

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 12133
ORDER NO. R-11218**

**APPLICATION OF SAGA PETROLEUM L.L.C. FOR A UNIT AGREEMENT,
LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on April 29, 1999, at Santa Fe, New Mexico, before Examiner Mark W. Ashley.

NOW, on this 6th day of July, 1999, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, Saga Petroleum L.L.C. ("Saga"), seeks approval of its Crossroads Siluro-Devonian Unit Agreement for all oil and gas in any formation in an area underlying the following described 800 acres, more or less, of fee lands in Lea County, New Mexico:

TOWNSHIP 9 SOUTH, RANGE 36 EAST, NMPM

Section 27: N/2, SE/4
Section 34: E/2

(3) At the time of the hearing Saga testified that only the Crossroads Siluro-Devonian Pool would be unitized. Therefore, unitization should be limited to the Crossroads

Siluro-Devonian Pool.

(4) The unit agreement provides for the unitization of oil, gas, natural gasoline and associated fluids. No other substances are unitized.

(5) Penroc Oil Corporation and Floos, Inc., non-joining interest owners in the proposed unit area, wrote the Division and objected to the proposed unitization because of their concern that unitization would result in a reduction of the net production allocated to their interests. No other interested party appeared at the hearing or otherwise objected to the proposed unit.

(6) The proposed Crossroads Siluro-Devonian Unit Agreement is a voluntary agreement unit that only governs the interests voluntarily committed thereto. The allocation of production to non-ratifying interest owners is controlled by the provisions of their underlying leases and other agreements that are not affected by the provisions of the unit agreement or this order.

(7) All plans of development and operation and expansions or contractions of the unit area should be submitted to the Division Director for approval.

(8) Approval of the proposed unit should enable the operator to effect savings in the conduct of operations on this acreage thereby extending the remaining life of the wells in the unit area and promoting the prevention of waste and the protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Crossroads Siluro-Devonian Unit Agreement is hereby approved for all oil, gas, natural gasoline and associated fluids within the Crossroads Siluro-Devonian Pool underlying the following described 800 acres, more or less, of fee land in Lea County, New Mexico:

TOWNSHIP 9 SOUTH, RANGE 36 EAST, NMPM

Section 27: N/2, SE/4
Section 34: E/2

(2) The plan contained in the unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, notwithstanding any of the provisions contained in the unit agreement, this approval shall not be construed as waiving or relinquishing, in any manner, any right, duty

or obligation that is now or may hereafter be vested in the Division to supervise and control operations for the unit and production of oil and gas therefrom.

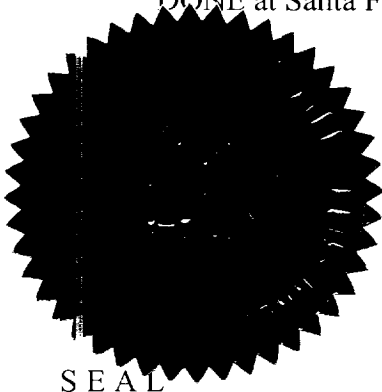
(3) The operator shall file with the Division an executed original of the unit agreement within 30 days after the effective date thereof. In the event of subsequent joinder by any other party or expansion or contraction of the unit area, the unit operator shall file with the Division, within 30 days thereafter, documentary evidence of those events.

(4) All plans of development and operation and all expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall terminate upon the termination of the unit agreement; and the last unit operator shall notify the Division immediately in writing of such termination.

(6) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Handwritten signature of Lori Wrotenbery in cursive script.

LORI WROTENBERY
Director