



NEW MEXICO ENERGY, MINERALS and
NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

June 12, 2001

Chi Energy, Inc.
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87504

Re Administrative application on behalf of Chi Energy, Inc. to establish a non-standard 160-acre gas spacing and proration unit within the Undesignated Happy Valley-Morrow Gas Pool comprising the SE/4 of Section 9, Township 22 South, Range 26 East, NMPM, Eddy County, New Mexico, for its Dovetail State Com. Well No. 1.

Dear Mr. Bruce:

I have reviewed the subject application and have a few concerns that need to be addressed:

- (1) What will the location be for the proposed Dovetail State Com. Well No. 1; and
- (2) Have the notification requirements provided in Division Rule 1207.A (3) been properly followed, please explain.

Thank you for your assistance in this matter.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

3304 CAMINO LISA
HYDE PARK ESTATES
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

OIL CONSERVATION DIV.
01 AUG -6 PM 3:12

August 3, 2001

Michael E. Stogner
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Administrative application of Chi Energy, Inc. for
administrative approval of a non-standard gas spacing and
proration unit:

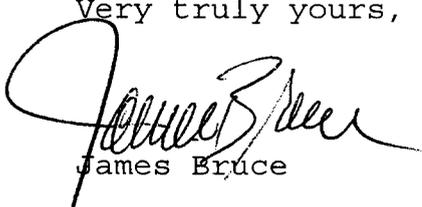
Dovetail State Com. Well No. 1
SE $\frac{1}{4}$ of §9, Township 22 South, Range 26 East, NMPM
Eddy County, New Mexico

Dear Mr. Stogner:

Regarding your letter of June 12th: (1) The above well will be located in the NE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 9. The exact location will be determined after a well being drilled in offsetting Section 10 is completed; and (2) I believe the notification requirements of Rule 1207.A(3) have been followed. The SW $\frac{1}{4}$ of Section 9 is in the Lancaster Springs Unit, operated by Ricks Exploration, Inc. A review of the State Land Office file shows that the entire W $\frac{1}{2}$ of Section 9 is in the Morrow participating area for the unit. The NE $\frac{1}{4}$ of Section 9, which would normally be dedicated to a 320 acre well unit, is unleased federal land (it has been unleased for about 30 years). Notice of the proposed non-standard unit has been given to the Bureau of Land Management and Ricks Exploration, Inc., as indicated by the enclosed letter and certified return receipts.

Please call me if you need anything further on this application.

Very truly yours,


James Bruce

Attorney for Chi Energy, Inc.

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

3304 CAMINO LISA
HYDE PARK ESTATES
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

May 2, 2001

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Bureau of Land Management
2909 West Second Street
Roswell, New Mexico 88201

Ricks Exploration, Inc.
3000 Oklahoma Tower
210 Park Avenue
Oklahoma City, Oklahoma 73102

Ladies and Gentlemen:

Enclosed is a copy of an application, filed by Chi Energy, Inc. with the Oil Conservation Division, requesting administrative approval of a non-standard spacing and proration unit in the Morrow formation in the SE¼ of Section 9, Township 22 South, Range 26 East, NMPM, Eddy County, New Mexico. If you object to the well's location, you must notify the Division in writing no later than Tuesday, May 22, 2001 (1220 South St. Francis Drive, Santa Fe, New Mexico 87505; attention: Michael E. Stogner). Failure to object will preclude you from contesting this matter at a later date.

Very truly yours,



JAMES BRUCE

Attorney for Chi Energy, Inc.

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Bureau of Land Management
 2909 West Second Street
 Roswell, New Mexico 88201

2. Article Number (Copy from service label)
7001670001Z 37686111
 Domestic Return Receipt Chi-NSP 102595-00-M-0952

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Name) _____ B. Date of Delivery 5/24/01
 C. Signature _____ Agent Addressee
 Return Receipt for Merchandise
 D. Is delivery address different from item 1? Yes No
 If YES, enter delivery address below: Yes No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.
 4. Restricted Delivery? (Extra Fee) Yes No

**U.S. Postal Service
 CERTIFIED MAIL RECEIPT**
 (Domestic Mail Only. No Insurance Coverage Provided.)

| | | |
|--|----------------|---------------|
| Postage | \$ 0.55 | UNIT ID: 0500 |
| Certified Fee | 1.00 | |
| Return Receipt Fee (Endorsement Required) | 1.50 | |
| Restricted Delivery Fee (Endorsement Required) | | |
| Total Postage & Fees | \$ 3.05 | |

Sent To
 Bureau of Land Management
 2909 West Second Street
 Roswell, New Mexico 88201

7000 7670 0010 2100 276 4928 7779

SENDER - COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Ricks Exploration, Inc.
 3000 Oklahoma Tower
 210 Park Avenue
 Oklahoma City, Oklahoma 73102

2. Article Number (Copy from service label)

1000 1690 0012 3768 6134

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-9952

Clarissa

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery

S-7-01

C. Signature

R. Howard

is delivery address different from item 1? Yes No

If YES, enter delivery address below:

3. Service Type

Certified Mail Express Mail

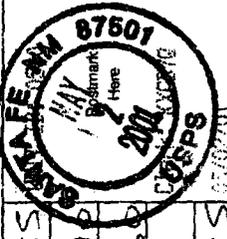
Registered Return Receipt for Merchandise

Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes No

U.S. Postal Service
CERTIFIED MAIL RECEIPT
 (Domestic Mail Only. No Insurance Coverage Provided.)

OKLAHOMA CITY, OK 73102



| | |
|--|----------------|
| Postage | \$ 0.55 |
| Certified Fee | 1.99 |
| Return Receipt Fee (Endorsement Required) | 1.50 |
| Restricted Delivery Fee (Endorsement Required) | |
| Total Postage & Fees | \$ 3.99 |

Sent To
 Ricks Exploration, Inc.
 3000 Oklahoma Tower
 210 Park Avenue
 Oklahoma City, Oklahoma 73102

1000 1690 0012 3768 6134