



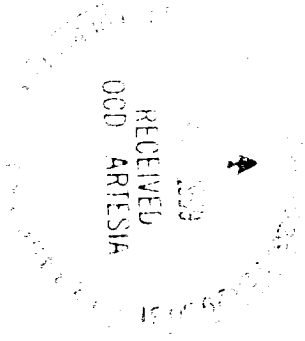
NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

May 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-4284

Dear Mr. Bruce:

Reference is made to your application dated May 4, 1999 on behalf of the operator, Chi Energy, Inc., for its proposed Silver Streak State Com. Well No. 1 to be drilled at an unorthodox Morrow gas well location 1400 feet from the North line and 1650 feet from the East line (Unit G) of Section 8, Township 17 South, Range 28 East, NMPM, Eddy County, New Mexico.

The N/2 of Section 8, being a standard 320-acre lay-down gas spacing and proration unit for the Undesignated 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 NE/4 of Section 8.

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 gas well location is hereby approved.

Sincerely,

Lori Wrotenbery
Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia /
New Mexico State Land Office - Santa Fe
U. S. Bureau of Land Management - Carlsbad