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W THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

January 30, 2001

HAND DELIVERED

Mr. Michael E. Stogner,
Chief Hearing Examiner
Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, New Mexico 87504

Case 12605

RE: NMOCD Case 12587
Bertha J. Barber Well No. 12
330 feet FNL & 660 feet FEL
Unit A Section 7, T20S, R37E
Second Amended Application of Sapient Energy Corp.
for approval of an unorthodox gas well location and
two non-standard 160-acre gas proration and spacing units,
or in the alternative, adoption of 80-acre spacing for the
West Monument-Tubb Gas Pool, Lea County, New Mexico

Dear Mr. Stogner:

I wish to inform you that Sapient is withdrawing that portion of its first amended application which sought, as an alternative remedy, the approval of a non-standard 160-acre gas proration and spacing unit which crossed a section line. Because of that request, at the prehearing conference, you suggested I file a second amended application to include a request to consider prorationing for this pool and the approval of two nonstandard 80-acre units.

Subsequent to the prehearing conference of the referenced case held on January 24, 2001, in which the topic of prorationing was discussed, I examined the practicality of amending this application to include a request to prorate the West Monument-Tubb Gas Pool as the means to balance the corrective rights between standard 160-acre and non-standard 80-acre gas spacing units.

Oil Conservation Division

January 30, 2001

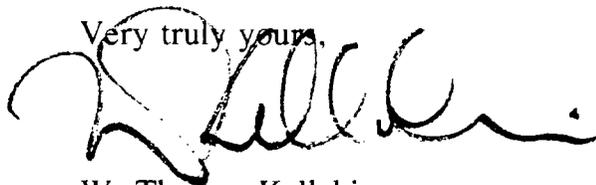
-Page 2-

Conceptually, gas prorationing is an effective and efficient means not only to allocate market demand but to protect correlative rights and prevent waste. However, based upon my recent experience in the Jalmat Gas Pool, I have determined that the Division lacks the ability and resources to manage prorated pools to accomplished the stated objectives. For example, among other reasons, the Division no longer has a petroleum engineer assigned to supervise prorationing, no longer publishes a proration schedule, does not monitor compliance with production allowables and apparently has no intention of doing any of the things essential for proper prorationing.

Accordingly, in place of Sapient's first amended application, I am proposing, as an alternative remedy, that the Division adopt special rules and regulations for the West Monument-Tubb Gas Pool, including a provision for 80-acre gas proration and spacing units as an appropriate solution for resolving corrective rights and the unique circumstances involved in this matter.

On behalf of Sapient Energy Corp., please find enclosed our second amended application for re-advertisement for a Special Examiner's hearing scheduled for March 1, 20001.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a circular stamp.

W. Thomas Kellahin

fxc: Sapient Energy Corp.

Attn: Chuck Perrin

hand delivered:

William F. Carr, Esq.

Attorney for Chevron USA Inc.

Attorney for Conoco Inc.

prepared January 30, 2001 for advertisement on the March 1, 2001 special hearing docket

amended re-advertisement

Case: Amended Application of Sapient Energy Corp for an unorthodox well location and (i) two non-standard 160-acre spacing and proration units, or in the alternative (ii) for adoption of special rules and regulations for the West Monument-Tubb Gas Pool, including 80-acre spacing and proration units, Lea County, New Mexico. Applicant seeks approval of an unorthodox gas well location for its Bertha J. Barber Well No. 12 which is located at an unorthodox gas well location 330 feet from the north line and 660 feet from the east line of Section 7, T20S, R37E, Lea County, New Mexico, to be dedicated to a non-standard 160-acre gas proration and spacing unit consisting of the E/2E/2 this section for production from the West Monument-Tubb Gas Pool **retroactive to the date of first production (September 9, 1999)**. Should the Division approve a non-standard 160-acre spacing and proration unit consisting of the E/2E/2 of Section 7, then the applicant seeks the approval of a second non-standard 160-acre proration and spacing unit consisting of the W/2E/2 of this section. In the alternative, applicant seeks the adoption of special rules and regulations for production from the West Monument-Tubb Gas Pool including 80-acre spacing and proration units.

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

**IN THE MATTER OF THE APPLICATION OF
SAPIENT ENERGY CORP. FOR APPROVAL OF
AN UNORTHODOX GAS WELL LOCATION AND TWO
NON-STANDARD 160-ACRE GAS SPACING UNITS
AND, IN THE ALTERNATIVE, FOR THE ADOPTION
OF SPECIAL RULES AND REGULATIONS FOR THE
WEST MONUMENT-TUBB GAS POOL, INCLUDING
80-ACRE SPACING, LEA COUNTY, NEW MEXICO**

CASE 12587

SECOND AMENDED APPLICATION

Comes now Sapient Energy Corp., by and through its attorneys, Kellahin and Kellahin, and in accordance with New Mexico Oil Conservation Division General Rule 104.F, General Rule 104.D and General Rule 1207.A(2) and (3), amends its application to the New Mexico Oil Conservation Division ("Division") for approval:

- (a) of an unorthodox gas well location for its Bertha J. Barber Well No 12 ("Barber 12 Well") which is located at an unorthodox gas well location 330 feet from the north line and 660 feet from the east line of Section 7, T20S, R37E, Lea County, New Mexico;
- (b) to be dedicated to a non-standard 160-acre gas proration and spacing unit consisting of the E/2E/2 this section for production from the West Monument-Tubb Gas Pool **retroactive to the date of first production (September 9, 1999)**;
- (c) should the Division approve a non-standard 160-acre spacing and proration unit consisting of the E/2E/2 of Section 7, then the applicant seeks the approval of a second non-standard 160-acre proration and spacing unit consisting of the W/2E/2 of this section;
- (e) in the alternative, applicant requests that the Division adopt special rules and regulations for the West Monument-Tubb Gas Pool, including a provision for standard 80-acre spacing units.

and in support states:

BACKGROUND

(1) By letter dated October 11, 2000, Chevron USA Production Company ("Chevron") filed an administrative application with the Division seeking approval of an unorthodox gas well location for its G. C. Matthews Well No. 12, 330' FSL & 990' FEL Unit P, Section 6, T20S, R37E, to be dedicated to a standard 160-acre gas spacing consisting of the SE/4 of this section for production from the West Monument-Tubb Gas Pool.

(2) Chevron sent notification of its application to Falcon Creek Resources, Inc. ("now Sapient Energy Corp.") as the offsetting operator of the Bertha J. Barber Well No. 12 ("the Barber 12 Well"), Unit A of Section 7, T20S, R37E, towards whom the Chevron well will encroach.

(3) On August 21, 1999, Cross Timber recompleted the Barber 12 Well from an oil well to a producing gas well in the Tubb gas formation.

(4) On January 6, 2000, in Case 12321, the Division issued Order R-11304 which approved the creation of the West Monument-Tubb Gas Pool, designated the E/2 of Section 7 as the acreage for the new pool and approved the Barber 12 Well as the discovery well for this pool.

(5) On April 1, 2000, Falcon Creek Resources, Inc. ("Falcon Creek") acquired the Bertha J. Barber Well No. 12 from Cross Timbers Operating Company ("Cross Timbers").

(6) On July 14, 2000, Sapient Energy Corp. ("Sapient") acquired this well from Falcon Creek.

(7) As a result of Chevron's application, Sapient has determined from an examination of the Division files the following:

(a) Cross Timbers filed a C-105 dated September 9, 1999, being a Tubb gas well recompletion report;

(b) Cross Timbers filed a C-102 dated September 9, 1999, showing an unorthodox Tubb gas well location and the dedication of a non-standard 160-acre spacing unit consisting of the E/2E/2 of Section 7;

(c) on September 20, 1999, the Division (OCD-Hobbs) approved Cross Timbers' C-103 to recomplete this oil well at an unorthodox gas well location in the Tubb formation with a 160-acre non-standard acreage dedication consisting of the E/2E/2 of Section 7;

(d) On April 14, 2000, the OCD-Hobbs approved Falcon Creek's C-104 (allowable request) which shows this well to be in the West Monument Tubb Gas Pool.

FIRST RELIEF REQUESTED

(8) Sapient relied upon the Division's approvals set forth in paragraph (7) above, and to now require Sapient to obtain further approvals for the unorthodox gas well location for this well will cause Sapient to be damaged and irreparably harmed.

(9) From the date of first production, Cross Timbers, Falcon Creek and now Sapient has paid and distributed proceeds from the Tubb formation production from the Barber 12 Well to the mineral owners in the E/2E/2 of this section.

(10) In the event the Division concludes that the Division's prior approvals are inadequate because Cross Timbers failed to obtain all the necessary approvals from the Division for the unorthodox location, then Sapient requests Division approval for an unorthodox gas well location for its Bertha J. Barber Well No 12 ("Barber 12 well") which is located at an unorthodox gas well location 330 feet from the north line and 660 feet from the east line of Section 7, T20S, R37E, Lea County, New Mexico for production from the West Monument-Tubb Gas Pool **retroactive to the date of first production (September 9, 1999)**.

SECOND RELIEF REQUESTED

(11) Sapient relied upon the Division's approvals set forth in paragraph (7) above, and to now require Sapient to obtain further approvals for a non-standard 160-acre gas proration and spacing unit will cause Sapient to be damaged and irreparably harmed.

(12) From the date of first production, Cross Timbers, Falcon Creek and now Sapient has paid and distributed proceeds from the Tubb formation production from the Barber 12 Well to the mineral owners in the E/2E/2 of this section.

(13) In the event the Division concludes that the Division's prior approvals are inadequate because Cross Timbers failed to obtain all the necessary approvals from the Division for the non-standard 160-acre proration and spacing unit for the Barber 12 Well consisting of the E/2E/2 of Section 7, then Sapient requests the approval of a non-standard 160-acre spacing unit consisting of the E/2E/2 of Section 7 for production from the West Monument-Tubb Gas Pool **retroactive to the date of first production (September 9, 1999)**.

(14) In the event the Division approves this request, then Sapient also requests the approval of a non-standard 160-acre spacing unit consisting of the W/2E/2 of Section 7.

FIRST ALTERNATIVE RELIEF

(15) In accordance with Section 70-2-17 NMSA (1978), the Division

A. is required, so far as it is practicable to do so, afford to the owner of each property in a pool the opportunity to produce its just and equitable share of the oil or gas, or both, in the pool, being the amount, so far as can be practically determined, and so far as such can be practicably obtained without waste, **substantially in the proportion that the quantity of the recoverable oil or gas, or both, under such property bears to the total recoverable oil or gas, or both, in the pool...** [emphasis added]

B. ...may establish a proration unit for each pool, such being the area that can be efficiently and economically drained and developed by one well...."

(16) Sapient requests that the Division adopt rules and regulations for the production of gas from the West Monument-Tubb Gas Pool including a provision for standard 80-acre gas spacing and proration units.

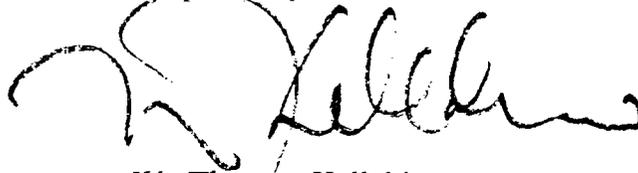
(17) Spacing units consisting of 80-acres formed as described in paragraph (15) above satisfy the statutory requirements set forth in Section 70-2-17 NMSA (1978).

NOTIFICATIONS

(18) Notice is being sent to all appropriate parties as required by Division notice rules. **See Exhibit A.**

WHEREFORE, Sapient Energy Corp. ("Sapient") requests that this matter be set by the New Mexico Oil Conservation Division for hearing and that an order be issued approving Sapient's application.

Respectfully submitted,

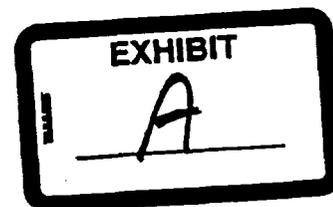
A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written in a cursive style.

W. Thomas Kellahin
Kellahin and Kellahin
P.O. Box 2265
Santa Fe, New Mexico 87504-2265
(505) 982-4285
Attorneys for Applicant

W/2 E/2 Section 7, T-20-S, R-37-E, Limited to the Tubb Formation
Lea County, New Mexico

CURSORY REPORT OF OWNERSHIP

<u>Working Interest Owners</u>	<u>Address</u>
Conoco, Inc. (1/2)	10 Dewa Drive, Suite 100-W Midland, TX 79705
Chevron USA Production Co. (1/4)	Box 1635 Houston, TX 77251
Atlantic Richfield Co. (1/4) (Now BP Amoco at P. O. Box 3092, Houston, TX 77253)	Box 1610 Midland, TX 79702
<u>Overriding Royalty Owners</u>	<u>Address</u>
Nathan Kalvin	P. O. Box 652 Dallas, TX
C.E. Hyde	6500 Ridgeman Place Fort Worth, TX 76116
W. L. Pickens	8111 Preston Rd. Dallas, TX 75225-6278
Texaco Oil Co.	8111 Preston Rd. Dallas, TX 75225-6331
A. N. Ezz	1507 W. 3rd Street Roswell, NM 88201
Home Stake Royalty Corp. (Now Cortez Oil & Gas - Plano, TX)	15 E. 5th Street, Suite 2300 Tulsa, OK 74103-4335
Western Mineral Deed Assoc, Inc.	Status & Address Unknown
North Central Oil Corp.	6001 Savoy Drive, Suite 600 Houston, TX 77026-3321
James Brett Stokes	Status & Address Unknown
E. W. Angush Estate	305 W. Wall, Suite 614 Midland, TX 79701
Charles D. Vertrees, Jr.	7816 Pendeross Dallas, TX 75248
Ralph W. Vertrees	2525 Harris Blvd. Austin, TX 78703
Atlantic Oil Corp.	Status & Address Unknown
Patricia Ann Montgomery	434 Palmer Dr. Muskogee, OK 74401
Robert E. Kerstner	P. O. Box 1407 Muskogee, OK 74401
Elizabeth Jane Kunkel	P. O. Box 292 Stevensville, MI 49127
Jean Mary Boehm	1313 Boston Ave. Muskogee, OK 74401
Joan Mary Putnam	1817 Elmhurst Ave. Oklahoma City, OK 73120



Overriding Royalty Owners (cont.)

Address

Edwin P. Kerr and Kessette A. Kerr, Trustees
under the Kerr Living Trust

200 N. Harvey Ave
Oklahoma City, OK 73102-4004

Ed P. Kerr, Jr.

1120 Park Manor Street
Oklahoma City, OK 73116-0105

Atlantic Oil Investment Corp.

Status & Address Unknown

Ragan Petroleum, Inc.

P. O. Box 2280
Muskogee, OK 74402

Averex, Inc.

P. O. Box 52305
Lafayette, LA 70505

Elizabeth J. Lippmann Essig.

Box 1786
Ft. Myer, VA 22211

Edwin J. Lippmann, Trustee of the Edwin J.
Lippmann Jr. Revocable Trust 11/8/93

P. O. Box 764
Muskogee, OK 74402-0764

Mary Midge Lippmann

P. O. Box 2241
Muskogee, OK 74402-2241

Patrick A. Lippmann, Trustee of the Patrick A.
Lippmann Revocable Trust 5/31/95

P. O. Box 28534
Kansas City, MO 64188-8534

John R. Lippmann

P. O. Box 2908
Norman, OK 73070

Royalty Owner

United States of America, BLM (100%)

prepared January 30, 2001 for advertisement on the March 1, 2001 special hearing docket

amended re-advertisement

Case: ~~Amended Application of Sapient Energy Corp for an unorthodox~~
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~~in the alternative (ii) for adoption of special rules and regulations for the West~~
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