

CHI ENERGY, INC.

P.O. BOX 1799

MIDLAND, TEXAS 79702

May 15, 2002

State of New Mexico
Energy Minerals and Natural Resources
1220 South St. Francis Drive
Santa Fe, New Mexico 87505



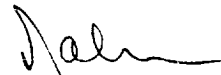
**Re: Objection to Application for Discovery Allowable
3rd Bone Springs (8362'-8494')
Ocean Energy, Inc. -Operator
Cerf Federal Com. #2
1980' FNL' & 1980' FWL
T-21S-R-27E-Section 10 (Unit Letter F)
Eddy County, New Mexico**

Gentlemen:

Chi Operating, Inc. received a **Application for Discovery Allowable and Creation of a New Pool** dated May 13, 2002 which has been submitted to the NMOCD for approval. As Chi Operating, Inc. has a direct offset to this well, the Yates States #1, located 1980' FSL & 1980' FWL of Section 10-T-21S-R-27E, Eddy County, New Mexico, and is currently attempting to establish production from this zone, Chi Operating, Inc. hereby **objects** to the designation of the subject well as a discovery well.

Thanks and please call should you have any questions.

Sincerely,


John W. Qualls

JWQ/fh

CC: Ocean Energy, Inc.
1001 Fannin, Suite 1600
Houston, Texas 77002

NMOCD District II
1301 W. Grand Avenue
Artesia, NM 88210