State of New Mexico

WILLIAM R. HUMPHRIES
COMMISSIONER

Commissioner of Public Lands

P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

January 8, 1987

Sage Energy Company
P. O. Drawer 3068
Midland, Texas   79702

Re: Sage Energy Company New Mexico State No. 1
      Sec. 31, T-14S, R-34-E,
      Lea County, New Mexico

Attention: Frances Holzgraf

Dear Ms. Holzgraf:

This letter will acknowledge receipt of your copy of application seeking to obtain permission from the Oil Conservation Division to convert the above well to a saltwater injection well.

Because an oil and gas lease is entitled to use so much of the land as is necessary to explore for and remove the oil and gas, he does not need additional permission of the Commissioner to dispose of the Salt Water upon or under the lease land so wells located on the leased premises. However, if _any_ of the saltwater to be injected is produced from land not under the applicants state oil and gas lease, then the applicant, in addition to a disposal site easement, will be required to secure a regular right-of-way easement for a pipeline, roadway, or other means of conveyance under the rules pertaining to right-of-way.

Although, we have no objections at this time for the Oil Conservation Division to grant you permission to convert the aforesaid well to a water injection well the Land Commissioner reserves the right to refuse to grant an easement when to do so would be detrimental to the Trust.
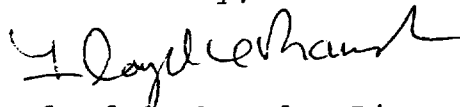
If your application is aproved by the Oil Conservation Division and you are going to be injecting saltwater from wells

located outside of the lease premises you have to complete and return this forms with a $300.00 fee. This fee covers ($250.00) first annual rental, ($20.00) appraisement fee and ($30.00) filing fee.

If and when approved the saltwater disposal easement will be issued for one year.

Yours truly,

Floyd O. Prando, Director
Oil and Gas Division

FOP/cb