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JASON KELLAHIN (RETIRED 1991)

January 23, 2001

Mr. Michael E. Stogner  
Oil Conservation Division  
1220 S. Saint Francis Drive  
Santa Fe, New Mexico 87504

HAND DELIVERED

OIL CONSERVATION DIV.  
01 JAN 23 PM 4:01

Re: **NMOCD CASE 12586** *Chevron USA Production Company*  
*G. C. Matthews Well No. 12, (330' FSL & 990' FEL)*  
*Unit P, Section 6, T20S, R37E, NMPM,*  
*Administrative Application to NMOCD for Approval of*  
*Unorthodox Gas Well Location, Lea County, New Mexico*

Dear Mr. Stogner:

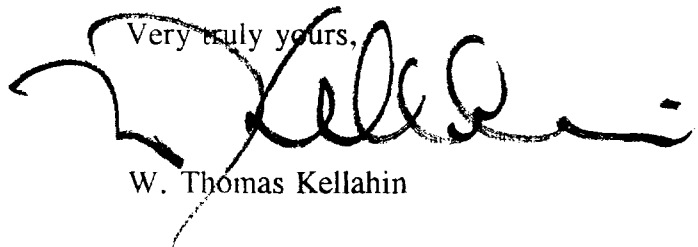
I represent Sapient Energy Corp., one of the offsetting interest owners towards whom the referenced Chevron USA Production Company ("Chevron") well will encroach. The other interests owners in the NE/4 of Section 7, T20S, R37E, are BP Amoco, Conoco and Chevron.

On October 31, 2001, I filed an objection to the Chevron administrative application in order to provide a procedure for addressing the issues involved. The purpose of filing the objection was not to delay the drilling of the Chevron well, but rather, to provide an opportunity to explore the possibility of resolving what could become certain disputes issues between Sapient and Chevron in the West Monument-Tubb Gas Pool. Since then, I have initiated and explored numerous settlement possibilities with Mr. William F. Carr, Esq., attorney for Chevron.

Although on January 2, 2001, Mr. Carr requested that this matter be scheduled for hearing on January 25, 2001, he and I have continued to explore various possible settlements. However, this morning, Mr. Carr informed me that Chevron would not accept any of the proposed settlements. Therefore, I regret to inform you that we have not been able to resolve what have become disputed issues concerning the Sapient well location and spacing unit.

Because I have not been able to obtain a settlement with Chevron, Sapient is hereby withdrawing its objection to Chevron's unorthodox well location and we will proceed to a hearing on Sapient's well location and its spacing unit.

Very truly yours,



W. Thomas Kellahin

cc: *Sapient Energy Corp*  
*Attn: Chuck Perrin*  
*William F. Carr, Esq.*  
*attorney for Chevron USA*