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October 31, 2000

HAND DELIVERED

Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87504
Attn: Mr. Michael E. Stogner

Re: **NOTICE OF OBJECTION:**
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

OIL CONSERVATION DIV.
09 OCT 31 AM 1:14

Dear Mr. Stogner:

By letter dated October 11, 2000, Chevron USA Production Company ("Chevron") filed the referenced administrative application with the Division and sent notification to Falcon Creek Resources, Inc. ("now Sapient Energy Corp.") as the offsetting operator of the Bertha J. Barber Well No. 12 (Unit A of Section 7, T20S, R37E) towards whom the Chevron well will encroach.

On August 21, 1999, Cross Timber recompleted this oil well as a producing gas well in the Tubb gas formation and by Order R-11304, the Division approved it as the discovery well for the West Monument-Tobb Gas Pool (Case 12321). April 1, 2000, Falcon Creek Resources, Inc. acquired the Bertha J. Barber Well No. 12 from Cross Timber Operating Company ("Cross Timber"). On July 14, 2000, Sapient Energy Corp. ("Sapient") acquired this well from Falcon Creek.

Sapient hereby objects to Chevron's application because Chevron appears to have other oil wells at standard gas well locations in the SE/4 of Section 6 which could be used for Tubb gas production instead of the subject well.

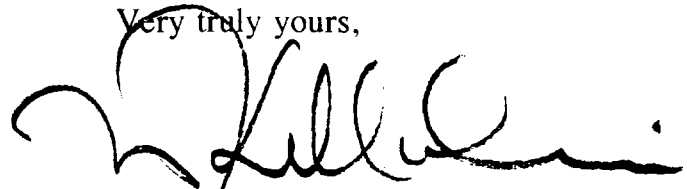
In reviewing this matter for Sapient, I find in the OCD-Santa Fe's well file for the Bertha J. Barber Well No. 12 the following:

- (a) Cross Timber's C-105 dated September 9, 1999, being a Tubb gas well recompletion report;
- (b) Cross Timber's C-102 dated September 9, 1999, showing an unorthodox Tubb gas well location and the dedication of a non-standard 160-acre spacing unit consisting of the E/2E/2 of Section 7;
- (c) On September 20, 1999, the Division (OCD-Hobbs) approved Cross Timber's C-103 to recomplete this oil well at an unorthodox gas well location in the Tubb formation with a 160-acre non-standard acreage dedication consisting of the E/2E/2 of Section 7;
- (d) On April 14, 2000, the OCD-Hobbs approved Falcon Creek's C-104 (allowable request) which shows this well to be in the West Monument Tubb Gas Pool.

While I did not find an approved C-104 for Cross Timber to produce the well, I do find an approved C-104 for Falcon Creek. It is my understanding that before the OCD-Hobbs will approve a C-104 and allow a well to be produced, the well's location and spacing unit must either comply with Division rules or be granted an order authorizing exception from those rules. However, I have yet to find those orders in the OCD-Santa Fe's well files.

I am sending a copy of this letter to Mr. William F. Carr, Esq., local attorney for Chevron, and recommend that before this objection is set for hearing that you, he and I meet to discuss how to proceed with this matter.

Very truly yours,



W. Thomas Kellahin

cc: *Sapient Energy Corp*
Attn: Chuck Perrin
Chevron USA Production Company
Attn: Lloyd V. Truatman
William F. Carr, Esq.
attorney for Chevron USA
OCD-Hobbs
Attn: Chris Williams