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June 28, 2004

Honorable James H. Welsh
Commissioner of Conservation
State of Louisiana
Post Office Box 44275
Baton Rouge, Louisiana 70804-4275

Re: APPLICATION FOR PUBLIC HEARING.

Smackover B Formation, Reservoir A, ANTIOCH
FIELD, Claiborne Parish, Louisiana.

Dear Sir:

TELLUS OPERATING GROUP, L.L.C. ("Applicant"), hereby respectfully applies for a public hearing to consider evidence relative to the issuance of Orders pertaining to the following matters relating to the Smackover B Formation, Reservoir A, in the Antioch Field, Claiborne Parish, Louisiana:

1. To permit Applicant to designate and utilize two (2) alternate unit wells for SMK B RA SUC, and one (1) alternate unit well each for SMK B RA SUD and SMK B RA SUE, at the locations shown on the attached plat.
2. To approve an exception to the well location provisions of Office of Conservation Order No. 344-E, effective March 28, 2000, for any of the proposed alternate unit wells the location of which, as shown on the attached plat, does not comply with the well location provisions in said order.
3. To find that each of the proposed alternate unit wells is necessary to efficiently and economically drain a portion of the Smackover B Formation, Reservoir A, underlying the unit on which it is proposed to be located which cannot be efficiently and economically drained by any existing well on such unit.
4. To permit the operator of SMK B RA SUC, SMK B RA SUD and SMK B RA SUE to produce the allowables assigned to these units from either the unit well, any alternate unit well or from any combination of such wells, at the option of the operator.
5. To discuss such other matters as may be pertinent to this application.

The Smackover B Formation, Reservoir A, in the Antioch Field, Claiborne Parish, Louisiana, was defined in Office of Conservation Order No. 344-E, effective March 28, 2000.

Pertinent data concerning this application is available for inspection at the offices of Tellus Operating Group, L.L.C., 4780 I-55 North, Suite 400, Jackson, Mississippi 39211. Any

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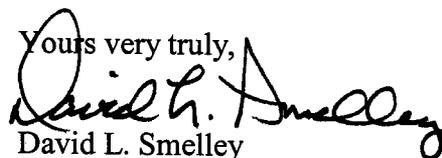
person wishing to inspect such data should call Mr. Kevin Macumber at (601) 969-1122 during normal business hours in order to arrange a date and time for such inspection. A copy of any such data which is not otherwise available at the Office of Conservation can be obtained from Applicant at the expense of the requesting party.

As provided by the Revised Rules of Procedure, the subject matter of this application does not require the issuance of a pre-application notice; therefore, no such notice has been issued.

Pursuant to the aforesaid Rules of Procedure, Applicant has made a reasonable effort to obtain the names and addresses of all Interested Owners, Represented Parties and Interested Parties to whom notice of this application is being sent and has attached hereto a list of the names and addresses of such parties. A copy of this letter, and of the attached plat, is being sent to the District Manager of the Shreveport District of the Office of Conservation and to the Interested Owners, Represented Parties and Interested Parties, as shown on the attached list.

Applicant will provide for posting of a copy of the Legal Notice of this hearing, and the enclosed plat, at a prominent place in the area affected and will cause publication of the Legal Notice in a newspaper published in the general area of Antioch Field, all in accordance with the Revised Rules of Procedure. Furthermore, Applicant will mail a copy of the Legal Notice to all Interested Owners, Represented Parties and Interested Parties promptly upon receipt of the Legal Notice from the Commissioner.

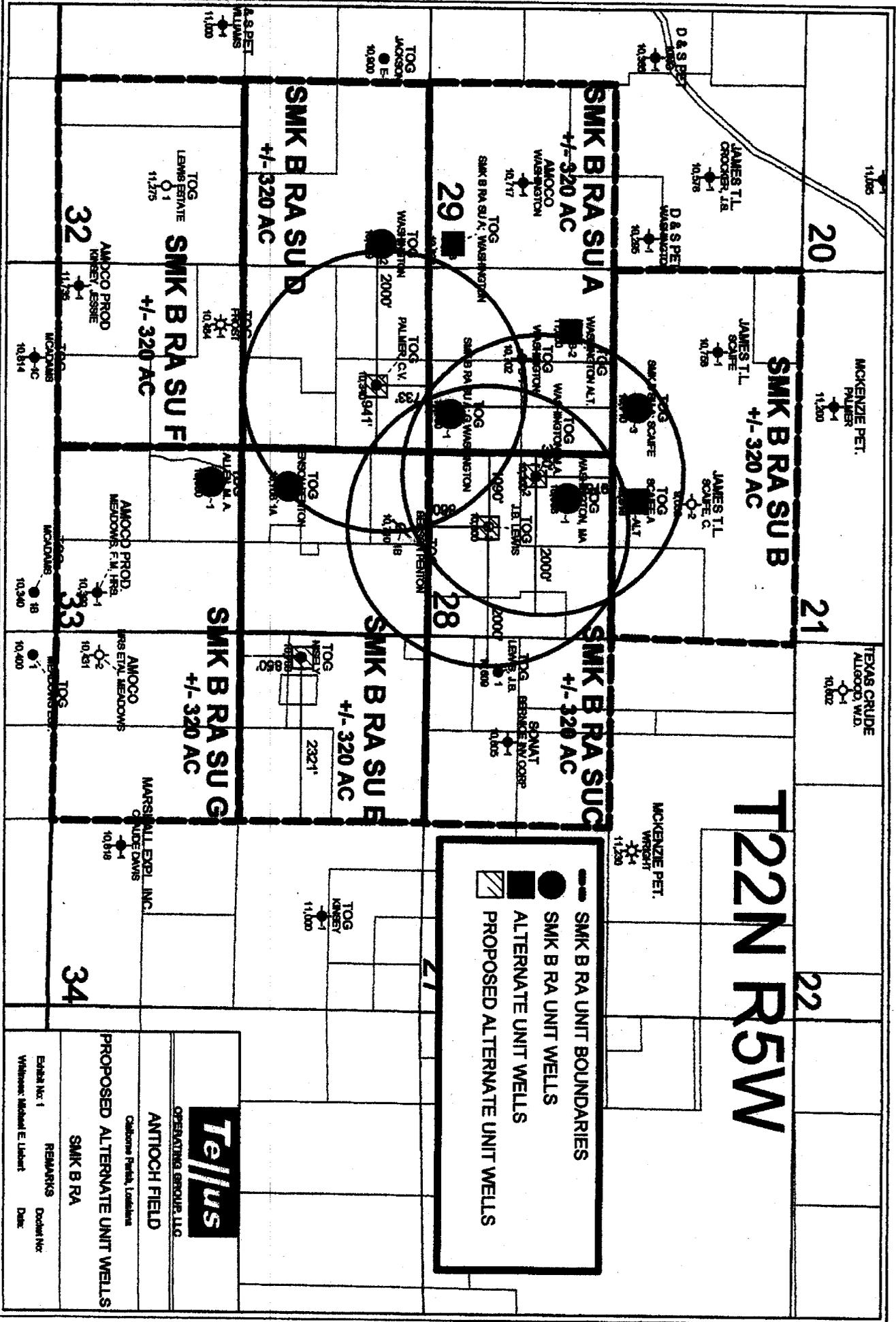
Finally, we enclose a check payable to the Commissioner of Conservation for the application fee.

Yours very truly,

David L. Smelley

-- Attorney for Tellus Operating Group, L.L.C.

DLS:dp
Enclosures

cc: Mr. Jim Broussard (w/encls.)
Mr. Kevin Macumber (w/encls.)
Mr. Roger Worrell (w/encls.)
Mr. Phil Downer (w/encls.)
Interested Owners, Represented
Parties and Interested Parties (w/plat only)



Legend:

- SMK B RA UNIT BOUNDARIES
- SMK B RA UNIT WELLS
- ALTERNATE UNIT WELLS
- ▨ PROPOSED ALTERNATE UNIT WELLS

Te//us

OPERATING GROUP, LLC
 ANTIOCH FIELD
 California Petrol, Louisiana

PROPOSED ALTERNATE UNIT WELLS
 SMK B RA

EXHIBIT No: 1 REMARKS DocId: No:
 Witness: Michael E. Lindert Date: