



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

April 23, 2003

Lori Wrotenbery

Director

Oil Conservation Division

Saga Petroleum L.L.C.

415 West Wall – Suite 1900

Midland, Texas 79701

Attention: Bonnie Husband

bhusband@sagapetroleum.com

Telefax No. (915) 684-4285

Administrative Order NSL-4865

Dear Ms. Husband:

Reference is made to the following: (i) your formal application submitted to the New Mexico Oil Conservation Division ("Division") on January 16, 2003 (***administrative application reference No. pKRV0-301656102***); (ii) the Division's initial response by letter dated January 28, 2003 from Mr. Michael E. Stogner, Engineer with the Division in Santa Fe requesting additional information concerning affected offsetting parties; (iii) your responses by letter dated February 3, 2003 and telefaxes dated February 13 and March 3, 2003; (iv) your inquiry concerning this application by e-mail dated April 15, 2003; (v) Mr. Stogner's response by e-mail on April 17, 2003; (vi) the various e-mails and telefaxes between you and Mr. Stogner prior to the filing of this application in January, 2003; and (vii) the Division's records in Santa Fe and Hobbs, including the file on Division Administrative Order DHC-3085, dated December 3, 2002: all concerning Saga Petroleum L.L.C.'s ("Saga") request for a non-standard wildcat Tubb gas well location for its existing State Land Section "32" Well No. 9 (API No. 30-025-23309), located 2130 feet from the South line and 1980 feet from the East line (Unit J) of Section 32, Township 18 South, Range 38 East, NMPM, Lea County, New Mexico.

In accordance with Division Rule 104.C (3), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, the SE/4 of Section 32, being a standard 160-acre shallow gas spacing unit, is to be dedicated to this well.

Our records indicate that the State Land Section "32" Well No. 9 was initially drilled to a total depth of 7,000 feet as a Drinkard test in 1969 by Marathon Oil Company at a standard oil well location pursuant to **Rule 4** of the "*Special Rules and Regulations for the Hobbs-Drinkard Pool*," as promulgated by Division Order No. R-3811, as amended, within a standard 80-acre stand-up oil spacing and proration unit within the Undesignated Hobbs-Drinkard Pool (31730) comprising the W/2 SE/4 of Section 32. The well however was completed in the Hobbs-Upper Blinebry Pool (31680) at a standard oil well location within a standard 40-acre oil spacing and proration unit comprising the NW/4 SE/4 of Section 32. Effective January 1, 1997 Saga became the operator of the State Land Section "32" Well No. 9. It is further understood from your application that in December,

1997 the Tubb formation was perforated and placed on production. In September, 1998 the Drinkard interval was completed and the Tubb interval was shut-in. In February, 2001 the well was dually completed and both zones were placed on production.

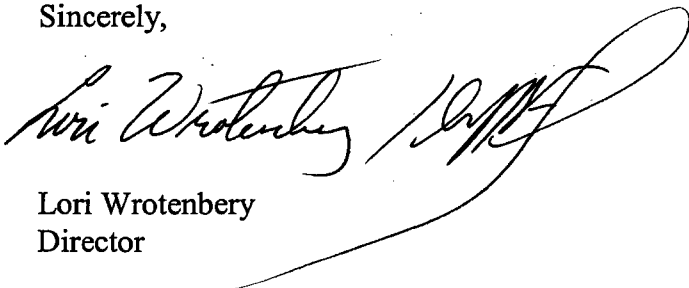
This application has been duly filed under the provisions of Division Rule 104.F, as revised.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox Tubb gas well location for the State Land Section "32" Well No. 9 is hereby approved.

IT SHALL BE NOTED HOWEVER THAT Saga, as a prudent operator, must recognize that a well location is unorthodox prior to its drilling or recompletion and not wait a period of five years after completion into and/or producing from the affected interval to seek the necessary regulatory exceptions. If, any future application by Saga for an unorthodox location is not filed in a more timely fashion, all such subsequent applications will be subject to the Division's hearing process until further notice.

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

Sincerely,



Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe
File: Administrative Order DHC-3085