



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

August 8, 2001

Lori Wrotenbery
Director
Oil Conservation Division

Chi Energy, Inc.
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87501

Telefax No. (505) 982-2151

Administrative Order NSP-1845

Dear Mr. Bruce:

Reference is made to the following: (i) your application on behalf of the operator Chi Energy, Inc. ("Chi") dated May 1, 2001 (*application reference No. pKRV0-113037211*); (ii) the New Mexico Oil Conservation Division's ("Division") initial response by letter dated June 12, 2001 from Mr. Michael E. Stogner, Chief Hearing Officer/Engineer, requesting additional information; (iii) your letter of response dated August 3, 2001; and (iv) the Division's records in Santa Fe: all concerning Chi's request for a non-standard 160-acre gas spacing and proration unit consisting of the following acreage in the Undesignated Happy Valley-Morrow Gas Pool (78060):

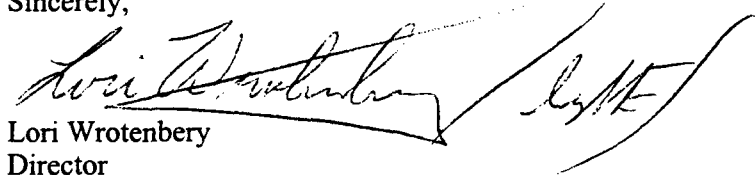
EDDY COUNTY, NEW MEXICO
TOWNSHIP 22 SOUTH, RANGE 26 EAST, NMPM
Section 9: SE/4.

This unit is to be dedicated to Chi's proposed Dovetail State Com. Well No. 1 to be drilled at a standard gas well location, pursuant to Division Rule 104.C (2) (a), within the NE/4 SE/4 (Unit I) of Section 9. Please note that any variance from this rule for the proposed well location will necessitate a hearing before a duly appointed examiner prior to being granted an exception.

This application has been duly filed under the provisions of Division Rule 104.D (2), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

By the authority granted me under the provisions of Division Rule 104.D (2) (b), the above-described 160-acre non-standard Morrow gas spacing and proration unit is hereby approved. Further, jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

Sincerely,


Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe