



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Betty Rivera

Cabinet Secretary

Lori Wrotenberg

Director

Oil Conservation Division

File
Copy

12 December 2002

Saga Petroleum Limited Liability Co.
415 West Wall, Suite 1900
Midland, Texas 79701

RE: Dero Federal Com # 3 L-35-19-28 API 30-015-30399 Violation of Rule 112 A.B.:
Segregation Test

Dear Sirs:

This directive is to notify you that this well is in violation of 112 A.B.

On 19 July, 2002 a letter was sent notifying you on the need to test. You were granted an extension to 11-15-02. To date no test has been conducted.

Rule 112-A.B. of the New Mexico Oil Conservation Division provides as follows:

112-A.B. Operation and Testing

- (1) Wells shall be completed and produced so that no commingling of hydrocarbons from separate pools occurs.
- (2) The operator shall commence a segregation and/or packer leakage test within 20 days after the multiple completion. Segregation tests and/or packer leakage tests shall also be made any time the packer is disturbed. The operator shall also conduct any other tests and determinations required by the Division. The appropriate district office shall be notified 48 hours in advance of tests so the district office may schedule personnel to witness the tests. Offset operators may witness such tests and shall advise the operator in writing if they desire to be notified of the tests. Test results shall be filed with the Division within 20 days of test completion. In the event a segregation and/or packer leakage test indicates communication between separate pools, the operator shall immediately notify the Division and commence corrective action on the well.

Your failure to respond to OCD directives and failure to bring this well into compliance are serious violations and merit a severe sanction, up to and including abandonment and plugging as well as civil penalties. In the event that this well is not brought into compliance on or before January 15, 2002 this Notice of Direction may precede a request to the Division that you be summoned to a hearing in Santa Fe to Show Cause why this well should not be plugged and civil penalties assessed.

Sincerely,

Van Barton
Field Rep. II