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OIL CONSERVATION DIVISION

COMMISSIONER'S OFFICE

Phone (505) 827-5760

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www.nmstatelands.org

PATRICK H. LYONS
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

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

January 22, 2003

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

Attn: Ms. Bonnie Husband

Re: Application for Downhole Commingling
Conoco State, Well No. 3
Unit Letter J, Section 33-18S-38E
Wildcat Tubb and Hobbs Drinkard Pools
Lea County, New Mexico

Dear Ms. Husband:

Your application to downhole commingle the production from within the wellbore of the above-captioned well was received on January 16, 2003. Your application requests our approval to downhole commingle the Wildcat Tubb and Hobbs Drinkard production within the wellbore of the Conoco State, Well No. 3, located in Unit Letter Letter J, Section 33-18S-38E, Lea County, New Mexico.

It is our understanding that production from the subject well will be allocated as follows:

<u>POOL</u>	<u>ALLOCATION</u>	
	<u>Oil %</u>	<u>Gas %</u>
Wildcat Tubb	70%	54%
Hobbs Drinkard	30%	46%
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	100%	100%

Since it appears that the New Mexico Oil Conservation Division's rules and regulations have been complied with, and there will be no loss of revenue to the State of New Mexico as a result of your proposed operation, your request for downhole commingling the production from the above-mentioned well is hereby approved. Any deviation from the substance of your request will be sufficient grounds for rescinding our approval. Our approval is subject to like approval by the New Mexico Oil Conservation Division.

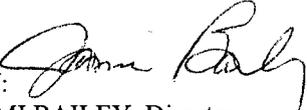
Your \$30.00 dollar filing fee has been received.

Saga Petroleum LLC
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If you have any questions, or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

PATRICK H. LYONS
COMMISSIONER OF PUBLIC LANDS

BY: 
JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744

PL/JB/cpm

Enclosure

xc: Reader File

OCD--Attention: David Catanach