



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

December 26, 2003

Lori Wrotenbery

Director

Oil Conservation Division

Saga Petroleum, L.L.C.
415 West Wall – Suite 1900
Midland, Texas 79701

Case 13205

Attention: Bonnie Husband

Re: *Administrative application for an exception to Division Rules 104.C (3) and 104.D (3) [administrative application reference No. pMES0-336055338] filed with the New Mexico Oil Conservation Division ("Division") in Santa Fe on December 1, 2003 for Saga Petroleum, L.L.C.'s existing Conoco State Well No. 4 (API No. 30-025-24005), located at an unorthodox infill gas well location 688 feet from the South line and 2111 feet from the East line (Unit O) of Section 33, Township 18 South, Range 38 East, NMPM, Lea County, New Mexico, to be recompleted up-hole into the Hobbs-Tubb Gas Pool (96946) within an existing standard 160-acre gas spacing unit comprising the SE/4 of Section 33. Tubb gas production from this well is presumably to be simultaneously dedicated with Saga Petroleum, L.L.C.'s existing Conoco State Well No. 3 (API No. 30-025-35961), located at an unorthodox gas well location 2110 feet from the South line and 2055 feet from the East line (Unit J) of Section 33 (approved by Division Administrative Order NSL-4866, dated April 23, 2003).*

Dear Ms. Husband:

The Hobbs-Tubb Gas Pool is an unprorated gas pool that is subject to Division Rule 104.D (3), which states "*exceptions to the provisions of statewide rules or special pool orders (meaning "special pool rules") concerning the number of wells allowed per spacing unit may be permitted by the Director only after notice and opportunity for hearing.*" This rule was further defined by a memorandum issued by the Director on October 25, 1999, which states, "*Unless otherwise provided by special pool rules or amended Rule 104, only one well per spacing unit is permitted in non-prorated pools.*"

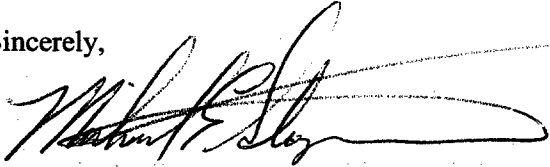
This application cannot be processed administratively; therefore, this matter will be set for hearing before a Division Hearing Examiner on the next available docket scheduled for January 22, 2004. I have prepared the following advertisement in this matter:

"Application of Saga Petroleum, L.L.C. for an unorthodox infill gas well location and an exception to Division Rule 104.D (3), Lea County, New Mexico. Applicant seeks an exception to Division Rule 104.D (3) in order to simultaneously dedicate production attributed to the Hobbs-Tubb Gas Pool (96946) within an existing 160-acre standard shallow gas spacing unit comprising the SE/4 of Section 33, Township 18 South, Range 38 East, from the following two wells: (i) Conoco State Well No. 3 (API No. 30-025-35961), located at an unorthodox gas well location 2110 feet from the South line and 2055 feet from the East line (Unit J) of Section 33 (*approved by Division Administrative Order NSL-4866, dated April 23, 2003*); and Conoco State Well No. 4 (API No. 30-025-24005), located at an unorthodox infill gas well location 688 feet from the South line and 2111 feet from the East line (Unit O) of Section 33. This 160-acre unit is located within the city

limits of Hobbs with its southeast corner corresponding to the intersection of Marland Boulevard and Grimes Street”.

Should you have any questions concerning this matter, please contact your legal counsel, Mr. William F. Carr in Santa Fe at (505) 988-4421.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner", with a long horizontal flourish extending to the right.

Michael E. Stogner
Hearing Officer/Engineer

MES/ms

cc: New Mexico Oil Conservation Division – Hobbs
New Mexico State Land Office – Santa Fe
William F. Carr, Legal Counsel for Saga Petroleum, L.L.C. - Santa Fe



PMES0-336055338
Sub: 12-22-2003

November 25, 2003

Michael E. Stogner
Chief Hearing Officer/Engineer
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

RECEIVED

DEC 01 2003

OIL CONSERVATION
DIVISION

Re: NSL – Hobbs Tubb Pool
Conoco State No. 4 Well
688' FSL & 2111' FEL
Sec. 33 (O) T18S, R38E
Lea County, NM
API No. 30-025-24005

Case 13205

Dear Mr. Stogner:

An application to add Tubb perforations to the referenced well and complete as a dual and/or DHC Drinkard – Tubb well was filed this date. Letters were mailed to the following list of offset mineral interest owners advising them of Saga's request for OCD approval on a NSL Tubb completion.

Saga respectfully requests approval of its NSL Tubb completion of the referenced well. Please contact the undersigned if any additional information is required to process this application.

Yours very truly,

A handwritten signature in cursive script that reads "Bonnie Husband".

Bonnie Husband
Production Analyst

Enclosures

Shell Everest Inc
Harold G Hartsock
Dale A Brown
Chevron USA Inc
XTO Energy
John H Breedlove
Branum Petroleum Corp
Merchant Resources LP
Landreth Interests
Brothers Production Co
Jack McCraw
Oxy Permian
Texland Petroleum