



OXY USA Inc.

5 Greenway Plaza, Suite 2400
P.O. Box 27570, Houston, TX 77227-7570

September 28, 1998

Mr. Mark Caldwell
Saga Petroleum
415 W. Wall, Suite 835
Midland, Texas 79701

*** BY FAX **

Re: Case #11985, Order R-11048, Application of Saga Petroleum LLC for Unorthodox Gas Well Location, Dero Federal Com #3 Well, Section 35, Township 19 South, Range 28 East, Eddy County, NM

Dear Mark:

Thank you again for taking time to meet with us the other day. It helped us better understand Saga's plans, and I hope the pressure buildup information was useful. Since both parties are prepared to accept the examiner's order as final, this letter shall serve to memorialize our understanding that OXY will not file a Denovo application in the referenced case and Saga will dismiss their application for a Denovo hearing.

I hope this clears the air regarding this dispute. If you need anything else, please don't hesitate to call me at 713-215-7317.

Sincerely,

A handwritten signature in cursive script that reads "Rick".

Richard E. Foppiano, P.E.
Senior Advisor

REF: ref

Cc: TECATE Team
Tom Kellahin
Jim Bruce