001

Chi Energy, Inc. Attention: John W. Qualls P. O. Box 1799 Midland, TX 79702

Gentlemen:

Enclosed is one approved copy of Communitization Agreement NMNM106839, involving 240.18 acres of land in Federal lease LC-063613 and 80.00 acres of land in Federal lease NM-0560353 in Eddy County, New Mexico, comprising a 320.18 acre well spacing unit.

The agreement communitizes all rights as to gas and associated liquid hydrocarbons producible from the Morrow formation in lots 1, 2, S1/2NE1/4, SE1/4 (E1/2) section 1, T. 19 S., R. 30 E., NMPM, and is effective June 1, 2001.

Approval of this agreement does not warrant or certify that the operator, thereof, and other working interest owners hold legal or equitable title to the leases which are committed hereto.

If this well is producing, this approval requires the submission of a Payor Information Form MMS-4025 to the Minerals Management Service (MMS) within 30 days (30 CFR 210.51). Please notify the designated payor or payors (purchasers, working interest owners, or others) as soon as possible regarding this requirement. Any production royalties that are due must be reported and paid within 90 days of the Bureau of Land Management's approval date or the payors will be assessed interest for late payment under the Federal Oil and Gas Royalty Management Act of 1982 (See 30 CFR 218.54). If you need assistance or clarification, please contact the Minerals Management Service at 1-800-525-9167 or 303-231-3504.

Please furnish all interested principals with appropriate evidence of this approval. This approval is subject to the attached Condition of Approval.

Sincerely

Larry D. Bray Assistant Field Manager, Lands and Minerals



1 Enclosure: 1 - Communitization Agreement