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OCT 4 2005
OIL CONSERVATION
DIVISION

September 7, 2005

Mark E. Fesmire, P.E.
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Request to vacate Division Administrative Order DHC-3086
Conoco State Well No. 3
SE $\frac{1}{4}$ §33-18S-38E

Dear Mr. Fesmire:

Latigo Petroleum, Inc. ("Latigo"), Texland Petroleum, LP ("Texland"), and Occidental Permian Ltd. ("Occidental") submit this joint request to vacate the above administrative order. In support thereof, the parties state:

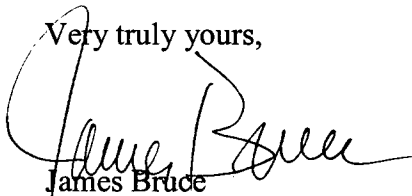
1. Latigo is a lessee of the W $\frac{1}{2}$ SE $\frac{1}{4}$, Texland is a lessee of the NE $\frac{1}{4}$ SE $\frac{1}{4}$, and Occidental is the lessee of the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of the Section 33.
2. The DHC order was approved upon the request of Saga Petroleum, L.L.C. ("Saga"), the predecessor in title to Latigo, without notice to Texland and Occidental.
3. The DHC order approved downhole commingling of the Tubb formation (a gas zone spaced on 160 acres) and the Drinkard formation (an oil zone spaced on 80 acres).
4. Saga attempted to form a 160 acre Tubb unit comprised of the E $\frac{1}{2}$ SW $\frac{1}{4}$ and W $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 33 merely by filing a Form C-102 outlining such a unit (ownership of the E $\frac{1}{2}$ SW $\frac{1}{4}$ and W $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 33 is common). The Division never approved such a non-standard unit.
5. The parties have determined that all production from the well is attributable solely to the Tubb formation.

6. In addition, Latigo has taken steps to form a standard 160 acre Tubb unit comprised of the SE¼ of Section 33.

As a result of the foregoing, a DHC order is unnecessary, and the Tubb unit "formed" by Saga was improper. Thus, the parties request that DHC-3086 be vacated to correct the errors of Saga.

This request is part of a comprehensive settlement among the parties to resolve and settle all matters raised in Division Case No. 13494, including the reallocation and payment of production proceeds from this wellbore from the date of first production to all proper interest owners in a standard 160 acre spacing unit, consisting of the above-described SE¼ §33.

Very truly yours,



James Bruce

Attorney for Latigo Petroleum, Inc.

Kellahin & Kellahin

Date: _____

W. Thomas Kellahin
P.O. Box 2265
Santa Fe, New Mexico 87504

Attorney for Texland Petroleum, LP

Occidental Permian LP

Date: _____

J.C. Stautberg
P.O. Box 27570
Houston, Texas 77227-7570

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James Bruce

Attorney for Latigo Petroleum, Inc.

Kellahin & Kellahin


W. Thomas Kellahin
P.O. Box 2265
Santa Fe, New Mexico 87504

Date: 9/7/05

Attorney for Texland Petroleum, LP

Occidental Permian LP

Date: _____

J.C. Stautberg
P.O. Box 27570
Houston, Texas 77227-7570

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Very truly yours,

James Bruce

Attorney for Latigo Petroleum, Inc.

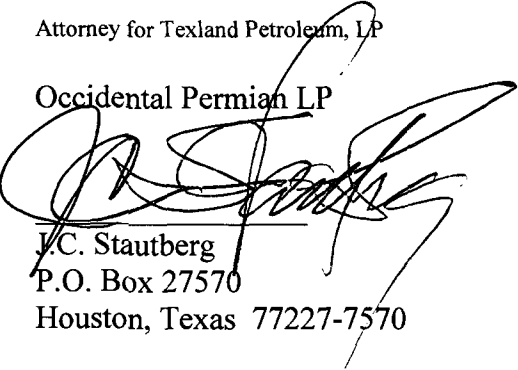
Kellahin & Kellahin

Date: _____

W. Thomas Kellahin
P.O. Box 2265
Santa Fe, New Mexico 87504

Attorney for Texland Petroleum, LP

Occidental Permian LP



J.C. Stautberg
P.O. Box 27570
Houston, Texas 77227-7570

Date: Sept 14, 2005

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

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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
Director

S E A L

LW/wvjj

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

STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 13494
Order No. R-12414

APPLICATION OF TEXLAND PETROLEUM, L.P. FOR A COMPLIANCE
ORDER AGAINST LATIGO PETROLEUM, INC., VOIDING OF
ADMINISTRATIVE ORDER DHC-3086, COMPULSORY POOLING, CHANGE
OF OPERATOR AND OTHER RELIEF, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 8, 2005, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 15th day of September, 2005, the Division Director, having considered the record and the recommendations of the Examiner,

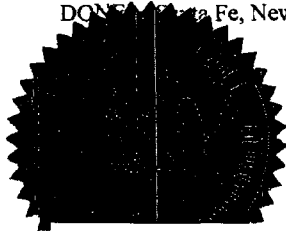
FINDS THAT:

The applicant's request for dismissal should be granted.

IT IS THEREFORE ORDERED THAT:

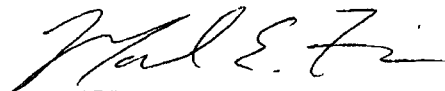
Case No. 13494 is hereby dismissed.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



MARK E. FESMIRE, PE
Director