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OL CONSERVATION DIV
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January 25, 2001

Michael E. Stogner
Hearing Examiner
Oil Conservation Division
New Mexico Energy, Minerals and
Natural Resources Department
1220 South Saint Francis Drive
Santa Fe, New Mexico 87504

Re: Oil Conservation Division Case No. 12586: Application of Chevron U.S.A. Production Company for an unorthodox well location, Lea County, New Mexico.

Oil Conservation Division 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.

Dear Mr. Stogner;

Pursuant to your directive, this letter summarizes the actions taken in each of the above-referenced cases at the at the Oil Conservation Division's January 24, 2001 Pre-hearing Conference:

1. Case 12586: Sapient has withdrawn its objection to the administrative application of Chevron U.S.A. to re-complete its G. C. Matthews Well No. 12 in the Tubb formation and the application of Chevron will be approved by Administrative Order. Case 12586 will be dismissed.
2. Case 12587: Sapient will file an amended application in which it will seek the approval of the unorthodox well location for the Bertha J. Barber Well No. 12 330 feet from the North line and 660 feet from the East line of Section 7, Township 20 South, Range 37 East, NMPM. Sapient will seek the approval

Letter to Michael E. Stogner

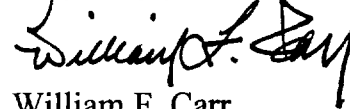
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of a non-standard spacing unit for this well comprised of the E/2 E/2 of Section 7 and, a non-standard spacing unit comprised of the W/2 E/2 of Section 7. In the alternative, Sapient will seek the approval of a 160-acre non-standard spacing unit comprised of the E/2 NE/4 of Section 7 and the W/2 NW/2 of Section 8. Sapient will also seek the approval of two additional non-standard spacing units in the Tubb formation, West Monument-Tubb Gas Pool: one to be comprised of the W/2 NE/4 of Section 7 and the other to be comprised of the E/2 NW/4 of Section 8, Township 20 South, Range 37 East, NMPM. This application will also seek to prorate this pool.

3. Chevron's requests that the Sapient Bertha J. Barber Well No. 12 be shut-in pending a final resolution of this dispute were denied.
4. The amended application of Sapient Energy Corporation in Case 12587 will be set for hearing before a Division Examiner on a special hearing docket on March 1, 2001.

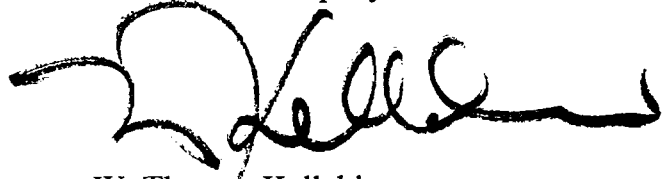
Very truly yours,



William F. Carr

Attorney for Chevron U.S.A.

Production Company



W. Thomas Kellahin

Attorney for Sapient Energy Corporation