

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

October 4, 2004

Harry M. White
3333 NE 34th Street
Apt. 610
Ft. Lauderdale, Florida 33308

"Certified-Return Receipt"

Re: Oil & Gas Lease
T-22 South, Range 27 East, N.M.P.M.
Section 29: SE/4
Eddy County, New Mexico
160.0 gross acres / 40 net acres

Mr. White:

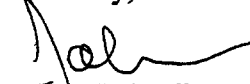
Concerning the above referenced acreage, Chi Energy, Inc. respectfully requests a Oil & Gas Lease under the following general terms.

1. Chi Energy, Inc. hereby offers \$150.00 per net acre for the oil & gas lease.
2. Three year term.
3. Three Sixteenths (18.75%) Royalty

If the above proposal is acceptable please sign the Oil & Gas Lease in the space provided, have it notarized and present the Oil & Gas Lease and Draft to your bank as a Collection Item. Once our bank has received it, I will pay the draft. Should you have any questions or wish to discuss this offer further, please call.

Thanks for your time and attention to this proposal.

Sincerely,

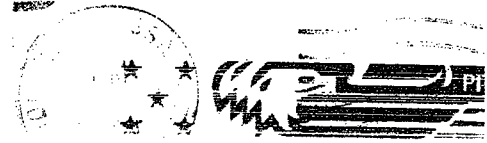

John W. Qualls

JWQ/th

OIL CONSERVATION DIVISION
CASE NUMBER
EXHIBIT NUMBER 2

CERTIFIED MAIL™

CHI OPERATING, INC.
P.O. BOX 1799
MIDLAND, TX 79702-1799



U.S. POSTAGE
1430
WHAT MATTERS 797 10/05/04
04-42
7706 MAILED FROM ZIP CODE

7003 1680 0006 8222 2201



ATTEMPTED UNKNOWN

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Harry M. White
3333 NE 34th Street
Apt. 610
Ft. Lauderdale, Florida 33308

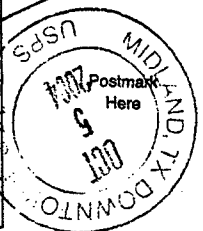
"C"

33308/6307



7022 2229 9000 099T E002

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OFFICIAL USE	
Postage	\$ 1.60
Certified Fee	2.30
Return Receipt Fee (Endorsement Required)	4.75
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 4.65

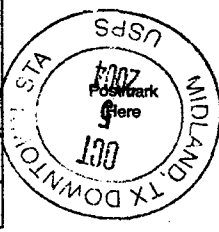


Sent To: Joseph F. Rusnak
Street, Apt. No., or PO Box No.: P.O. Box 3128
City, State, ZIP+4: Houston, TX. 77253

PS Form 3800, June 2002 See Reverse for Instructions

7022 2229 9000 099T E002

U.S. Postal Service™	
CERTIFIED MAIL™ RECEIPT	
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For delivery information visit our website at www.usps.com	
OFFICIAL USE	
Postage	\$ 3.7
Certified Fee	2.30
Return Receipt Fee (Endorsement Required)	1.75
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 4.42



Sent To: Harry M. White Apt.
Street, Apt. No., or PO Box No.: 3333 NE 34th St. W10
City, State, ZIP+4: Ft. Lauderdale, FL 33308

PS Form 3800, June 2002 See Reverse for Instructions