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July 17, 2001

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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)

HAND DELIVERED

Mr. Richard Ezeanyim, Chief Engineer
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87504

Re: NMOCD Case 12587
*Amended Application of Sapiant Energy Corp.
for an unorthodox well location, non-standard
proration units, Lea County, New Mexico*

NMOCD Case 12605
*Application of Sapiant Energy Corporation for
special pool rules for the West Monument-Tubb Gas Pool,
Lea County, New Mexico*

Dear Mr. Ezeanyim:

On behalf of Sapiant Energy Corp., I have received a copy of a letter dated July 2, 2001 written to you by William F. Carr, attorney for Chevron USA Production and Conoco Inc. concerning the referenced case.

Mr. Carr admits in his letter that on several occasions he has had conversations with the Director, the Hearing Examiner and now with you concerning this case. As Mr. Carr knows, his actions are in direct violation of Division Rule 1223 concerning "ex parte communications". I would appreciate you providing me with a written explanation of those conversations so that I may determine what course of action may best protect my client's interest.

Mr. Carr's letter is nothing more than a regurgitation of arguments Conoco and Chevron made at the prehearing conference and at the hearing. However he misleads the Division by stating that "Chevron and Conoco have asked the Division to order the Barber Well (the Sapiant well) shut in until it is in full compliance with Division rules. The Oil Conservation Division has not acted on these requests." To the contrary, at a prehearing conference held on January 24, 2001 the Division Examiner denied Conoco and Chevron's efforts to have the Sapiant well shut-in.

Mr. Richard Ezeanyim, NMOCD

July 17, 2001

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In addition, contrary to Mr. Carr's statements in his letter, Sapien's interest in the Bertha J. Barber Well No. 12 is not for sale and Sapien intends to remain the operator of this well. As Examiner Stogner has already determined, there is no reason to order the well shut-in.

Mr. Carr also complains about the inability of Chevron to drill an offsetting "protection well" to the Sapien well which was originally recompleted by Cross Timbers as a Tubb gas well on August 21, 1999. Thereafter, it took Chevron until October 11, 2000, to decide it needed a protection well. On October 31, 2000, Sapien filed an objection and continually attempted to settle this dispute with Chevron. Finally, at a prehearing conference held on January 24, 2001, Sapien withdrew its objection to the Chevron well and the Division issued Order NSL-3752-A. Thereafter, at the March 1, 2001, it became apparent that Chevron had obtained the administrative order for its well without providing proper notice to the affected parties. Examiner Stogner's stayed the order pending Chevron's compliance with the notice rules.

Chevron's failure to drill a protection well is either attributed to their own delay or is the direct result of Chevron's own failure to properly notify affected parties. It is not Sapien's fault that Chevron has failed to drill a protection well.

Very truly yours,

A handwritten signature in black ink, appearing to read "W. Thomas Kellahin". The signature is fluid and cursive, with a long vertical line extending downwards from the end of the signature.

W. Thomas Kellahin

cc: Mr. Michael E. Stogner, Hearing Examiner
Ms. Lori Wrotenbery, Director

William F. Carr, Esq.
Attorney for Chevron and Conoco

Sapien Energy Corp.
Attn: Chuck Perrin
(918) 488-8994