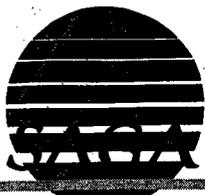


MS pKRV0235835106

NSL 1/12/03

Kathy, please log this
appl. in as an NSL.
Bonnie Husband



PETROLEUM

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

A handwritten signature in cursive script that reads "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

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
Revised August 15, 2000

OIL CONSERVATION DIVISION
2040 South Pacheco
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 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.
---------------------------	--------------------	-----------------------	--------------

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

16					17 OPERATOR CERTIFICATION		
					<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></p> <p>Signature</p> <p>Bonnie Husband</p> <p>Printed Name</p> <p>Production Analyst</p> <p>Title</p> <p>12/09/2002</p> <p>Date</p>		
						18 SURVEYOR CERTIFICATION	
						<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
P.O. Box 1988, Hobbs, NM 88241-1988

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0718

DISTRICT III
1000 Rio Brazos 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

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

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
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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
OCRID No. 148967	Operator Name SAGA PETROLEUM LLC	Elevation 3639'

Surface Location

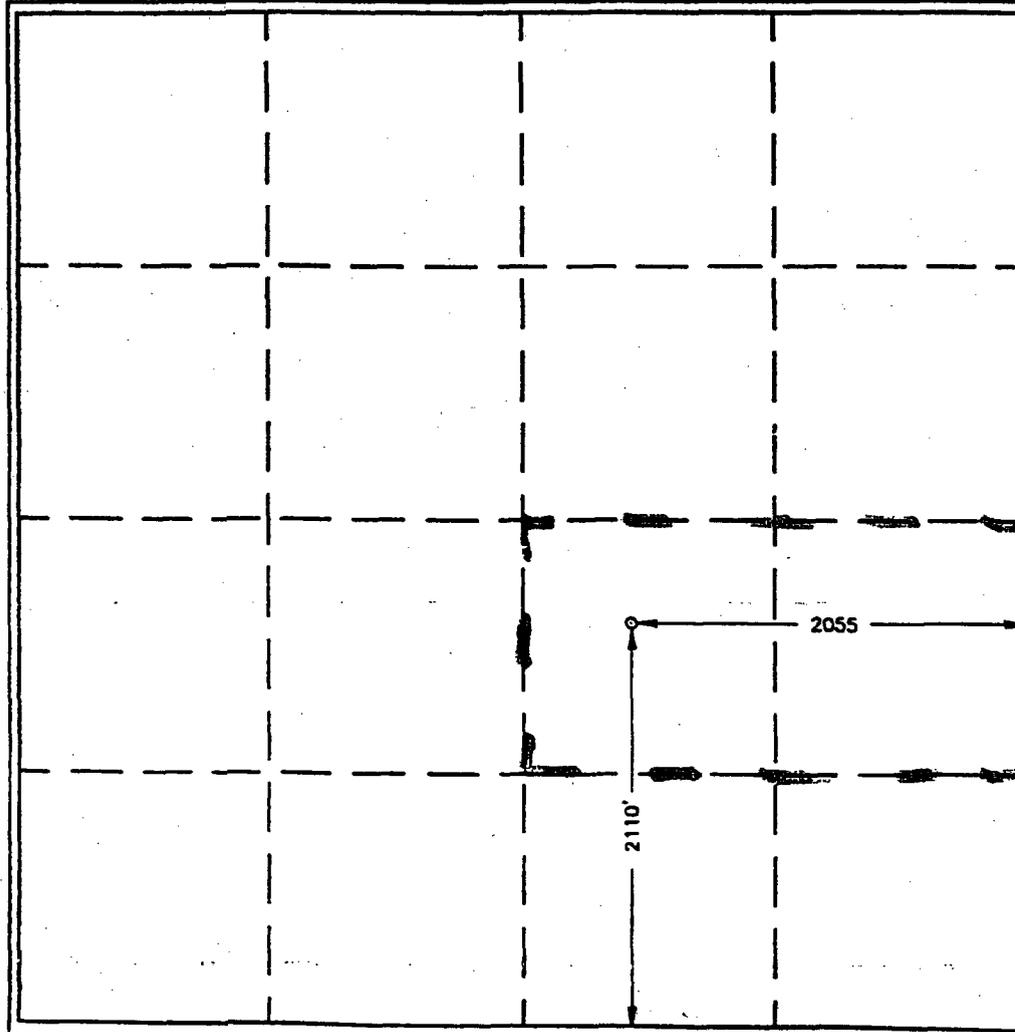
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	33	18-S	38-E		2110	SOUTH	2055	EAST	LEA

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	Joint or Infill	Consolidation Code	Order No.
80			

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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 EIDSON AWB

Signature & Seal of Professional Surveyor
Darryl E. Edson 7/15/02

02.11.0526

Certificate No. RONALD J. EDSON 3239
GARY EDSON 12841

DHC - 3086

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

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised August 15, 2000

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

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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

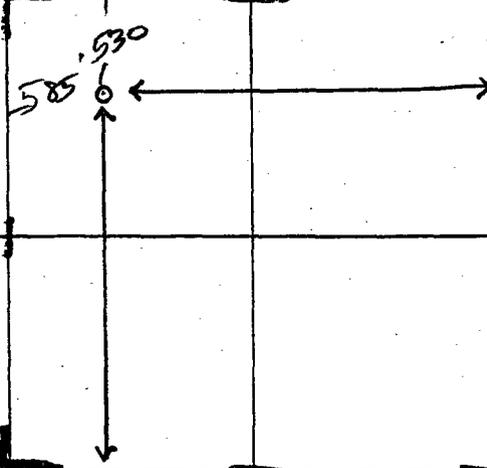
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UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

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 log</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 1999, Hobbs, NM 88241-1999

ISTRRICT II
 O. Drawer 80, Artesia, NM 88211-0710

ISTRRICT III
 100 Rio Brazos Rd., Artesia, NM 87410

ISTRRICT IV
 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

Form C-102
 Revised February 10, 1994
 Submit to Appropriate District Office
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WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

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

Surface Location

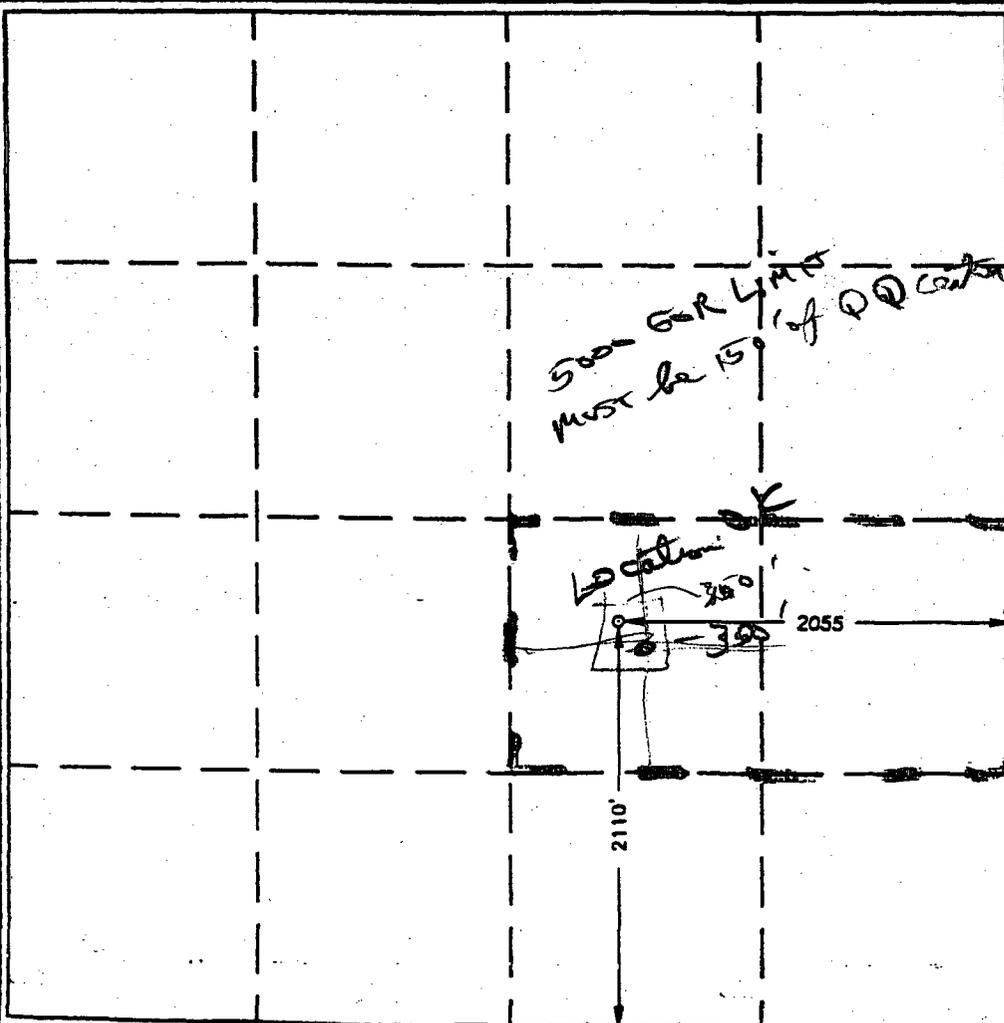
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Bottom Hole Location If Different From Surface

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

Date July 17, 2002

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

Bary E. Edson
 Signature & Seal of Professional Surveyor

02.11.0526

Certificate No. RONALD J. EDSON 3239
 GARY EDSON 12841

PKRV0234656309

DHC WVS

NA

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

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811 South First Street, Artesia, NM 88210

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1000 Rio Brazos Road, Aztec, NM 87410

District IV
2040 South Pacheco, Santa Fe, NM 87505

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

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, New Mexico 87505

DEC 12 2002

APPLICATION FOR DOWNHOLE COMMINGLING

Form C-107A
Revised May 15, 2000

APPLICATION TYPE
 Single Well
 Established Pre-Approved Pools
EXISTING WELLBORE
 Yes No

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 or 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 part 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

NMOCD 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