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August 2, 2001

HAND DELIVERED

Mr. Michael E. Stogner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

OIL CONSERVATION DIV
01 AUG - 3 AM 10:10

Re: Chevron U.S.A. Production Company

Administrative application for simultaneous dedication of Eumont gas production to the previously approved 160-acre non-standard gas spacing and proration unit comprising the SE/4 of Section 28, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico (approved by Division Administrative Order NSP-272 dated June 27, 1956) from Chevron U.S.A., Inc's S. E. Fulton Wells No. 1, 2, 5, and 6.

Administrative application for: (i) an unorthodox infill gas well location for the proposed Harry Leonard NCT-A Well 15 (API No. 30-025-35396) to be drilled 1980 feet from the South line and 760 feet from the West line (Unit L) of Section 22; and (ii) simultaneous dedication of Eumont gas production to the previously approved 480-acre non-standard gas spacing and proration unit comprising the NE/4 and S/2 of Section 22, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico (authorized by Division Administrative Order NSP-944, dated April 12, 1974, and upheld by Division Order No. R-5549, issued in Case No. 6041 on October 25, 1977) from Chevron's Harry Leonard NCT-A Wells No. 3, 6, 7, 12, 13, 14, and 15.

Dear Mr. Stogner;

Each of the above-referenced administrative applications was filed by Chevron in January 2001. At the time these applications were filed, there were no clear procedures

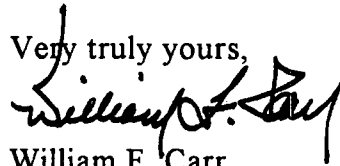
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August 2, 2001
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in either in the Division's rules governing the Eumont Gas Pool or the Stipulated Declaratory Judgment issued by the First Judicial District Court in Santa Fe County, New Mexico on December 15, 2000, for administrative review of applications for additional infill wells in the Eumont gas pool which result in spacing of less than 160 acres per well on a proration unit. Accordingly, by letters from the Division dated February 13, 2001, these applications were set for hearing. At the request of Chevron, these cases have been continued on several occasions and are currently scheduled for hearing on August 9, 2001.

In our discussion of this date you advised me that the Stipulated Declaratory Judgment has been amended and that the procedures for administrative review of these application have been clarified so that it may be possible for the Division to consider these application without the necessity of a hearing. If the amended Stipulated Declaratory Judgment allows, Chevron requests that the above-referenced applications be considered for administrative approval and, if they can be administratively approved, that Division Cases 12609 and 12610 be dismissed.

Your attention to this request is appreciated.

Very truly yours,



William F. Carr
Attorney for Chevron U.S.A.
Production Company

Cc: C. J. Affeld



NEW MEXICO ENERGY, MINERALS and
NATURAL RESOURCES DEPARTMENT

Effective 7-11-01

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

July 5, 2001

James A. Hall
District Judge, Division II
First Judicial District Court
P.O. Box 2268
Santa Fe, New Mexico 87504

Re: *Doyle Hartman, Oil Operator v. The New Mexico Oil Conservation Division, Lori Wrotenbery, Division Director*, First Judicial District Cause No. D-0101-CV9902927

Dear Judge Hall,

Counsel for the Division in this matter, Lyn Hebert, has left the Energy, Minerals and Natural Resources Department and for the time being I am handling this matter.

Please find enclosed the original and several copies of a proposed Amended Stipulated Declaratory Judgment in the above-referenced case. If appropriate, the parties desire that you execute the Amended Judgment.

As you recall, the parties agreed to entry of a Stipulated Declaratory Judgment, which was executed and filed on January 4, 2001. Since entry of the Judgment, minor issues have arisen with regard to its proper interpretation, and the parties conferred recently and agreed to minor amendments to clarify its meaning. The changes from the original Judgment are found in paragraph 2 and paragraph 3.

If you desire further explanation of the changes, I will be happy to request a hearing for presentment.

Thank you very much for your further consideration of this matter.

Sincerely,

Stephen C. Ross
Assistant General Counsel

Cc: J.E. Gallegos

**FIRST JUDICIAL DISTRICT
STATE OF NEW MEXICO
COUNTY OF SANTA FE**

DOYLE HARTMAN, OIL OPERATOR,

Plaintiff,

v.

No. D-0101-CV9902927

**NEW MEXICO OIL CONSERVATION
DIVISION, LORI WROTENBERY, DIVISION
DIRECTOR,**

Defendants.

AMENDED STIPULATED DECLARATORY JUDGMENT

Plaintiff Doyle Hartman, Oil Operator filed his Motion for Summary Judgment herein on December 15, 2000, which was supported by a Memorandum and Affidavit of Linda Land. The defendants New Mexico Oil Conservation Division ("Division") and Lori Wrotenbery, Division Director, agreed to the granting of the plaintiff's motion by the entry of a Declaratory Judgment and that judgment should be modified to provide the terms hereafter stated and the Court being fully advised IT IS THEREFORE ORDERED AND DECREED as follows:

1. The approval of drilling an additional well or wells on a spacing unit ("infill drilling") in the Eumont and Jalmat Gas Pools shall be administered in a manner that affords due process to affected parties, including notice, an opportunity to object and in the case of objection a right to public hearing in accordance with Division Rule 104.

2. In accordance with those principles it is provided that in the event an operator files an application with the Division for approval of an additional well or wells

in the Eumont Gas Pool or the Jalmat Gas Pool, which if allowed would result in spacing of less than 160 acres per well on a proration unit, the infill well or wells may be permitted only after notice pursuant to Division Rule 1207A(2) and opportunity for hearing for affected persons. Once notice is provided, the Division may process the application in a manner consistent with paragraph 3, herein, and otherwise consistent with the Division's practice, its Rules and Regulations and the Oil and Gas Act.

3. If no affected person timely objects and Division rules allow for administrative approval of the application, the application may be processed administratively and approved or denied by the Division without hearing. If an affected person timely objects, the Division shall set the matter for hearing.

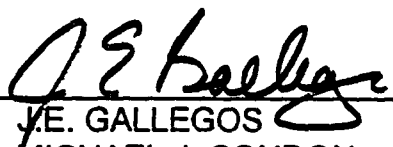
4. This order will not impact or affect any administrative approvals issued prior to December 15, 2000, except for those orders which were the subject of this litigation.

5. Each party shall bear their own costs and fees incurred in this matter.

JAMES A. HALL
DISTRICT COURT JUDGE

AGREED AND APPROVED:

GALLEGOS LAW FIRM, P.C.

By 
J.E. GALLEGOS
MICHAEL J. CONDON
Attorneys for Doyle Hartman, Oil Operator

By



STEPHEN C. ROSS

Attorney for New Mexico Oil Conservation
Division and Lori Wrotenbery, Director