



NEW MEXICO ENERGY, MINERALS & NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

August 17, 1999

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

Telefax No. (505) 982-2151

Administrative Order NSL-4343

Dear Mr. Bruce:

Reference is made to your application dated July 28, 1999 on behalf of the operator, Chi Energy, Inc., for its proposed Coal Train Federal Com. Well No. 1 to be drilled at an unorthodox Morrow gas well location 990 feet from the South and West lines (Unit M) of Section 10, Township 17 South, Range 28 East, NMPM, Eddy County, New Mexico.

The S/2 of Section 10, being a standard 320-acre lay-down gas spacing and proration unit for the Undesignated Southeast Crow Flats-Morrow Gas Pool, is to be dedicated to this well.

The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox gas well location will be at a more favorable geologic position within the Morrow formation than a well drilled at a location considered to be standard within the proposed unit.

The application has been duly filed under the provisions of New Mexico Oil Conservation Division ("Division") Rule 104.F.

By the authority granted me under the provisions of Division Rule 104.F(2), the above-described unorthodox Morrow gas well location is hereby approved.

Sincerely,

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad