

**To: Michael Stogner**

Via facsimile 505/476-3462

**Date: Jan 8, 2003**

**FROM: Bonnie Husband – Saga Petroleum**

**SUBJECT: No. pKRVO-235835106**

Amended C-102 (Hobbs Drinkard Pool acreage dedication) – 2-facsimile copies - hard copy will be mailed with other information requested in your letter of December 27, 2002.

Amended C-102 mailed to Hobbs OCD office this date.

District I  
1625 N. French Dr., Hobbs, NM 88240  
District II  
811 South First, Artesia, NM 88210  
District III  
1000 Rio Brazos Rd., Aztec, NM 87410  
District IV  
2040 South Pecheco, Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals & Natural Resources Department

Form C-102  
Revised August 15, 2000

OIL CONSERVATION DIVISION  
2040 South Pecheco  
Santa Fe, NM 87505

Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number 30-025-35961		2 Pool Code 31730		3 Pool Name Hobbs Drinkard	
4 Property Code 20281		5 Property Name Conoco State			6 Well Number 3
7 OGRID No. 148967		8 Operator Name Saga Petroleum LLC			9 Elevation 3639' Gr

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	33	18S	38E		2110	S	2055	E	LEA

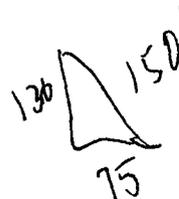
11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

12 Dedicated Acres 80	13 Joint or Jvntll	14 Consolidation Code	15 Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED O  
NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16				<p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Bonnie Husband</i> Signature</p> <p>Bonnie Husband Printed Name</p> <p>Production Analyst Title</p> <p>01/08/2003 Date</p>
				<p>18 SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p>
				<p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor:</p>
				<p>Certificate Number</p>



District I  
1625 N. French Dr., Hobbs, NM 88240  
District II  
811 South First, Artesia, NM 88210  
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12 Dedicated Acres 80	13 Joint or Infill	14 Consolidation Code	15 Order No.
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					Date of Survey Signature and Seal of Professional Surveyor:
					Certificate Number

**Stogner, Michael**

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**From:** Stogner, Michael  
**Sent:** Wednesday, January 08, 2003 8:36 AM  
**To:** 'Bonnie Husband'  
**Cc:** William F. Carr (E-mail); Jones, William V  
**Subject:** RE: Conoco State #3 (pKRVO-235835106)

Thank you for your prompt response to my letter of Dec. 27th. A two week-time-extension is hereby granted for formal reply in this matter. Should you need additional time please e-mail me before Wednesday, January 22, 2003.

-----Original Message-----

**From:** Bonnie Husband [mailto:bhusband@sagapetroleum.com]  
**Sent:** Wednesday, January 08, 2003 8:28 AM  
**To:** mstogner@state.nm.us  
**Subject:** Conoco State #3  
<attachment>

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January 8, 2003

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

via email [mstogner@state.nm.us](mailto:mstogner@state.nm.us)

Re: pKRVO-235835106

Dear Mr. Stogner:

Your letter dated December 27, 2002 requesting additional information to complete the application to process an administrative order with respect to the Tubb interval has been received. Saga respectfully requests additional time to gather the required information. I have been unable to start working on this application till today because of the holidays and staff being on vacation, etc.

Very truly yours,

SAGA PETROLEUM LLC

Bonnie Husband  
Production Analyst

**Stogner, Michael**

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**Sent:** Wednesday, January 08, 2003 8:28 AM

**To:** mstogner@state.nm.us

**Subject:** Conoco State #3

January 8, 2003

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

via email [mstogner@state.nm.us](mailto:mstogner@state.nm.us)

Re: pKRVO-235835106

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Very truly yours,

SAGA PETROLEUM LLC

Bonnie Husband  
Production Analyst



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**ARY E. JOHNSON**  
Governor  
**BETTY RIVERA**  
Cabinet Secretary

December 27, 2002

**Lori Wrotenbery**  
Director  
Oil Conservation Division

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

**Attention: Bonnie Husband**

**Re:** *Administrative application for Saga Petroleum L.L.C.'s ("Saga") recently drilled and completed Conoco State Well No. 3 (API No. 30-025-35961) at an unorthodox Tubb wildcat gas well location within the SE/4 of Section 33, Township 18 South, Range 38 East, NMPM, Lea County, New Mexico, being a standard shallow gas spacing unit in accordance with Division Rule 104.C (3), 2110 feet from the South line and 2055 feet from the East line (Unit J) of Section 33.*

Dear Ms. Husband:

This letter acknowledges receipt of the above-described administrative application dated December 18, 2002. The Division received this application on December 23, 2002, and assigned it NMOCD Administrative application reference No. pKRV0-235835106. Please refer to this number in future correspondence with the Division.

My preliminary review indicates that the information provided in your application: (i) is not sufficient to process an administrative order at this time with respect to the Tubb interval; and (ii) needs verification with respect to this well's completion within the Hobbs-Drinkard Pool (31730).

### **TUBB GAS COMPLETION:**

It appears that your application is incomplete with respect to notice as required by Division Rule 1207.A (2) (see copy attached). Since this location encroaches the NE/4, NW/4, and SW/4 [see Rule 1207.A (2) (b)] the affected parties in all three 160-acre areas are to be notified. Please provide a land plat and a listing of all such parties clearly identified and proof of notice as required by Division Rule 104.F (4).

Since the submitted information is insufficient to review, the application was ruled as incomplete on December 27, 2002. Please submit the above stated information by Tuesday, January 7, 2003.

The Division cannot proceed with your application until the required information is submitted. Upon receipt, the Division will continue to process your application. The additional information can be faxed to (505) 476-3471, or mailed to the Division in Santa Fe. If the necessary information is not submitted, your application will be returned to you.

**HOBBS-DRINKARD-POOL:**

Further my records indicate that within the E/2 of Section 33 the Hobbs-Drinkard Pool is developed in the following manner:

(i) the N/2 NE/4, being a standard 80-acre lay-down oil spacing and proration unit, was simultaneously dedicated to Texland Petroleum-Hobbs, L.L.C.'s ("Texland"): (i) W. D. Grimes (NCT-B) Well No. 7 (API No. 30-025-23438), located at an unorthodox oil well location (approved by Division Administrative Order NSL-458, dated February 2, 1970) 450 feet from the North line and 2160 feet from the East line (Unit B) of Section 33; and (ii) W. D. Grimes (NCT-B) Well No. 9 (API No. 30-025-28299), located at a standard oil well location 510 feet from the North line and 660 feet from the East line (Unit A) of Section 33, neither well is currently producing from the Drinkard interval;

(ii) the SE/4 NE/4, being a non-standard 40-acre oil spacing and proration unit approved by Division Administrative Order NSP-1454 on May 7, 1985, is currently dedicated to Texland's W. D. Grimes (NCT-B) Well No. 8 (API No. 30-025-24928), located at a standard oil well location 2115 feet from the North line and 600 feet from the East line (Unit H) of Section 33;

(iii) the SW/4 SE/4, being a non-standard 40-acre oil spacing and proration unit approved by Division Administrative Order NSP-874 on March 29, 1972, is of course currently dedicated to Saga's Conoco "A" State Well No. 1 (API No. 30-025-24005), located at a standard oil well location 688 feet from the South line and 2111 feet from the East line (Unit O) of Section 33;

(iv) the E/2 SE/4, being a standard 80-acre stand-up oil spacing and proration unit, is currently dedicated to Occidental Permian Limited Partnership's State "HF" Com. Well No. 1 (API No. 30-025-26368), located at a standard oil well location 610 feet from the South and East lines (Unit P) of Section 33; and

(v) the SW/4 NE/4 and NW/4 SE/4, being a non-standard 80-acre stand-up oil spacing and proration unit approved by Division Order No. R-4166, issued in Case No. 4564 on July 7, 1971, is of course currently dedicated to Saga's Conoco State Well No. 1 (API No. 30-025-23759), located at a standard oil well location 1980 feet from the North line and 2130 feet from the East line (Unit G) of Section 33.

Saga Petroleum, L.L.C.  
December 27, 2002  
Page 3

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The information you provided in the immediate application and for the application filed on December 12, 2002 for authorization to downhole commingle Tubb gas and Drinkard oil production from the subject Conoco State Well No. 3, which resulted in the issuance of Division Administrative Order DHC-3086, dated December 12, 2002, and the well records for this well in the Santa Fe and Hobbs OCD offices indicate the dedicated acreage for the Hobbs-Drinkard Pool in this well to be a standard 80-acre lay-down oil spacing and proration unit comprising the N/2 SE/4 of Section 33 (see copy attached). This of course is erroneous since a portion of this acreage (the NE/4 SE/4, or Unit "T" of Section 33) overlaps the acreage currently dedicated to Occidental Permian Limited Partnership's State "HF" Com. Well No. 1 and needs to be corrected as soon as possible.

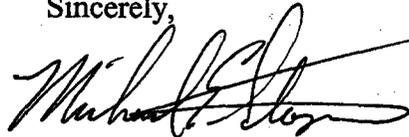
Please submit an amended C-102 to the Hobbs district office of the Division that shows this well to be an infill Drinkard oil well to Saga's Conoco State Well No. 1 within the existing non-standard 80-acre oil spacing and proration unit that comprises the SW/4 NE/4 and NW/4 SE/4 of Section 33. Please provide me two copies of this amended C-102.

Please submit the above stated information to both the Hobbs office and to me by Tuesday, January 7, 2003, otherwise Division Administrative Order DHC-3086 will be rescinded and the immediate request for an unorthodox Tubb gas well location will be denied and returned.

The Division cannot proceed with your application until this required information is submitted. Upon receipt, the Division will continue to process your application. The additional information can be faxed to (505) 476-3471, or mailed to the Division in Santa Fe.

Should you have any questions concerning this matter you will first want to contact your legal counsel, Mr. William F. Carr in Santa Fe at (505) 988-4421, or you may contact me in Santa Fe at (505) 476-3465 or e-mail me at "[mstogner@state.nm.us](mailto:mstogner@state.nm.us)." Thank you.

Sincerely,



Michael E. Stogner  
Chief Hearing Officer/Engineer

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  
Wil Jones, NMOCD – Santa Fe  
File: DHC-3086

1-1-50, 5-22-73...2-1-96; 19.15.3.102 NMAC - Rn, 19 NMAC 15.C.102, 11-15-01]

### 19.15.3.103 SIGN ON WELLS

All wells and related facilities regulated by the Division shall be identified by a sign, which sign shall remain in place until the well is plugged and abandoned and the related facilities are closed. For drilling wells, the sign shall be posted on the derrick or not more than 20 feet from the well. The sign shall be of durable construction and the lettering shall be legible and large enough to be read under normal conditions at a distance of 50 feet. The wells on each lease or property shall be numbered in non-repetitive, logical and distinctive sequence. An operator will have 90 days from the effective date of an operator name change to change the operator name on the well sign unless an extension of time, for good cause shown along with a schedule for making the changes, is granted. Each sign shall show the:

- (1) number of well;
- (2) name of property;
- (3) name of operator;
- (4) location by footage, quarter-quarter section, township and range (or Unit Letter can be substituted for the quarter-quarter section); and
- (5) API number.

[1-1-50, 2-1-96, 6-30-97, 3-31-00; 19.15.3.103 NMAC - Rn, 19 NMAC 15.C.103, 11-15-01]

### 19.15.3.104 WELL SPACING AND LOCATION

#### A. Classification Of Wells: Wildcat And Development Wells

##### (1) Wildcat Well

(a) In San Juan, Rio Arriba, Sandoval, and McKinley Counties a wildcat well is any well to be drilled the spacing unit of which is a distance of two miles or more from:

- (i) the outer boundary of any defined pool that has produced oil or gas from the formation to which the well is projected to be drilled; and
- (ii) any well that has produced oil or gas from the formation to which the proposed well is projected to be drilled.

(b) In all counties except San Juan, Rio Arriba, Sandoval, and McKinley, a wildcat well is any well to be drilled the spacing unit of which is a distance of one mile or more from:

- (i) the outer boundary of any defined pool that has produced oil or gas from the formation to which the well is projected to be drilled; and
- (ii) any well that has produced oil or gas from the formation to which the proposed well is projected.

##### (2) Development Well

(a) Any well that is not a wildcat well shall be classified as a development well for the nearest pool that has produced oil or gas from the formation to which the well is projected to be drilled. Such development well shall be spaced, drilled, operated, and produced in accordance with the rules in effect for that pool, provided the well is completed in that pool.

(b) Any well classified as a development well for a pool but completed in a producing formation not included in the vertical limits of that pool shall be operated and produced in accordance with the rules in effect for the nearest pool that is producing from that formation within the two miles in San Juan, Rio Arriba, Sandoval, and McKinley Counties or within one mile everywhere else. If there is no designated pool for that producing formation within the two miles in San Juan, Rio Arriba, Sandoval, and McKinley Counties or within one mile everywhere else, the well shall be re-classified as a wildcat well.

#### B. Oil Well Acreage And Well Location Requirements

(1) Any wildcat well that is projected to be drilled as an oil well to a formation and in an area that in the opinion of the Division may reasonably be presumed to be productive of oil rather than gas and each development well for a defined oil pool, unless otherwise provided in special pool orders, shall be located on a spacing unit consisting of approximately 40 contiguous surface acres substantially in the form of a square which is a legal subdivision of the U.S. Public Land Surveys, which is a governmental quarter-quarter section or lot, and shall be located no closer than 330 feet to any boundary of such unit. Only those 40-acre spacing units committed to active secondary recovery projects shall be permitted more than four wells.

(2) If a well drilled as an oil well is completed as a gas well but does not conform to the applicable gas well location rules, the operator must apply for administrative approval for a non-standard location before the well can produce. The Director may set any such application for hearing.

#### C. Gas Wells Acreage And Well Location Requirements

Any wildcat well that is projected to be drilled as a gas well to a formation and in an area that in the opinion of the Division may reasonably be presumed to be productive of gas rather than oil and each development well for a defined gas pool,

unless otherwise provided in special pool orders, shall be spaced and located as follows:

(1) 640-Acre Spacing applies to any deep gas well in Rio Arriba, San Juan, Sandoval or McKinley County that is projected to be drilled to a gas producing formation older than the Dakota formation or is a development well within a gas pool created and defined by the Division after June 1, 1997 in a formation older than the Dakota formation, which formation or pool is located within the surface outcrop of the Pictured Cliffs formation (i.e., the San Juan Basin). Such well shall be located on a spacing unit consisting of 640 contiguous surface acres, more or less, substantially in the form of a square which is a section and legal subdivision of the U.S. Public Land Surveys and shall be located no closer than: 1200 feet to any outer boundary of the spacing unit, 130 feet to any quarter section line, and 10 feet to any quarter-quarter section line or subdivision inner boundary.

(2) 320-Acre Spacing applies to any deep gas well in Lea, Chaves, Eddy or Roosevelt County, defined as a well that is projected to be drilled to a gas producing formation or is within a defined gas pool in the Wolfcamp or an older formation. Such well shall be located on a spacing unit consisting of 320 surface contiguous acres, more or less, comprising any two contiguous quarter sections of a single section that is a legal subdivision of the U.S. Public Land Surveys provided that:

(a) the initial well on a 320-acre unit is located no closer than 660 feet to the outer boundary of the quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary;

(b) only one infill well on a 320-acre unit shall be allowed provided that the well is located in the quarter section of the 320-acre unit not containing the initial well and is no closer than 660 feet to the outer boundary of the quarter section and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary; and

(c) the Division-designated operator for the infill well is the same operator currently designated by the Division for the initial well.

(3) 160-Acre Spacing applies to any other gas well not covered above. Such well shall be located in a spacing unit consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section and a legal subdivision of the U.S. Public Land Surveys and shall be located no closer than 660 feet to any outer boundary of such unit and no closer than 10 feet to any quarter-quarter section or subdivision inner boundary.

#### D. Acreage Assignment

(1) Well Tests and Classification. It is the responsibility of the operator of any wildcat or development gas well to which more than 40 acres has been dedicated to conduct a potential test within 30 days following completion of the well and to file the test with the Division within 10 days following completion of the test. (See Rule 401)

(a) The date of completion for a gas well is the date of the conclusion of active completion work on the well.

(b) If the Division determines that a well should not be classified as a gas well, the Division will reduce the acreage dedicated to the well to the standard acreage for an oil well.

Failure of the operator to file the test within the specified time will also subject the well to such acreage reduction.

(2) Non-Standard Spacing Units. Any well that does not have the required amount of acreage dedicated to it for the pool or formation in which it is completed may not be produced until a standard spacing unit for the well has been formed and dedicated or until a non-standard spacing unit has been approved.

(a) Division District Offices have the authority to approve non-standard spacing units without notice when the unorthodox size or shape is necessitated by a variation in the legal subdivision of the U. S. Public Land Surveys and/or consists of an entire governmental section and the non-standard spacing unit is not less than 70% or more than 130% of a standard spacing unit. The operator must obtain Division approval of Division Form C-102 showing the proposed non-standard spacing unit and the acreage contained therein.

(b) The Director may grant administrative approval to non-standard spacing units after notice and opportunity for hearing when an application has been filed and the unorthodox size or shape is necessitated by a variation in the legal subdivision of the U.S. Public Land Surveys or the following facts exist:

(i) the non-standard spacing unit consists of: (A) a single quarter-quarter section or lot or (B) quarter-quarter sections or lots joined by a common side; and

(ii) the non-standard spacing unit lies wholly within: a single quarter section if the well is completed in a pool or formation for which 40, 80, or 160 acres is the standard spacing unit size; a single half section if the well is completed in a pool or formation for which 320 acres is the standard spacing unit size; or a single section if the well is completed in a pool or formation for which 640 acres is the standard spacing unit size.

(c) Applications for administrative approval of non-standard spacing units pursuant to Subsection D, Paragraph (2), Subparagraph (b) of 19.15.3.104 NMAC shall be submitted to the Division's Santa Fe Office and accompanied by:

(i) a plat showing the spacing unit and an applicable standard spacing unit for that pool or formation, the proposed well dedications and all adjoining spacing units; (ii) a list of affected persons as defined in Rule 1207.A(2); and (iii) a statement discussing the reasons for the formation of the non-standard spacing unit.

(d) The applicant shall submit a statement attesting that the applicant, on or before the date the application

was submitted to the Division, sent notification to the affected persons by submitting a copy of the application, including a copy of the plat described in Subparagraph (c) above, by certified mail, return receipt requested, advising them that if they have an objection it must be filed in writing within 20 days from the date the Division receives the application. The Director may approve the application upon receipt of waivers from all the notified persons or if no person has filed an objection within the 20-day period.

(e) The Director may set for hearing any application for administrative approval.

(3) **Number of Wells Per Spacing Unit.** Exceptions to the provisions of statewide rules or special pool orders concerning the number of wells allowed per spacing unit may be permitted by the Director only after notice and opportunity for hearing. Notice shall be given to those affected persons defined in Rule 1207.A.(2).

E. **Forms - Form C-102 "Well Location and Acreage Dedication Plat"** for any well shall designate the exact legal subdivision dedicated to the well. Form C-101 "Application for Permit to Drill, Deepen, or Plug Back" will not be approved without an acreage designation on Form C-102.

F. **Unorthodox Locations**

(1) Well locations for producing wells and/or injection wells that are unorthodox based on the requirements of Subsection B above and are necessary for an efficient production and injection pattern within a secondary recovery, tertiary recovery, or pressure maintenance project are hereby authorized, provided that the unorthodox location within the project is no closer than the required minimum distance to the outer boundary of the lease or unitized area, and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary. These locations shall only require such prior approvals as are necessary for an unorthodox location.

(2) The Director may grant an exception to the well location requirements of Subsections B and C above or special pool orders after notice and opportunity for hearing when the exception is necessary to prevent waste or protect correlative rights.

(3) Applications for administrative approval pursuant to Subsection F, Paragraph (2) above shall be submitted to the Division's Santa Fe Office accompanied by (a) a plat showing the spacing unit, the proposed unorthodox well location and the adjoining spacing units and wells; (b) a list of affected persons as defined in Rule 1207.A(2); and (c) information evidencing the need for the exception. Notice shall be given as required in Rule 1207.A(2).

(4) The applicant shall submit a statement attesting that applicant, on or before the date that the application was submitted to the Division, sent notification to the affected persons by submitting a copy of the application, including a copy of the plat described in Subsection F, Paragraph (3) above, by certified mail, return receipt requested, advising them that if they have an objection it must be filed in writing within 20 days from the date the Division receives the application. The Director may approve the unorthodox location upon receipt of waivers from all the affected persons or if no affected person has filed an objection within the 20-day period.

(5) The Director may set for hearing any application for administrative approval of an unorthodox location.

(6) Whenever an unorthodox location is approved, the Division may order any action necessary to offset any advantage of the unorthodox location.

G. **Effect On Allowables**

(1) If the drilling tract is within a prorated/allocated oil pool or is subsequently placed within such pool and the drilling tract consists of less than 39½ acres or more than 40½ acres, the top unit allowable for the well shall be increased or decreased in the proportion that the number of acres in the drilling tract bears to 40.

(2) If the drilling tract is within a prorated/allocated gas pool or is subsequently placed within such pool and the drilling tract consists of less than 158 acres or more than 162 acres in 160-acre pools, or less than 316 acres or more than 324 acres in 320-acre pools, or less than 632 acres or more than 648 acres in 640-acre pools, the top allowable for the well shall be decreased or increased in the proportion that the number of acres in the drilling tract bears to a standard spacing unit for the pool.

(3) In computing acreage under Paragraphs (1) and (2) above, less than ½ acre shall not be counted but ½ acre or more shall count as one acre.

(4) The provisions of Paragraphs (1) and (2) above shall apply only to wells completed after January 1, 1950.

H. **Division-Initiated Exceptions -** In order to prevent waste, the Division may, after hearing, set different spacing requirements and require different acreage for drilling tracts in any defined oil or gas pool.

I. **Pooling Or Communitization Of Small Oil Lots**

(1) The Division may approve the pooling or communitization of fractional oil lots of 20.49 acres or less with a contiguous oil spacing unit when the ownership is common and the tracts are part of the same lease with the same royalty interests if the following requirements are satisfied:

(a) Applications for administrative approval shall be submitted to the Division's Santa Fe Office and accompanied by: (i) a plat showing the dimensions and acreage involved, the ownership of such acreage, the location of all existing and proposed wells and all adjoining spacing units; (ii) a list of affected persons as defined in Rule 1207.A(2); and (iii) a

statement discussing the reasons for the pooling or communitization.

(b) The applicant shall submit a statement attesting that the applicant, on or before the date the application was submitted to the Division, sent notification to the affected persons by submitting a copy of the application, including a copy of the plat described in (a) above, by certified mail, return receipt requested, advising them that if they have an objection it must be filed in writing within 20 days from the date the Division receives the application. The Director may approve the application upon receipt of waivers from all the notified persons or if no person has filed an objection within the 20-day period.

(c) The Director may set for hearing any application for administrative approval.

(2) The Division may consider the common ownership and common lease requirements met if the applicant furnishes with the application a copy of an executed pooling agreement communitizing the tracts involved.

[1-1-50...2-1-96; A, 6-30-97; A, 8-31-99; 19.15.3.104 NMAC - Rn, 19 NMAC 15.C.104, 11-15-01]

#### **19.15.3.105 PIT FOR CLAY, SHALE, DRILL FLUID AND DRILL CUTTINGS**

A. In order to assure a supply of proper material for mud-laden fluid to confine oil, gas, or water to their native strata during the drilling of any well, operators shall provide before drilling is commenced an adequate pit for the accumulation of drill cuttings. Drilling fluids and drill cuttings must be disposed of at the well site in a manner to prevent contamination to surface or subsurface waters. Removal of drilling fluids or drill cuttings for offsite disposal will be permitted only by approval of the appropriate Division district supervisor.

B. To protect migratory birds, pits used for drilling, completion, blowdown, workover or an emergency immediately after cessation of the activity must have oil removed from their surface or be screened, netted or covered.

[1-1-50, 9-1-89...2-1-96; 19.15.3.105 NMAC - Rn, 19 NMAC 15.C.105, 11-15-01]

#### **19.15.3.106 SEALING OFF STRATA**

A. During the drilling of any oil well, injection well or any other service well, all oil, gas, and water strata above the producing and/or injection horizon shall be sealed or separated in order to prevent their contents from passing into other strata.

B. All fresh waters and waters of present or probable value for domestic, commercial, or stock purposes shall be confined to their respective strata and shall be adequately protected by methods approved by the Division. Special precautions by methods satisfactory to the Division shall be taken in drilling and abandoning wells to guard against any loss of artesian water from the strata in which it occurs, and the contamination of artesian water by objectionable water, oil, or gas.

C. All water shall be shut off and excluded from the various oil- and gas-bearing strata which are penetrated. Water shut-offs shall ordinarily be made by cementing casing.

[1-1-50, 3-1-91...2-1-96; 19.15.3.106 NMAC - Rn, 19 NMAC 15.C.106, 11-15-01]

#### **19.15.3.107 CASING AND TUBING REQUIREMENTS**

A. Any well drilled for oil or natural gas shall be equipped with such surface and intermediate casing strings and cement as may be necessary to effectively seal off and isolate all water-, oil-, and gas-bearing strata and other strata encountered in the well down to the casing point. In addition thereto, any well completed for the production of oil or natural gas shall be equipped with a string of properly cemented production casing at sufficient depth to ensure protection of oil- and gas-bearing strata encountered in the well, including the one(s) to be produced.

B. Sufficient cement shall be used on surface casing to fill the annular space behind the casing to the top of the hole, provided however, that authorized field personnel of the Division may, at their discretion, allow exceptions to the foregoing requirement when known conditions in a given area render compliance impracticable.

C. All cementing shall be by pump and plug method unless some other method is expressly authorized by the Division.

D. All cementing shall be with conventional-type hard-setting cements to which such additives (lighteners, densifiers, extenders, accelerators, retarders, etc.) have been added to suit conditions in the well.

E. Authorized field personnel of the Division may, when conditions warrant, allow exceptions to the above paragraph and permit the use of oil-base casing packing material in lieu of hard-setting cements on intermediate and production casing strings; provided however, that when such materials are used on the intermediate casing string, conventional-type hard-setting cements shall be placed throughout all oil- and gas-bearing zones and throughout at least the lowermost 300 feet of the intermediate casing string. When such materials are used on the production casing string, conventional-type hard-setting cements shall be placed throughout all oil- and gas-bearing zones and shall extend upward a minimum of 500 feet above the uppermost perforation or, in the case of an open-hole completion, 500 feet above the production casing shoe.

F. All casing strings shall be tested and proved satisfactory as provided in Subsection I. below.

G. After cementing, but before commencing tests required in Subsection I. below, all casing strings shall stand

## Rule 1207.A

- (d) All unopposed pooling applications will be set for hearing. If the Division finds the application complete, the information submitted with the application will constitute the record in the case and an order will be issued based on the record. [Rn, 19 NMAC 15.N.1207.A.(4), 7-15-99, A, 7-15-99]
  - (e) At the request of any interested person or upon the Division's own initiative, any pooling application submitted shall be set for full hearing with oral testimony by the applicant. [Rn, 19 NMAC 15.N.1207.A.(4), 7-15-99; A, 7-15-99]
- (2) Unorthodox Well Locations: [1-1-87...2-1-96; Rn, 19 NMAC 15.N.1207.A.(5), 7-15-99; A, 7-15-99]
- (a) Definition: "Affected persons" are the following persons owning interests in the adjoining spacing units:
    - (i) the Division-designated operator;
    - (ii) in the absence of an operator, any lessee whose interest is evidenced by a written document of conveyance either of record or known to the applicant as of the date the application is filed; and
    - (iii) in the absence of an operator or lessee, any mineral interest owner whose interest is evidenced by a written document of conveyance either of record or known to the applicant as of the date the application was filed.

In the event the operator of the proposed unorthodox well is also the operator of an existing adjoining spacing unit and ownership is not common between the adjoining spacing unit and the spacing unit containing the proposed unorthodox well, then "affected persons" include all working interest owners in that spacing unit. [1-1-87...2-1-96; N, 7-15-99]
  - (b) If the proposed location is unorthodox by being located closer to the outer boundary of the spacing unit than permitted by rule, notice shall be given to the affected persons in the adjoining spacing units towards which the unorthodox location encroaches. [Rn, 19 NMAC 15.N.1207.A.(5).(a), 7-15-99, A, 7-15-99]
  - (c) If the proposed location is unorthodox by being located in a different quarter-quarter section or quarter section than provided in special pool orders, notice shall be given to all affected persons. [Rn, 19 NMAC 15.N.1207.A.(5).(a), A, 7-15-99]
- (3) Non-Standard Proration Unit:
- Notice shall be given to all owners of interests in the mineral estate to be excluded from the proration unit in the quarter-quarter section (for 40-acre pools or formations), the one-half quarter section (for 80-acre pools or formations), the quarter section (for 160-acre pools or formations), the half section (for 320-acre pools or formations), or section (for 640-acre pools or formations) in which the non-standard unit is located and to such other persons as required by the Division. [1-1-87...2-1-96; Rn, 19 NMAC 15.N.1207.A.(6), 7-15-99, A, 7-15-99]
- (4) Special Pool Orders Regulating or Affecting a Specific Pool:
- (a) Except for non-standard proration unit applications, if the application involves changing the

DISTRICT I  
P.O. Box 1990, Hobbs, NM 88341-1990

DISTRICT II  
P.O. Drawer 80, Artesia, NM 88211-0710

DISTRICT III  
1000 Rio Brazos Rd., Artesia, NM 87410

DISTRICT IV  
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

State of New Mexico  
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION  
P.O. Box 2088  
Santa Fe, New Mexico 87504-2088

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Revised February 10, 1994  
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WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number 30-025-35961	Pool Code 31730	Pool Name HOBBS DRINKARD
Property Code 20281	Property Name CONOCO STATE	Well Number 3
OGRID No. 148967	Operator Name SAGA PETROLEUM LLC	Elevation 3639'

Surface Location

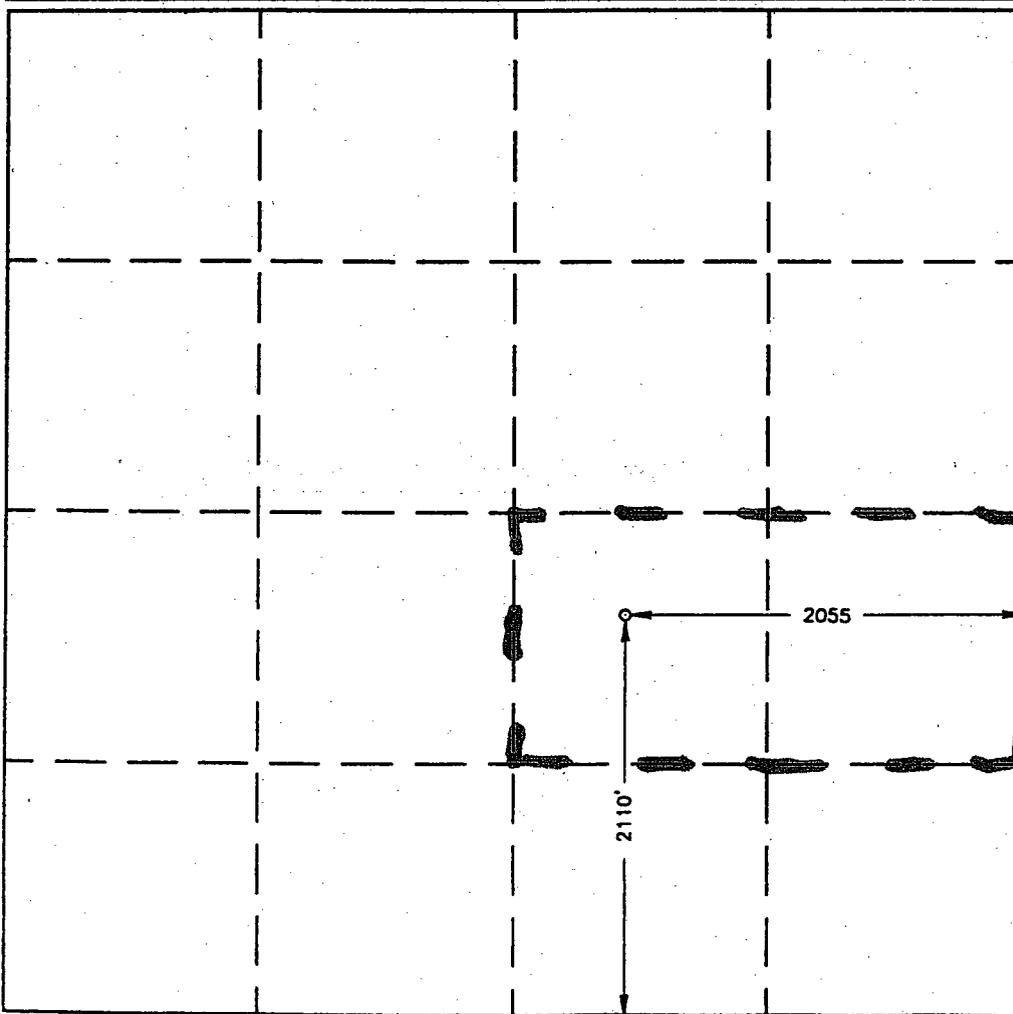
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	33	18-S	38-E		2110	SOUTH	2055	EAST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 80	Joint or Infill	Consolidation Code	Order No.
-----------------------	-----------------	--------------------	-----------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



**OPERATOR CERTIFICATION**

I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.

*Bonnie Husband*  
Signature Bonnie Husband

Printed Name Production Analyst

Title July 17, 2002

Date

**SURVEYOR CERTIFICATION**

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same are true and correct to the best of my belief.

DATE SURVEYED JULY 15, 2002

Signature & seal of Professional Surveyor AWB

*Ronald J. Edson* 7/15/02  
02.11.0525

Certificate No. RONALD J. EDSON 3239  
GARY EDSON 12641

**District I**  
1625 N. French Dr., Hobbs, NM 88240

**District II**  
1301 W. Grand Avenue, Artesia, NM 88210

**District III**  
1000 Rio Brazos Rd., Aztec, NM 87410

**District IV**  
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals & Natural Resources Department  
**OIL CONSERVATION DIVISION**  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

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AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

<sup>1</sup> API Number		<sup>2</sup> Pool Code		<sup>3</sup> Pool Name	
<sup>4</sup> Property Code		<sup>5</sup> Property Name			<sup>6</sup> Well Number
<sup>7</sup> OGRID No.		<sup>8</sup> Operator Name			<sup>9</sup> Elevation

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

<sup>12</sup> Dedicated Acres	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<sup>16</sup>					<b><sup>17</sup> OPERATOR CERTIFICATION</b> <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i>
					Signature
					Printed Name
					Title
					<b><sup>18</sup> SURVEYOR CERTIFICATION</b> <i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i>
					Date of Survey
					Signature and Seal of Professional Surveyor:
					Certificate Number

New Mexico Oil Conservation Division  
C-102 Instructions

IF THIS IS AN AMENDED REPORT, CHECK THE BOX LABELED "AMENDED REPORT" AT THE TOP OF THIS DOCUMENT.

Surveyors shall use the latest United States government survey or dependent resurvey. Well locations will be in reference to the New Mexico Principal Meridian. If the land is not surveyed contact the appropriate OCD district office. Independent subdivision surveys will not be acceptable.

1. The OCD assigned API number for this well.
2. The pool code for this (proposed) completion.
3. The pool name for this (proposed) completion.
4. The property code for this (proposed) completion.
5. The property name (well name) for this (proposed) completion.
6. The well number for this (proposed) completion.
7. Operator's OGRID number.
8. The operator's name.
9. The ground level elevation of this well.
10. The surveyed surface location of this well measured from the section lines. NOTE: If the United States government survey designates a Lot Number for this location use that number in the 'UL or lot no.' box. Otherwise use the OCD unit letter.
11. Proposed bottom hole location. If this is a horizontal hole indicate the location of the end of the hole.
12. The calculated acreage dedicated to this completion to the nearest hundredth of an acre.
13. Put a Y if more than one completion will be sharing this same acreage or N if this is the only completion on this acreage.
14. If more than one lease of different ownership has been dedicated to the well show the consolidation code from the following table:

C	Communitization
U	Unitization
F	Forced pooling
O	Other
P	Consolidation pending

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION!

15. Write in the OCD order(s) approving a non-standard location, non-standard spacing, or directional or horizontal drilling.
16. This grid represents a standard section. You may superimpose a non-standard section over this grid. Outline the dedicated acreage and the separate leases within that dedicated acreage. Show the well surface location and bottom hole location, if it is directionally drilled, with the dimensions from the section lines in the cardinal directions. (Note: A legal location is determined from the perpendicular distance to the edge of the tract.) If this is a high angle or horizontal hole, show that portion of the well bore that is open within this pool.

Show all lots, lot numbers, and their respective acreage.

If more than one lease has been dedicated to this completion, outline each one and identify the ownership as to both working interest and royalty.
17. The signature, printed name, and title of the person authorized to make this report, and the date this document was signed.
18. The registered surveyors certification. This section does not have to be completed if this form has been previously accepted by the OCD and is being filed for a change of pool or dedicated acreage.



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**MARY E. JOHNSON**  
Governor  
**Betty Rivera**  
Cabinet Secretary

**Lori Wrotenbery**  
Director  
**Oil Conservation Division**

## ADMINISTRATIVE ORDER DHC-3086

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

Attention: Ms. Bonnie Husband

*Conoco State Well No. 3*  
*API No. 30-025-35961*  
*Unit J, Section 33, Township 18 South, Range 38 East, NMPM,*  
*Lea County, New Mexico.*  
*Wildcat-Tubb (Gas - N/A) and*  
*Hobbs-Drinkard (Oil - 31730)*

Dear Ms. Husband:

Reference is made to your recent application for an exception to Rule 303.A. of the Division Rules and Regulations to permit the above described well to commingle production from the subject pools in the wellbore.

It appearing that the subject well qualifies for approval for such exception pursuant to the provisions of Rule 303.C., and that reservoir damage or waste will not result from such downhole commingling, and correlative rights will not be violated thereby, you are hereby authorized to commingle the production as described above and any Division Order which authorized the dual completion and required separation of the zones is hereby placed in abeyance.

In accordance with the provisions of Rule 303.C.(1), each of the commingled oil pools shall be allowed to produce up to the top oil allowable and top casing head gas allowable applicable for that pool.

Assignment of allowable and allocation of production from the well shall be on the following basis:

Wildcat-Tubb Gas Pool	Oil-70%	Gas-54%
Hobbs-Drinkard Oil Pool	Oil-30%	Gas-46%

*Administrative Order DHC-3086*

*Saga Petroleum, L.L.C.*

*December 12, 2002*

*Page 2*

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Pursuant to Rule 303.C.(2), the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.

Approved at Santa Fe, New Mexico on this 12th day of December 2002.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

*Lori Wrotenbery* (wvjj)  
LORI WROTENBERY  
Director

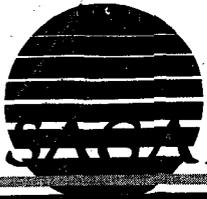
SEAL

LW/wvjj

cc: Oil Conservation Division - Hobbs  
State Land Office-Oil & Gas Division

MS pKRV0235835106

NSL 1/12/03



PETROLEUM

Kathy, please log this  
appl. in as an NSL.  
*Theresa Sloan*

December 18, 2002

Mr. Will Jones  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, NM 87505

DEC 23 2002

Re: Conoco State #3 Well  
2110' FSL & 2055' FEL  
Sec. 33 (J) T18S, R38E  
Lea County, NM  
API No. 30-025-35961

Gentlemen:

Saga originally filed an application to drill the referenced well and complete as a dual and/or DHC Drinkard - Blinebry well. After drilling to TD of 7025', the Drinkard was perforated from 6806'-6933', treated and flow tested for approximately 30 days. Production testing of the Drinkard perforations showed the reservoir to be gas, not oil. Subsequently the Tubb was perforated from 6406'-6573', treated and flowed tested after a pkr was set at 6573'. Saga has flow tested the Tubb perms for about 30 days and results indicate the reservoir to be gas also. The Tubb and Drinkard reservoirs appear to be compatible; therefore Saga has requested a permit for DHC of the Drinkard and Tubb pools. ~~OCD has indicated that the Tubb pool is a NSL, we respectfully request approval of the DHC permit and NSL of the referenced well.~~

Should you require any further information, please contact the undersigned at your convenience.

Very truly yours,

SAGA PETROLEUM LLC

*Bonnie Husband*

Bonnie Husband  
Production Analyst

Enclosures

415 W. Wall, Ste 1900  
Midland, TX 79701

Office: (915) 684-4293  
Fax (915) 684-0829



## MEMORANDUM

December 18, 2002

OCD  
1220S St. Francis Dr  
Santa Fe, New Mexico 87505  
Attn: Will Jones

### REFERENCE TO:

Completion of Saga Petroleum  
Conoco State No. 3 well  
From Tubb and Drinkard perforations

### DISCUSSION:

Saga Petroleum originally proposed to complete the Conoco State No. 3 as a Drinkard Blinebry dual completion, anticipating both zones to be oil productive. Production testing of Drinkard perforations has shown the formation to be a gas reservoir. Current Tubb perforations have indicated this reservoir to be a gas producer as well. The Tubb and Drinkard reservoirs appear to be compatible. This is the basis for our request to co-mingle gas production from the two reservoirs.

Yours truly

A handwritten signature in cursive script, reading "Lorin J. Rulla".

Lorin J. Rulla  
Chief Geologist

District I  
1625 N. French Dr., Hobbs, NM 88240  
District II  
811 South First, Artesia, NM 88210  
District III  
1000 Rio Brazos Rd., Aztec, NM 87410  
District IV  
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals & Natural Resources Department

Form C-102  
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OIL CONSERVATION DIVISION  
2040 South Pacheco  
Santa Fe, NM 87505

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AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number 30-025-35961		2 Pool Code 96946		3 Pool Name Wildcat Tubb	
4 Property Code 20363		5 Property Name Conoco State			6 Well Number 3
7 OGRID No. 148967		8 Operator Name Saga Petroleum LLC			9 Elevation 3639' Gr

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	33	18S	38E		2110	S	2055	E	LEA

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

12 Dedicated Acres 160	13 Joint or Infill	14 Consolidation Code	15 Order No.
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NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16		17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. <i>Bonnie Husband</i> Signature Bonnie Husband Printed Name Production Analyst Title 12/09/2002 Date
		18 SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. Date of Survey Signature and Seal of Professional Surveyor: Certificate Number

DISTRICT I  
P.O. Box 1000, Hobbs, NM 88241-1000

DISTRICT II  
P.O. Drawer 80, Artesia, NM 88211-0710

DISTRICT III  
1000 Rio Erasos Ed. Artesia, NM 87410

DISTRICT IV  
P.O. Box 2088, Santa Fe, N.M. 87504-2088

State of New Mexico  
Energy, Minerals and Natural Resources Department

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WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number 30-025-35961	Pool Code 31730	Pool Name HOBBS DRINKARD
Property Code 20281	Property Name CONOCO STATE	Well Number 3
OGRID No. 148967	Operator Name SAGA PETROLEUM LLC	Elevation 3639'

Surface Location

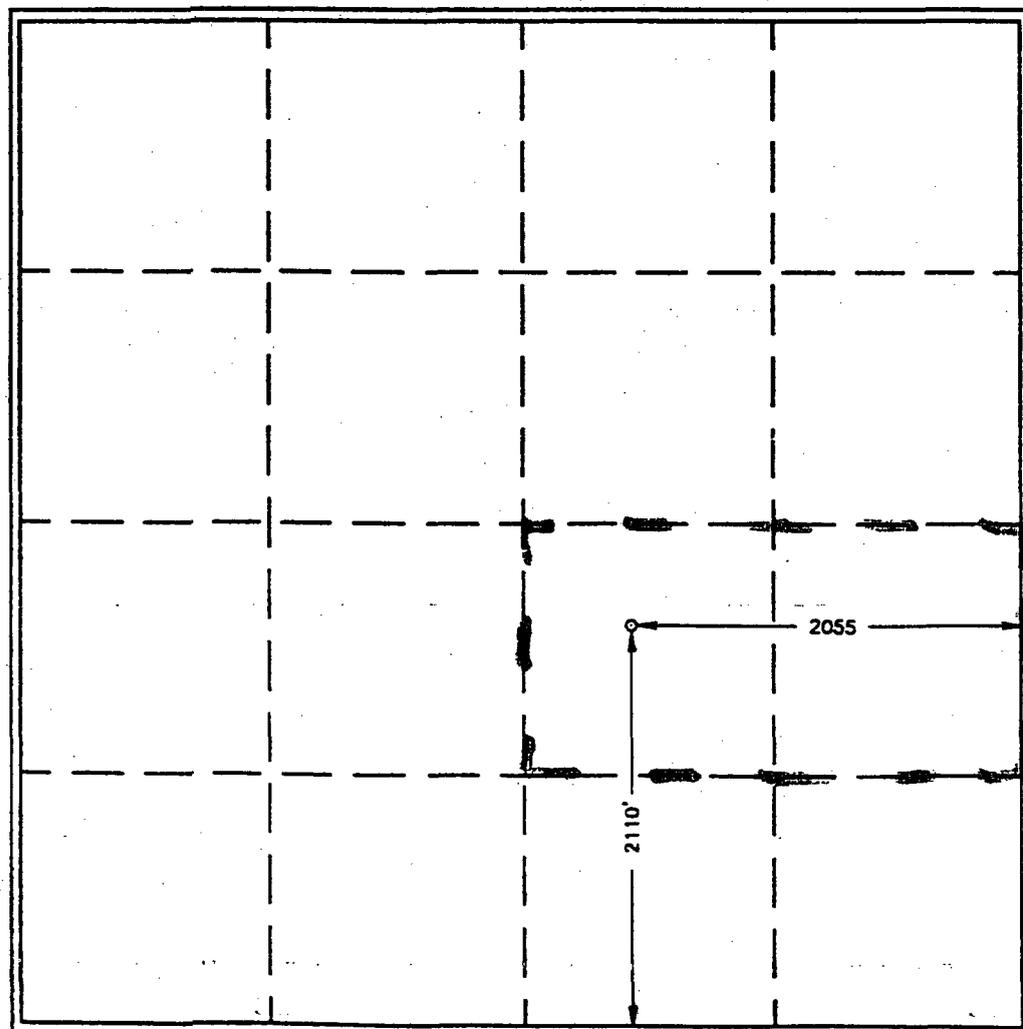
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J	33	18-S	38-E		2110	SOUTH	2055	EAST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 80	Joint or Infill	Consolidation Code	Order No.
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**OPERATOR CERTIFICATION**

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

*Bonnie Husband*  
Signature  
Bonnie Husband

Printed Name Production Analyst

Title July 17, 2002

Date

---

**SURVEYOR CERTIFICATION**

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

July 15, 2002  
Date Surveyed  
Signature & Seal of Professional Surveyor  
*Ronald J. Eidson* 7/15/02  
02.11.0526

Certificate No. RONALD J. EIDSON 3239  
GARY EIDSON 12641

DHC - 3086

District I  
1625 N. French Dr., Hobbs, NM 88240  
District II  
811 South First, Artesia, NM 88210  
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J	33	18S	38E		2110	S	2055	E	LEA

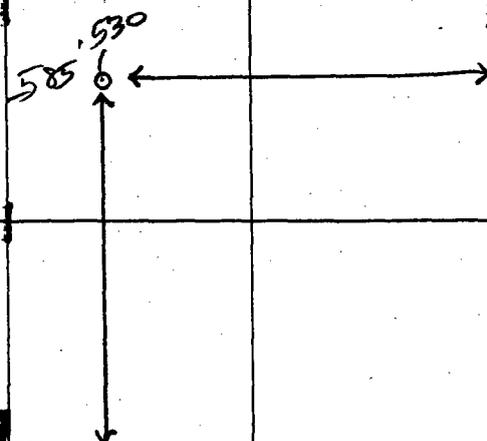
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UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

12 Dedicated Acres 160	13 Joint or Infill	14 Consolidation Code	15 Order No.
---------------------------	--------------------	-----------------------	--------------

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16 <i>Talked 12/13/02 to Bonnie Husband, advised her to turn in NSL APPLICATION TO SANTA FE well logs</i>	17 OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i> <i>Bonnie Husband</i> Signature Bonnie Husband Printed Name Production Analyst Title 12/09/2002 Date	
	18 SURVEYOR CERTIFICATION <i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i>  Date of Survey Signature and Seal of Professional Surveyor:  Certificate Number	



ISTRRICT I  
 O. Box 1000, Hobbs, NM 88241-1000

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 O. Drawer 80, Artesia, NM 88211-0710

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 000 Rio Brazos Rd., Artesia, NM 87410

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State of New Mexico  
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AMENDED REPORT

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Property Code 20281	Property Name CONOCO STATE		Well Number 3
OCRID No. 148967	Operator Name SAGA PETROLEUM LLC		Elevation 3639'

Surface Location

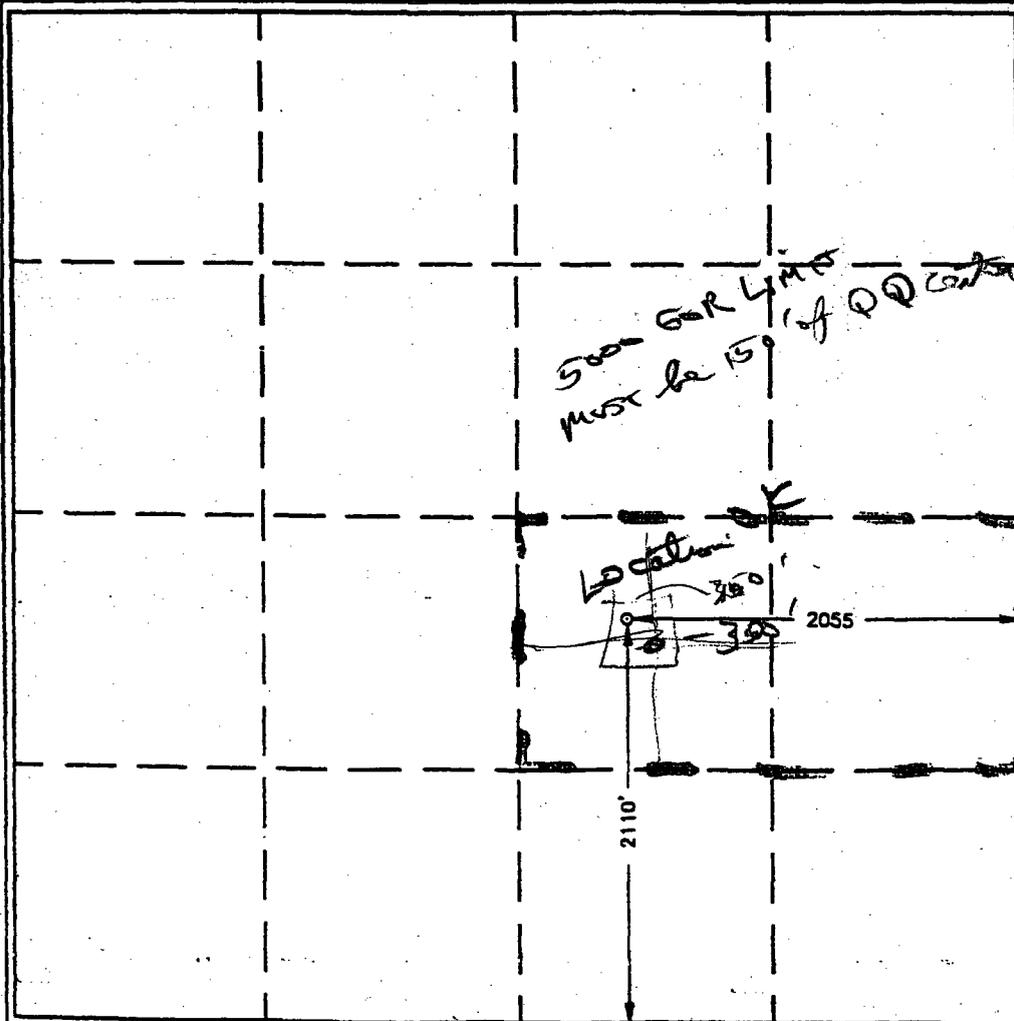
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
80			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



**OPERATOR CERTIFICATION**

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

*Bonnie Husband*  
 Signature: Bonnie Husband

Printed Name: Production Analyst

Title: July 17, 2002

Date:

---

**SURVEYOR CERTIFICATION**

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

July 15, 2002  
 Date Surveyed: AWB

Signature & Seal of Professional Surveyor  
*Gary B. Edson* 7/15/02  
 02.11.0526

Certificate No. RONALD N. EDSON 3239  
 GARY EDSON 12841

PKR0234656309

DHC WVS

NA

District I  
1625 N. French Drive, Hobbs, NM 88240

State of New Mexico  
Energy, Minerals, and Natural Resources Department

Form C-107A  
Revised May 15, 2000

District II  
811 South First Street, Artesia, NM 88210

DEC 12 2002

OIL CONSERVATION DIVISION

2040 South Pacheco  
Santa Fe, New Mexico 87505

APPLICATION TYPE

Single Well

Established Pre-Approved Pools

EXISTING WELLS

Yes  No

District III  
1000 Rio Brazos Road, Aztec, NM 87410

District IV  
2040 South Pacheco, Santa Fe, NM 87505

APPLICATION FOR DOWNHOLE COMMINGLING

Saga Petroleum LLC

415 W. Wall, Suite 1900, Midland, TX 79701

Operator Address

CONOCO STATE

3

J-33-18S-38E

Lea

Lease Well No. Unit Letter-Section-Township-Range County

OGRID No. 148967 Property Code 20281 API No. 30-025-35961 Lease Type  Federal  State  Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Wildcat Tubb		Hobbs Drinkard
Pool Code	96946		31730
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	6406'-6573'		6806'- 6933'
Method of Production (Flowing of Artificial Lift)	Flw'g		Flw'g
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)	612		731
Oil Gravity or Gas BTU (Degree API or Gas BTU)	BTU 1206		BTU 1.159
Producing, Shut-in or New Zone	Prod - New zone		SI while testing Tubb
Date and Oil/Gas/Water Rates of Last Production (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: 12/08/2001 Rates: 402 MCFGPD	Date: Rates:	Date: 10/29/2002 Rates: 348MCF
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil 70 % Gas 54 %	Oil % Gas %	Oil 30 % Gas 46 %

*New Drilled Well*

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingling zones?  
If not, have all working royalty and overriding royalty interest owners been notified by certified mail? Yes  No

Are all produced fluids from all commingling zones compatible with each other? Yes  No

Will commingling decrease the value of production? Yes  No

If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes  No

NMOCDC Reference Case No. applicable to this well: \_\_\_\_\_

Attachments:

- C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- Production curve for each zone for at least one year. (If not available, attach explanation.)
- For zones with no production history, estimated production rates and supporting data.
- Data to support allocation method or formula.
- Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
- Any additional statements, data or documents required to support commingling.

*DHC approved 12/13/02*

Pre-Approved Pools

If application is to establish Pre-Approved Pools, the following additional information will be required:

- List of other orders approving downhole commingling within the proposed Pre-Approved Pools
- List of all operators within the proposed Pre-Approved Pools
- Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
- Bottomhole pressure data.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Bonnie Husband TITLE Production Analyst DATE 12/09/2002

TYPE OR PRINT NAME Bonnie Husband TELEPHONE NO. (915)684-4293