

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

CASE NO. 12587

**APPLICATION OF SAPIENT ENERGY CORP.
FOR AN UNORTHODOX WELL LOCATION
AND TWO NON-STANDARD 160-ACRE
SPACING UNITS , LEA COUNTY, NEW MEXICO.**

OIL CONSERVATION DIV
01 FEB 27 AM 11:55

PRE-HEARING STATEMENT

This Prehearing Statement is submitted by Holland & Hart LLP and Campbell & Carr, as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

Sapient Energy Corp.

ATTORNEY

W. Thomas Kellahin, Esq.
Post Office Box 2265
Santa Fe, New Mexico 87504-2265

OPPOSITION OR OTHER PARTY

Chevron U.S.A. Production Company
Attn: Lloyd Trautman
Frank Cusimano, Esq.
P.O. Box 1150
Midland, Texas 79702
(915) 687-7152

ATTORNEY

William F. Carr, Esq.
Holland & Hart LLP and
Campbell & Carr
Post Office Box 2208
Santa Fe, New Mexico 87504
(505) 988-4421

STATEMENT OF CASE

APPLICANT

Sapient Energy Corp seeks approval of an unorthodox gas well location for its Bertha J. Barber Well No. 12 at an unorthodox location 330 feet from the North line and 660 feet from the East line of Section 7, Township 20 South, Range 37 East. Sapient also seeks the approval of two non-standard 160-acre spacing units: one comprised of the E/2 E/2 and the other the W/2 E/2 of Section 7.

OPPOSITION OR OTHER PARTY

Chevron U.S.A. Production Company will appear and present testimony in opposition to the application of Sapient Energy, Inc. Chevron is the operator of the SE/4 of Section 6, Township 20 South, Range 37 East which directly offsets to the north the acreage which is the subject of this application. Chevron objects to the proposed non-standard spacing units for, if approved, would permit two Tubb formation producing wells in the NE/4 of Section 7 while Chevron would only be entitled to one well. This would result in drainage that could not be offset with counter drainage without the drilling of an unnecessary well and would impair the correlative rights of Chevron.

Chevron also opposes Sapient's requested unorthodox well location 330 feet from the north line of Section 7. Chevron proposed to offset this well with a re-entry in the SE/4 of Section 6 at a point 330 feet from the common boundary between the Chevron and Sapient spacing units. Sapient has objected to this re-entry and, pending a hearing on Chevron's application, this acreage is being drained by Sapient. Sapient continues to produce its well in the N/E 4 of Section 7, although this location and the non-standard spacing unit dedicated thereto has not been approved by the Division. Accordingly, Chevron will request that the application of Sapient be denied and that the Sapient well in the NE/4 of Section 7 be shut in until proper Oil Conservation Division approvals have been obtained and Chevron has been afforded an opportunity to undertake such actions as are necessary to protect its correlative rights.

APPLICANT

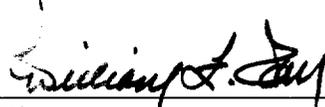
| WITNESSES (Name and expertise) | EST. TIME | EXHIBITS |
|-----------------------------------|------------|-----------------|
| Abel Lovato (Landman) | 15 minutes | Approximately 4 |
| Tim Denny (Geologist) | 10 minutes | Approximately 2 |

OPPOSITION

| WITNESSES (Name and expertise) | EST. TIME | EXHIBITS |
|-----------------------------------|-----------|----------|
|-----------------------------------|-----------|----------|

PROCEDURAL MATTERS

Chevron will request that this case be consolidated for the purposes of hearing with its application in Case 12586 in which it is seeking an order approving an unorthodox well location in the SE/4 of Section 6, Township 20 South Range 32 East, Lea County, New Mexico.

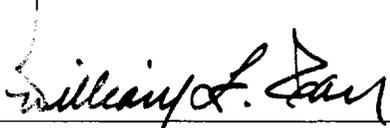


Signature

CERTIFICATE OF SERVICE

I hereby certify that on this 27th day of February, 2001, I have caused to be hand-delivered a copy of our Pre-Hearing Statement in the above-captioned case to the following counsel of record:

W. Thomas Kellahin, Esq.
117 North Guadalupe Street
Santa Fe, New Mexico 87501



William F. Carr