

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

August 31, 2005


Chris Williams  
NMOCD District 1  
1625 N. French Dr.  
Hobbs, NM 88240

Re: August 2005, Compliance Report

Dear Mr. Williams,

Per the Agreed Compliance Letter, signed by Chi Operating 7-10-04, there have been 44 wells brought back to compliance. We are currently waiting on a pulling unit in order to start another series of wells.

Sincerely,

  
Oren Albright  
cc: WRB

