

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

July 28, 2006

Land Department  
Pride Energy Company  
P. O. Box 701950  
Tulsa, Oklahoma 74170

**Re: Malcolm S. Anderson Revocable Trust**  
**T-14S-R-34E**  
**Section 11: NE/4NE/4**  
**Lea County, New Mexico**

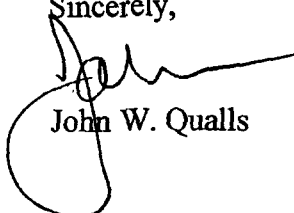
Gentlemen:

Chi Energy, Inc. is interested in purchasing a Term Assignment concerning the above referenced Oil & Gas Lease from you based on the following terms.

- 1) One Year Term Assignment for \$125.00 per net acre delivering to Chi a 80.0% Net Revenue Interest.

Should this be acceptable to Pride, please sign in the space provided below and I will prepare the paperwork. Thanks and please call should you have any questions.

Sincerely,

  
John W. Qualls

JWQ/fh

Agreed and accepted this \_\_\_\_\_ of August, 2006.

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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

August 17, 2006

**"Certified-Return Receipt"**

Land Department  
Pride Energy Company  
P. O. Box 701950  
Tulsa, Oklahoma 74170

**Re: Estacado Prospect  
Elkan #2 (NE/4 Proration Unit)  
1980' FNL & 660' FEL  
Section 11-T-14S-R-34E  
Lea County, New Mexico**

Gentlemen:

Chi Operating, Inc. is proposing a Upper Penn test at a legal location in the NE/4 of Section 11-14S-34E, Lea County, New Mexico to a depth of approximately 10,900'. The Northeast Quarter (NE/4) of Section 11, T-14S-R-34E is the proposed spacing unit. Attached is an "Authority for Expenditures" and approval page of same. Please return a signed AFE approval page at your earliest convenience. A Joint Operating Agreement will be prepared and sent to you as soon as possible.

Thanks and please call should you have any questions and talk to myself or Bill Bergman.

Sincerely,



John W. Qualls  
JWQ/fh