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New Mexico Board of Legal Specialization

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April 26, 2005

HAND DELIVERED

Mr. Mark E. Fesmire, Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 13494

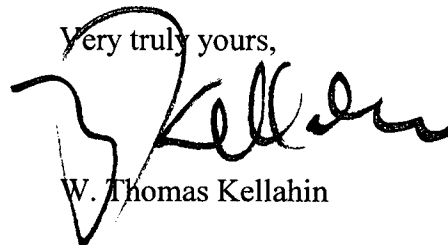
2005 APR 26 PM 1 42

Re: Conoco State Well No. 3 (API #30-025-35961)
Application of Texland Petroleum, Inc. for a
Compliance Order against Latigo Petroleum, Inc.
including an order to void and revoke Administrative
Order DHC-3086 and other relief.
Lea County, New Mexico

Dear Mr. Fesmire:

On behalf of Texland Petroleum, Inc., please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for May 19, 2005. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Texland Petroleum, Inc.
Attn: Jim Wilkes

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

**APPLICATION OF TEXLAND PETROLEUM, L.P.
FOR AN ORDER TO VOID AND REVOKE
ADMINISTRATIVE ORDER DHC-3086
AND FOR A COMPLIANCE ORDER AGAINST
LATIGO PETROLEUM, INC. REQUIRING IT
TO IMMEDIATELY SHUT-IN THE CONOCO STATE
WELL NO. 3 AND OTHER RELIEF,
LEA COUNTY, NEW MEXICO**

2005 APR 26 PM 1 43

CASE NO. 13494

APPLICATION

Texland Petroleum, L.P. ("Texland") by its attorneys, Kellahin & Kellahin, applies to the New Mexico Oil Conservation Division ("OCD") for a Compliance Order, including fines, against Latigo Petroleum, Inc. ("Latigo") including an order to void and revoke Administrative Order DHC-3086, and to require Latigo to immediately shut-in its Conoco State Well No. 3 (API No. 30-025-35961) located in Unit J of Section 33, T18S, R38E, Lea County New Mexico until such time as: (i) a standard 160-acre gas spacing unit consisting of the SE/4 of this section, is dedicated to this well in the Tubb formation, Hobbs-Tubb Gas Pool, (ii) the interest of all owners in the standard 80-acre oil spacing and proration unit, consisting of the N/2SE/4 of this section, is dedicated to this well in the Drinkard formation of the Hobbs-Drinkard Pool, (iii) the production proceeds from this well in the Tubb and Drinkard formations are reallocated and paid to the owners in these spacing units from the date of first production, and (iv) paid the fines for violations of the Gas and Gas Act. Section 70-2-31 NMSA 1978.

In support, the Applicant states:

- (1) Texland is the lessee of the oil and gas rights in the NE/4SE/4 of Section 33, T18S, R38E.

- (2) Upon information and belief, Occidental Permian Ltd ("OXY") is the lessee of the oil and gas rights in the SE/4SE/4 of this section.
- (3) Latigo and its predecessor, Saga Petroleum, L.L.C. ("Saga") is the lessee of the oil and gas rights in the W/2SE/4 of this section.
- (4) This acreage is within the standard 160-acre gas spacing unit that Latigo and its predecessor, Saga, should have been dedicated when gas production from the Tubb formation was downhole commingled with oil production from the Drinkard formation within the wellbore of the Conoco State Well No. 3.
- (5) In addition, this acreage is within the non-standard 80-acre oil spacing unit that Latigo's predecessor, Saga, originally dedicated when oil production from the Drinkard formation was obtained from the Conoco State Well No. 3.
- (6) Saga obtained an approved APD, dated July 30, 2002, from the Division for this well by filing an application that included forms C-102, dated July 17, 2002, for the Hobbs-Upper Blinbry Pool and pursuant to Rule 104.C(3), dedicated a standard 40-acre spacing consisting of the NW/4SE/4 of this section and for the Drinkard that dedicated a standard 80-acre oil spacing unit consisting of the N/2SE/4 of this section.
- (7) The Division records reflect that Saga spudded the Conoco State #3 Well on August 27, 2002 and on October 13, 2002 completed it for production from the Drinkard formation of the Hobbs-Drinkard Pool. **See Completion Report (attached as Exhibit "1")** and despite the fact that Division Order R-4166, dated July 1, 1971 in Case 4564 had approved a non-standard 80-acre stand-up oil spacing and proration unit being the SW/4NE/4 and NW/4SE/4, Saga dedicated the N/2SE/4 as a standard 80-acre lay-down oil spacing and proration unit. **See the C-102 for the Drinkard, dated 7/17/2002, signed by Bonnie Husband, and attached as Exhibit "2"**
- (8) Division Rule 303 requires a 20-day notice period for applications for downhole commingled production.

- (9) On December 9, 2002, Saga filed Division Form C-107A requesting approval to downhole commingling production ("DHC") from the Tubb and the Drinkard formations that failed to include evidence of compliance with the OCD notice requirements. **See Exhibit "3"**
- (10) Saga also filed Division Form C-102, dated 12/09/02, signed by Bonnie Husband that showed the SE/4 of Section 3 as the 160-acres dedicated to the Tubb production. **See Exhibit "4"**
- (11) Without waiting for the 20-day notice period to expire or determining that Texland and OXY received notice and had signed written waivers, on December 12, 2002, the Division entered Administrative Order DHC-3086 approving Saga's DHC application despite the fact that Saga, violated OCD rules by failing to provide Texland and OXY with a copy of this application and an opportunity to object. **See Administrative Order DHC-3086, dated December 12, 2002 attached as Exhibit "5"**
- (13) On December 13, 2002, Mr. Will Jones, OCD-Santa Fe, advised Bonnie Husband of Saga, that Saga needed to file an unorthodox well location ("NSL") application for the Conoco State Well No. 3. **See Exhibit "6" attached**
- (14) Then by letter dated December 18, 2002, Saga advised the OCD-Santa Fe that both the Drinkard and Tubb were gas reservoirs and requested to "co-mingle gas production from the two reservoirs." **See Exhibit "7"**
- (15) Then apparently by an unorthodox well location application, dated December 18, 2002, Saga filed a C-102, dated December 19, 2002, dedicating a standard 160-acre spacing unit, consisting of the SE/4 of this section for production from the Tubb formation and a C-102 dedicating a non-standard 80-acre oil spacing unit consisting of the SW/4NE/4 and the NW/4SE/4 of this section for production from the Drinkard formation both for the Conoco State Well No. 3. **See Exhibit "8"**
- (16) By letter dated December 27, 2002 Mr. Michael E. Stogner, OCD-Santa Fe, the OCD petroleum engineer, in charge of process unorthodox well location applications, advised Saga that its December 18, 2002 application for an NSL was insufficient and incomplete as of December 27, 2002. **See Exhibit "9" attached.**

- (17) Thereafter, approximately 17 letters and e-mails were exchanged between Mr. Stogner and Ms. Husband, including an attempt by Saga to exclude Texland, and without notice, by altering its original Drinkard 80-acres dedication from the N/2SE/4 of Section 33 to a non-standard 80-acre spacing unit consisting of the SW/4NE/4 and NW/4SE/4 of Section 33.
- (18) By letter dated January 8, 2003, Mr. Stogner, OCD-Santa Fe, confirmed that Saga was altering the Drinkard dedication to the W/2SE/4 of Section 33. **See Exhibit "10" attached**
- (19) By e-mail (**See Exhibit 11 attached**) Ms. Husband transmitted to Mr. Stogner an attempt by Saga to exclude Texland and OXY from the Tubb spacing unit by altering the dedication from a standard 160-acre spacing unit consisting of the SE/4 of Section 33 to a non-standard 160-acre spacing unit consisting of the E/2SW/4 and the W/2SE/4 of Section 33. **See Exhibit "12" attached** and from the Drinkard spacing unit by altering the dedication from a standard 80-acre spacing unit consisting of the N/2SE/4 of Section 33 to a non-standard 80-acre spacing unit consisting of the SW/4NE/4 and the NW/4SE/4 of Section 33. **See Exhibit "13" attached.**
- (20) By letter dated January 14, 2003, Ms. Husband for Saga, advised Mr. Stogner that she had notified five of the offsetting operators in all three 160-acre acres that were affected by this NSL application. **See Exhibit "14"**
- (21) In an apparent attempt to avoid paying Texland its rightful share of production from the Drinkard and the Tubb formations, Saga without the approval of the Division or the consent of Texland, filed two amended C-102; one dated 1/08/03, for the Tubb production dedicated to a non-standard spacing unit consisting of the W/2SE/4 and the E/2SW/4, and one dated 10/20/03, for the Drinkard production dedication of the W/2SE/4 being a standard spacing unit with a different orientation.
- (22) By letter dated January 17, 2003, Mr. Stogner advised Ms. Husband that her belated notification was insufficient because there were no producing Tubb gas wells in the NW/4, SW/4 or NE/4 of Section 33 and therefore she must notify the working interest owners in these 3 160-acre tracts. **See Exhibit "15" attached**

- (23) At no time, did Saga ever notify either Texland or OXY that Saga intended to delete them from the Tubb or Drinkard spacing units or to downhole commingle that production.
- (24) On April 23, 2003, the Division issued Administrative Order NSL-4866 approving Saga's application for an unorthodox well location for the Tubb production from this well. **See Exhibit "16" attached.**
- (25) About October 23, 2003, Saga again filed with the Division conflicting C-102:
- a. C-102 for a non-standard 160-acre Tubb gas spacing unit consisting of the E/2SW/4 and the W/2SE/4 of Section 33. **Attached as Exhibit "17"**
 - b. C-102 for a standard 80-acred Drinkard spacing unit consisting of the W/2SE/4 of Section 33. **Attached as Exhibit "19"**
- (26) Effective April 1, 2004, Latigo became the operator of this well and these spacing units.
- (27) Based upon these filings by Saga and the Division's rules, regulations and orders, Texland, with 100% of the working interest in the NE/4SE/4, was and is entitled to 25 percent of the production from the Tubb and 50 percent of the production from the Drinkard formation.
- (28) Latigo Petroleum, Inc.'s ("Latigo") predecessor, Saga Petroleum, L.L.C. ("Saga"), has violated the rules of the New Mexico Oil Conservation Division ("Division") by failing to dedicate the proper oil and gas spacing and proration unit for production from the referenced well.
- (29) Latigo is the current designated operator for this well and has acquired Saga's interest in this well and therefore is the responsible party.

- (30) As a result of Saga's violation of Division's rules, Saga and now Latigo has improperly failed to pay Texland for its sharing of production from this well.
- (31) Saga and now Latigo has knowingly and willfully evaded or violated the Oil & Gas Act including the Division rules by failing to provide an accounting and proper payment to Texland for its share of production dedication to the SE/4 for the Tubb and to the N/2SE/4 for the Drinkard and then manipulating those spacing units dedication in an attempt to exclude Texland from receiving its rights share of production from the Conoco State Well No. 3.
- (32) In accordance with the Division's notice requirements, a copy of this application has been sent to those affected parties as listed on Exhibit 19 notifying each of this case and of the applicant's request for hearing of this matter before the Division on the next available Examiner's docket now scheduled for May 19, 2004.

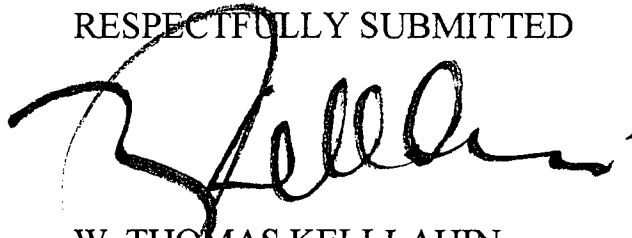
WHEREFORE, Texland request that the New Mexico Oil Conservation Division take appropriate action including the following:

- (1) Issue Compliance Order against Latigo Petroleum, Inc. ("Latigo") including imposing appropriate fines for violations of the Gas and Gas Act. Section 70-2-31 NMSA 1978.
- (2) Issue an order to void and revoke Administrative Order DHC-3086:
- (3) Require Latigo to immediately shut-in its Conoco State Well No. 3 (API No. 30-025-35961) located in Unit J of Section 33, T18S, R38E, Lea County New Mexico until such time as: (i) a standard 160-acre gas spacing unit consisting of the SE/4 of this section, is dedicated to this well in the Tubb formation, Hobbs-Tubb Gas Pool, (ii) the interest of all owners in the standard 80-acre oil spacing and proration unit, consisting of the N/2NSE/4 of this section, is dedicated to this well in the Drinkard formation of the Hobbs-Drinkard Pool, (iii) the production proceeds from this well

in the Tubb and Drinkard formations are reallocated and paid to the owners in these spacing units from the date of first production.

- (4) And for such other relief as the Division deems appropriate.

RESPECTFULLY SUBMITTED

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahein', written over the typed name.

W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87504
Phone 505-982-4285
Fax: 505-982-2047

EXHIBIT "19"
NOTICE LIST

Latigo Petroleum, Inc.
414 W. Wall, Suite 1900
Midland, Texas 79701

Saga Petroleum
414 West Wall, Suite 1900
Midland, Texas 79701

OXY USA INC.
P. O. Box 27570
Houston, Texas 77227-7570
Attn: J. C. Stautberg

Submit to Appropriate
District Office
State Lease - 6 copies
Fee Lease - 5 copies
DISTRICT I

P.O. Box 1980, Hobbs, NM 88240

DISTRICT II

P.O. Drawer DD, Artesia, NM 88210

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-105
Revised 1-1-89

OIL CONSERVATION DIVISION

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

WELL API NO. 30-025-35961
5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE
6. State Oil & Gas Lease No. B2656

WELL COMPLETION OR RECOMPLETION REPORT AND LOG

1a. Type of Well: OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> DRY <input type="checkbox"/> OTHER		7. Lease Name or Unit Agreement Name Conoco State	
b. Type of Completion: NEW WELL <input checked="" type="checkbox"/> WORK OVER <input type="checkbox"/> DEEPEN <input type="checkbox"/> PLUG BACK <input type="checkbox"/> DIFF RESVR <input type="checkbox"/> OTHER		8. Well No. 3	
2. Name of Operator Saga Petroleum LLC		9. Pool name or Wildcat Hobbs Drinkard	
3. Address of Operator 415 W. Wall, Suite 1900, Midland, TX 79701			
4. Well Location Unit Letter J 2110 Feet From The S Line and 2055 Feet From The E Section 33 Township 18S Range 38E NMPM LEA			
10. Date Spudded 08/27/2002	11. Date T.D. Reached 09/16/2002	12. Date Compl. (Ready to Prod.) 10/13/2002	13. Elevations (DF & RKB, RT, GR, etc.) Gr 363 9'
14. Elev. Casinghead	15. Total Depth 7025'	16. Plug Back T.D. 7000'	17. If Multiple Compl. How Many Zones?
18. Intervals Drilled By	19. Producing Interval(s), of this completion - Top, Bottom, Name 6806'-6933' Drinkard	20. Was Directional Survey Made Inclination attached	21. Type Electric and Other Logs Run USI-CE, GR-CNL, Formation Resistivity
22. Was Well Cored No			

CASING RECORD (Report all strings set in well)

CASING SIZE	WEIGHT LB./FT.	DEPTH SET	HOLE SIZE	CEMENTING RECORD	AMOUNT PU
9-5/8"	35# J55	1530'	12-1/4"	500 sx C Poz	circ surf
5-1/2"	15.5, 17# L80, J55	6992'	7-7/8"	686 sx C Poz	TC 2025' CE

LINER RECORD

TUBING RECORD

SIZE	TOP	BOTTOM	SACKS CEMENT	SCREEN	SIZE	DEPTH SET	PACKER

26. Perforation record (interval, size, and number) 6806'-6933', 1 JSPF 24 holes 4" charge perf 6597'-6933' w/2JSPF 184 holes- spot 250 gal 15% NEFE across perfs, 1250 gal 90/10 15% NEFE & 4500 gal 15% Ultragel	27. ACID, SHOT, FRACTURE, CEMENT, SQUEEZE, E' DEPTH INTERVAL 1990'-4 holes 6806'-6933' AMOUNT AND KIND MATERIAL USED 470 sx C + 440 sx C Poz 1000 gal 15% 90/10 Acidrol +3000 gal 15% Ultragel + 20 BS/st
--	--

28. Production Method (Flowing, gas lift, pumping - Size and type pump) 10/13/2002 flow	29. Well Status (Prod. or Shut-in) prod
--	--

Date of Test 10/29/2002	Hours Tested 24	Choke Size	Prod'n For Test Period 1	Oil - Bbl. 1	Gas - MCF 348	Water - Bbl. 8	Gas - Oil 34,800
Flow Tubing Press. 160	Casing Pressure 260	Calculated 24-Hour Rate 1	Oil - Bbl. 1	Gas - MCF 348	Water - Bbl. 8	Oil Gravity - API - (Corr.) 36.8	

29. Disposition of Gas (Sold, used for fuel, vented, etc.) sold	Test Witnessed By R Long
--	-----------------------------

30. List Attachments Deviation Survey	
--	--

31. I hereby certify that the information shown on both sides of this form is true and complete to the best of my knowledge.

Signature

Bonnie Husband

Printed Name

Bonnie Husband

Title Producer

Date 11/20/02

EXHIBIT
1

INSTRUCTIONS

This form is to be filed with the appropriate District Office of the Division not later than 20 days after the completion of any newly-drilled or deepened well. It shall be accompanied by one copy of all electrical and radio-activity logs run on the well and a summary of all special tests conducted, including drill stem tests. All depths reported shall be measured depths. In the case of directionally drilled wells, true vertical depths shall also be reported. For multiple completions, Items 25 through 29 shall be reported for each zone. The form is to be filed in quintuplicate except on state land, where six copies are required. See Rule 1105.

INDICATE FORMATION TOPS IN CONFORMANCE WITH GEOGRAPHICAL SECTION OF STATE

Southeastern New Mexico

Northwestern New Mexico

T. Anhy _____	T. Canyon _____	T. Ojo Alamo _____	T. Penn. "B" _____
T. Salt _____	T. Strawn _____	T. Kirtland-Fruitland _____	T. Penn. "C" _____
B. Salt _____	T. Atoka _____	T. Pictured Cliffs _____	T. Penn. "D" _____
T. Yates _____ 2650	T. Miss _____	T. Cliff House _____	T. Leadville _____
T. 7 Rivers _____ 2848	T. Devonian _____	T. Menefee _____	T. Madison _____
T. Queen _____ 3362	T. Silurian _____	T. Point Lookout _____	T. Elbert _____
T. Grayburg _____ 3722	T. Montoya _____	T. Mancos _____	T. McCracken _____
T. San Andres _____ 3960	T. Simpson _____	T. Gallup _____	T. Ignacio Otzte _____
T. Glorieta _____ 5288	T. McKee _____	Base Greenhorn _____	T. Granite _____
T. Paddock _____ 5518	T. Ellenburger _____	T. Dakota _____	T. _____
T. Blinebry _____ 5739	T. Gr. Wash _____	T. Morrison _____	T. _____
T. Tubb _____ 6407	T. Delaware Sand _____	T. Todilto _____	T. _____
T. Drinkard _____ 6604	T. Bone Springs _____	T. Entrada _____	T. _____
T. Abo _____	T. _____	T. Wingate _____	T. _____
T. Wolfcamp _____	T. _____	T. Chinle _____	T. _____
T. Penn _____	T. _____	T. Permain _____	T. _____
T. Cisco (Bough C) _____	T. _____	T. Penn "A" _____	T. _____

OIL OR GAS SANDS OR ZONES

No. 1, from 2650 _____ to 2740 _____	No. 3, from 3675 _____ to 3722 _____
No. 2, from 3092 _____ to 2162 _____	No. 4, from 3880 _____ to 4280 _____

IMPORTANT WATER SANDS

Include data on rate of water inflow and elevation to which water rose in hole.	#5 5450-5530	#7 6406-6604
No. 1, from _____ to _____	#6 5820-5890	#8 6610-6950
No. 2, from _____ to _____	feet _____	
No. 3, from _____ to _____	feet _____	

LITHOLOGY RECORD (Attach additional sheet if necessary)

From	To	Thickness in Feet	Lithology	From	To	Thickness in Feet	Lithology
2650	2848	198	Yates sec, dolomite w/interbed sdstone				
2848	3362	514	Seven Rivers Dolomite				
3362	3722	360	Dolomite w/Qn & Penrose sandstone sections				
3722	3960	238	Primarily Dolomite w/sandstone sections				
3960	5288	1328	San Andres carbonate section of Dolomite, Anhydries & limestone				
5288	5518	230	Dolomite w/interbedded fine sandstone bodies				
5518	6407	889	Dolomite interbedded find sandstone bodies, Blinebry carbonate section being Anhydritic dolomite w/some sandstone				
6407	6604	197	Tubb sandstone & dolomite Drinkard dolomite & sandy dolomite w/limestone in lwr portion				

P.O. Box 1000, Hobbs, NM 88241-1000

State of New Mexico

Energy, Minerals and Natural Resources Department:

Form C-102

Revised February 10, 1994

Submit to Appropriate District Office

State Loans - 4 Copies

Fee Loans - 3 Copies

DISTRICT II

P.O. Box 9800, Atlanta, GA 30311-0719

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT III

1000 Rio Arroyo Rd., Artec, NM 87410

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
OGRIID No. 148967	Operator Name SAGA PETROLEUM LLC	Elevation 3639'

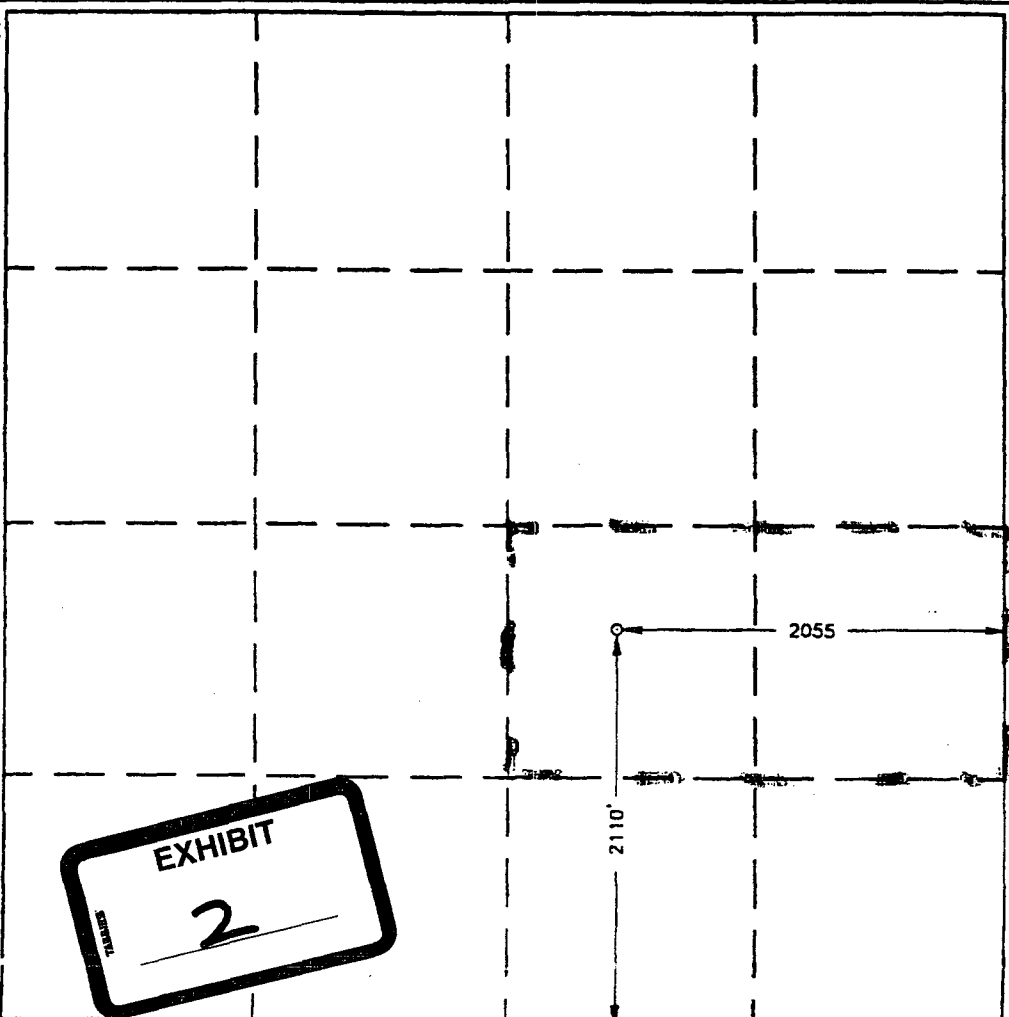
Surface Location

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 14n	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 80	Joint or Infill	Consolidation Code	Order No.						

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. <u>Bonnie Husband</u> 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 AWB Signature & Seal of Professional Surveyor <u>Gary L. Edson</u> 02.11.0526 Certificate No. RONALD J. EDSON 3239 GARY EDSON 12841

District I
1625 N. French Drive, Hobbs, NM 88240
District II
811 South First Street, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

PKR023465 09

DHC WVJ

NA

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

Form C-107A
Revised May 15, 2000

DEC 12 2002
OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, New Mexico 87505

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

APPLICATION FOR DOWNHOLE COMMINGLING

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 <i>103</i>	Date: Rates:	Date: 10/29/2002 Rates: 348MCF <i>1350</i>
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past 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 ☐
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) 84-4293



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-11
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 Hobbs Wildcat Tubb			
4 Property Code 20363		5 Property Name Conoco State				6 Well Number 3	
7 OGRIN No. 148967		8 Operator Name Saga Petroleum LLC				9 Elevation 3639' Gr	

10 Surface Location


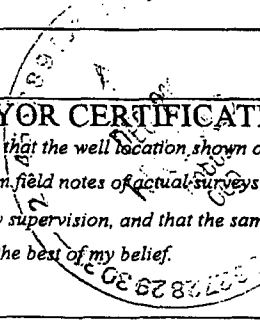
UL or lot no. J	Section 33	Township 18S	Range 38E	Lot Idn	Feet from the 2110	North/South line S	Feet from the 2055	East/West line E	Count LEA
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11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	Count
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12 Dedicated Acres 160	13 Joint or Infill	14 Consolidation Code	15 Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED.
NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16					17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.  Signature Bonnie Husband Printed Name Production Analyst Title 12/09/2002 Date	
					18 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.  Date of Survey Signature and Seal of Professional Surveyor:	
					Certificate Number	





NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Betty Rivera
Cabinet Secretary

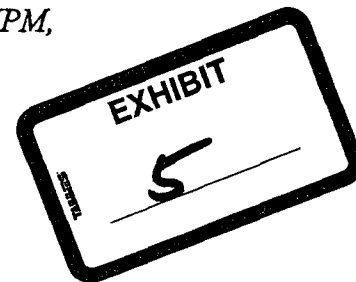
Lori Wrotenbery
Director
Oil Conservation Division

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.

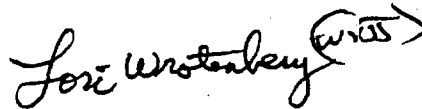
December 12, 2002

Page 2

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

SEAL

LW/wvjj

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

000
Hobbs
ED
2002

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 APL 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

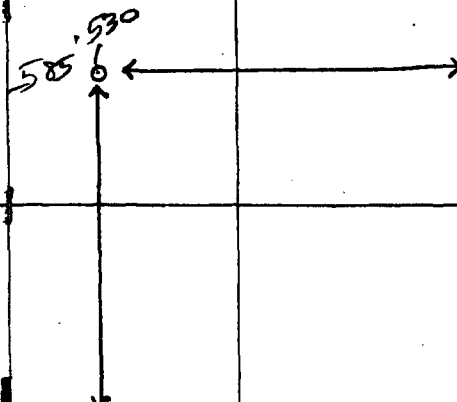
10 Surface Location

UL or lot no. J	Section 33	Township 18S	Range 38E	Lot Idn	Feet from the 2110	North/South line S	Feet from the 2055	East/West line E	County LEA
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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 <i>Talked 12/13/02 to Bonnie Husband, advised her to turn in HSL APPLICATION To SANTA Fe well log</i>				17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. <i>Bonnie Husband</i> Signature Bonnie Husband Printed Name Production Analyst Title 12/09/2002 Date	
				18 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.	
				Date of Survey Signature and Seal of Professional Surveyor: Certificate Number	

EXHIBIT

6



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



MS pKRV0235835106

NSL 1/12/03



SAGA PETROLEUM

*Kathy, please log this
appl. in as an NSL
Thurman*

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

Bonnie Husband

Bonnie Husband
Production Analyst

Enclosures



415 W. Wall, Ste 1900
Midland, TX 79701

Office: (915) 684-4293
Fax (915) 684-0829



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
BETTY RIVERA
Cabinet Secretary

✓ December 27, 2002

Lori Wrotenbery
Director
Oil Conservation Division

Saga Petroleum L.L.C.
415 West Wall – Suite 1900
Midland, Texas 79701

Attention: **Bonnie Husband**

Re: *Administrative application for Saga Petroleum L.L.C.'s ("Saga") recently drilled and completed Conoco State Well No. 3 (API No. 30-025-35961) at an unorthodox Tubb wildcat gas well location within the SE/4 of Section 33, Township 18 South, Range 38 East, NMPM, Lea County, New Mexico, being a standard shallow gas spacing unit in accordance with Division Rule 104.C (3), 2110 feet from the South line and 2055 feet from the East line (Unit J) of Section 33.*

Dear Ms. Husband:

This letter acknowledges receipt of the above-described administrative application dated December 18, 2002. The Division received this application on December 23, 2002, and assigned it NMOCD Administrative application reference No. **pKRV0-235835106**. Please refer to this number in future correspondence with the Division.

My preliminary review indicates that the information provided in your application: (i) is not sufficient to process an administrative order at this time with respect to the Tubb interval; and (ii) needs verification with respect to this well's completion within the Hobbs-Drinkard Pool (31730).

TUBB GAS COMPLETION:

It appears that your application is incomplete with respect to notice as required by Division Rule 1207.A (2) (see copy attached). Since this location encroaches the NE/4, NW/4, and SW/4 [see Rule 1207.A (2) (b)] the affected parties in all three 160-acre areas are to be notified. Please provide a land plat and a listing of all such parties clearly identified and proof of notice as required by Division Rule 104.F (4).

Since the submitted information is insufficient to review, the application was ruled as incomplete on December 27, 2002. Please submit the above stated information by Tuesday, January 7, 2003.

The Division cannot proceed with your application until the required information is submitted. Upon receipt, the Division will continue to process your application. The additional information can be faxed to (505) 476-3471, or mailed to the Division in Santa Fe. If the necessary information is not submitted, your application will be returned to you.



HOBBS-DRINKARD-POOL:

Further my records indicate that within the E/2 of Section 33 the Hobbs-Drinkard Pool is developed in the following manner:

(i) the N/2 NE/4, being a standard 80-acre lay-down oil spacing and proration unit, was simultaneously dedicated to Texland Petroleum-Hobbs, L.L.C.'s ("Texland"): (i) W. D. Grimes (NCT-B) Well No. 7 (API No. 30-025-23438), located at an unorthodox oil well location (approved by Division Administrative Order NSL-458, dated February 2, 1970) 450 feet from the North line and 2160 feet from the East line (Unit B) of Section 33; and (ii) W. D. Grimes (NCT-B) Well No. 9 (API No. 30-025-28299), located at a standard oil well location 510 feet from the North line and 660 feet from the East line (Unit A) of Section 33, neither well is currently producing from the Drinkard interval;

(ii) the SE/4 NE/4, being a non-standard 40-acre oil spacing and proration unit approved by Division Administrative Order NSP-1454 on May 7, 1985, is currently dedicated to Texland's W. D. Grimes (NCT-B) Well No. 8 (API No. 30-025-24928), located at a standard oil well location 2115 feet from the North line and 600 feet from the East line (Unit H) of Section 33;

(iii) the SW/4 SE/4, being a non-standard 40-acre oil spacing and proration unit approved by Division Administrative Order NSP-874 on March 29, 1972, is of course currently dedicated to Saga's Conoco "A" State Well No. 1 (API No. 30-025-24005), located at a standard oil well location 688 feet from the South line and 2111 feet from the East line (Unit O) of Section 33;

(iv) the E/2 SE/4, being a standard 80-acre stand-up oil spacing and proration unit, is currently dedicated to Occidental Permian Limited Partnership's State "HF" Com. Well No. 1 (API No. 30-025-26368), located at a standard oil well location 610 feet from the South and East lines (Unit P) of Section 33; and

(v) the SW/4 NE/4 and NW/4 SE/4, being a non-standard 80-acre stand-up oil spacing and proration unit approved by Division Order No. R-4166, issued in Case No. 4564 on July 7, 1971, is of course currently dedicated to Saga's Conoco State Well No. 1 (API No. 30-025-23759), located at a standard oil well location 1980 feet from the North line and 2130 feet from the East line (Unit G) of Section 33.

The information you provided in the immediate application and for the application filed on December 12, 2002 for authorization to downhole commingle Tubb gas and Drinkard oil production from the subject Conoco State Well No. 3, which resulted in the issuance of Division Administrative Order DHC-3086, dated December 12, 2002, and the well records for this well in the Santa Fe and Hobbs OCD offices indicate the dedicated acreage for the Hobbs-Drinkard Pool in this well to be a standard 80-acre lay-down oil spacing and proration unit comprising the N/2 SE/4 of Section 33 (see copy attached). This of course is erroneous since a portion of this acreage (the NE/4 SE/4, or Unit "T" of Section 33) overlaps the acreage currently dedicated to Occidental Permian Limited Partnership's State "HF" Com. Well No. 1 and needs to be corrected as soon as possible.

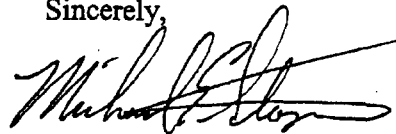
Please submit an amended C-102 to the Hobbs district office of the Division that shows this well to be an infill Drinkard oil well to Saga's Conoco State Well No. 1 within the existing non-standard 80-acre oil spacing and proration unit that comprises the SW/4 NE/4 and NW/4 SE/4 of Section 33. Please provide me two copies of this amended C-102.

Please submit the above stated information to both the Hobbs office and to me by Tuesday, January 7, 2003, otherwise Division Administrative Order DHC-3086 will be rescinded and the immediate request for an unorthodox Tubb gas well location will be denied and returned.

The Division cannot proceed with your application until this required information is submitted. Upon receipt, the Division will continue to process your application. The additional information can be faxed to (505) 476-3471, or mailed to the Division in Santa Fe.

Should you have any questions concerning this matter you will first want to contact your legal counsel, Mr. William F. Carr in Santa Fe at (505) 988-4421, or you may contact me in Santa Fe at (505) 476-3465 or e-mail me at "mstogner@state.nm.us." Thank you.

Sincerely,



Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division – Hobbs
New Mexico State Land Office – Santa Fe
William F. Carr, Legal Counsel for Saga Petroleum, L.L.C. – Santa Fe
Wil Jones, NMOCD – Santa Fe
File: DHC-3086



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

Bill Richardson
Governor
Joanna Prukop
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

January 8, 2003

Saga Petroleum L.L.C.
415 West Wall - Suite 1900
Midland, Texas 79701
Attention: Bonnie Husband
bhusband@sagapetroleum.com

Telefax No. (915) 684-4285

RE: NMOCD Correspondence Reference No. SD-03-01: *Hobbs-Drinkard Pool (31730) development within the existing non-standard 80-acre stand-up oil spacing and proration unit comprising the SW/4 NE/4 (Unit G) and NW/4 SE/4 (Unit J) of Section 33, Township 18 South, Range 38 East, NMPM, Lea County, New Mexico.*

Dear Ms. Husband:

Reference is made to the following: (i) the file on Division Administrative Order DHC-3086, dated December 12, 2002 (*application reference No. pKRV0-234656309*); (ii) Saga Petroleum, L.L.C.'s ("Saga") administrative application filed on December 23, 2002 (*application reference No. pKRV0-235835106*) for an unorthodox wildcat Tubb gas well location for the existing Conoco State Well No. 3 (API No. 30-025-35961), located in Unit "J" of Section 33, Township 18 South, Range 38 East, NMPM, Lea County, New Mexico; (iii) my letter to you concerning this well and these two applications dated December 27, 2002; (iv) your telefaxed response of January 8, 2003 with a copy of the amended Division form C-102 depicting the 80 acres comprising the SW/4 NE/4 and NW/4 SE/4 of Section 33 as the dedicated acreage for this well in the Hobbs-Drinkard Pool, all of which serve to confirm Saga's plans for the development of the Drinkard formation within the above-described 80-acre non-standard oil spacing and proration unit, which was approved by Division Order No. R-4166, issued in Case No. 4564 on July 7, 1971. For administrative and record keeping purposes this matter I will be assigned application reference No. *pMES0-300859887*.

The rules currently governing spacing, well locations, gas/oil ratio limitation, and allowables for the Hobbs-Drinkard Pool include, but not necessarily limited to:

- (a) the "Special Rules and Regulations for the Hobbs-Drinkard Pool", as promulgated by Division Order No. R-3811, as amended; and
- (b) Division Rules 104 and 505.A.



SD-03-01

Saga Petroleum, L.L.C.

January 8, 2003

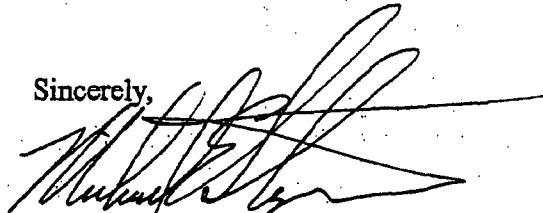
Page 2

It is our understanding that oil and casinghead gas production attributed to the Hobbs-Drinkard Pool within this non-standard 80-acre unit is to be simultaneously dedicated to the following two wells:

- (1) the existing Conoco State Well No. 1 (API No. 30-025-23759), located at a standard oil well location 1980 feet from the North line and 2130 feet from the East line (Unit G) of Section 33; and
- (2) the aforementioned Conoco State Well No. 3 located at a standard infill oil well location 2110 feet from the South line and 2055 feet from the East line (Unit J) of Section 33.

Furthermore, the provisions set forth in Division Administrative Order DHC-3086 shall remain in full force and affect until further notice.

Sincerely,



Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division – Hobbs
New Mexico State Land Office – Santa Fe
William F. Carr, Legal Counsel for Saga Petroleum, L.L.C. – Santa Fe
Wil Jones, NMOCD – Santa Fe
File: DHC-3086

To: Michael Stogner

Via facsimile 505/476-3462

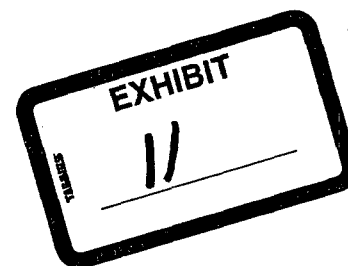
Date: ~~Jan 8, 2003~~

✓ **FROM: Bonnie Husband - Saga Petroleum**

SUBJECT: ~~No. p~~KRVO-235835106

Amended C-102 (Hobbs Drinkard Pool acreage dedication) - 2-facsimile copies - hard copy will be mailed with other information requested in your letter of December 27, 2002.

Amended C-102 mailed to Hobbs OCD office this date.



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
1040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-102
Revised August 15, 2000

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☒ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-35961		Pool Code 96946	Pool Name Wildcat Tubb
Property Code 20363	Property Name Conoco State		Well Number 3
OCRD No. 148967	Operator Name Saga Petroleum LLC		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

Dedicated Acres 160	Joint or Infill	Consolidation Code	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. <i>Bonnie Husband</i> Signature Bonnie Husband Printed Name Production Analyst Title 01/08/2003 Date	
	18 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. Date of Survey Signature and Seal of Professional Surveyor: Certificate Number	



District I
1625 N. French Dr., Hobbs, NM 88240
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2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-102
Revised August 15, 2000

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 31730		3 Pool Name Hobbs Drinkard	
4 Property Code 20281		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 80	13 Filled or Infill	14 Consolidation Code	15 Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR
NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

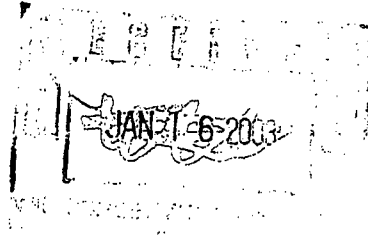
<p>16</p>	<p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Bonnie Husband</i> Signature</p> <p>Bonnie Husband Printed Name</p> <p>Production Analyst Title</p> <p>01/08/2003 Date</p>
	<p>18 SURVEYOR CERTIFICATION</p> <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>





✓ January 14, 2003

Michael E. Stogner
Chief Hearing Officer/Engineer
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505



Re: ~~NSL - Wildcat-Tubb Pool~~
~~Conoco State No. 3 Well~~
2110' FSL & 2055' FEL
Sec. 33 (J) T18S, R38E
Lea County, NM
API No. 30-025-35961

Dear Mr. Stogner:

An application to drill the referenced well and complete as a dual and/or DHC Drinkard - Blinebry well was filed in July 2002. 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 flow tested after a packer was set at 6573'. Saga has flow tested the Tubb perms for more than 30-days and results indicate the reservoir to be gas also. Copies of potential test/completion forms for both pools are enclosed. The Tubb and Drinkard reservoirs appear to be compatible, therefore Saga requested a permit for DHC of the Drinkard and Tubb pools. OCD notified Saga that this Tubb completion/location encroaches the NE/4, NW/4 and SW/4 of Section 33 and the affected parties in all three 160-acre areas were notified of Saga's request for a NSL approval. See enclosed offset operator list and copy of letter to same.

Saga respectfully requests approval of its NSL Tubb completion of the referenced well. Please contact the undersigned if any additional information is required to process this application.

Yours very truly,

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

The attached letter mailed to offset operators on Jan 8 & 9, 2003 at the following addresses

Apache
Two Warren Place
6120 South Yale, Suite 1500
Tulsa, OK 74136
Attn: John Swain

Steven Burleson
P O Box 2479
Midland, TX 79702

Brothers Production Co
303 W. Wall, Suite 1600
Midland, TX 79701

Texland Petroleum
777 Main St, Suite 3200
Ft. Worth, TX 76102
Attn: Jim Wilkes

Oxy Permian
P O Box 4294
Houston, TX 77210
Attn: Eden Settegast

via Certified 7002 0460 0002 0055 6548

Called Oxy Permian Midland & received info that all wells
listed as operated by BP America & Altura go to Oxy Permian Houston

Judy @ Collins & Ware says State A #4 sold to Apache



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

Bill Richardson
Governor
Joanna Prukop
Cabinet Secretary

✓ January 17, 2003

Lori Wrotenbery
Director
Oil Conservation Division

Saga Petroleum L.L.C.
415 West Wall – Suite 1900
Midland, Texas 79701

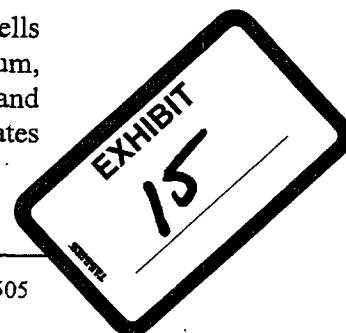
Attention: Bonnie Husband

Re: Administrative application (*NMOCD Administrative application reference No. pKRV0-235835106*) for Saga Petroleum L.L.C.'s ("Saga") recently drilled and completed Conoco State Well No. 3 (*API No. 30-025-35961*) at an unorthodox Tubb wildcat gas well location within the SE/4 of Section 33, Township 18 South, Range 38 East, NMPM, Lea County, New Mexico, being a standard shallow gas spacing unit in accordance with *Division Rule 104.C (3)*, 2110 feet from the South line and 2055 feet from the East line (Unit J) of Section 33.

Dear Ms. Husband:

I am in receipt of your January 14, 2003 correspondence concerning Saga's belated notification in this matter. In your cover letter you stated that, "the affected parties in all three 160-acre areas (offsetting 160-acre gas spacing units that comprise the NE/4, NW/4, and SW/4 of Section 33) were notified of Saga's request for a NSL approval." The next sentence states "see enclosed offset operator list and copy of letter to same." In reviewing the information that you attached and the Division's records here in Santa Fe I find that:

- (a) within the NW/4 of Section 33 OXY Permian Ltd. operates wells completed in the Hobbs-Grayburg San Andres Pool, Hobbs-Drinkard Pool, Hobbs-Upper Blinebry Pool, Hobbs-Paddock Pool, and Hobbs-Lower Blinebry Pool;
- (b) within the NE/4 of Section 33: (i) OXY Permian, Ltd. operates wells completed in the Hobbs-Grayburg San Andres Pool; (ii) Texland Petroleum, Inc. operates wells completed in the Hobbs-Upper Blinebry Pool and Hobbs-Drinkard Pool; and (iii) Saga Petroleum L.L.C. operates wells completed in the Hobbs-Upper Blinebry Pool and Hobbs-Drinkard Pool; and
- (c) within the SW/4 of Section 33: (i) OXY Permian, Ltd. operates wells completed in the Hobbs-Grayburg San Andres Pool; (ii) Saga Petroleum, L.L.C. operates wells completed in the Hobbs-Upper Blinebry Pool and Hobbs-Drinkard Pool; and (iii) Brothers Production Company, Inc. operates wells completed in the Hobbs-Drinkard Pool.



Saga Petroleum, L.L.C.
January 17, 2003
Page 2

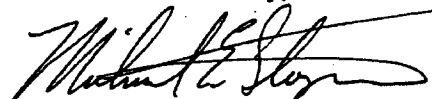
Nowhere however can I find where there is a producing Tubb well within any of these three quarter sections; therefore, under Division Rule 1207.A (2) (a). 1 (see copy attached) there is no **designated operator** within these adjoining 160-acre gas spacing units. This means that Division Rules 1207.A (2) (a). 2 and 3 apply. Please identify and list all working interest in the Tubb interval within these three 160-acre areas (NE/4, NW/4, and SW/4 of Section 33).

Since the submitted information is insufficient to review, the application was still ruled incomplete on January 17, 2003. Please submit the above stated information by Monday, January 27, 2003. If applicable please provide proof of any additional notice.

The Division cannot proceed with your application until the required information is submitted. Upon receipt, the Division will once again continue to process your application. The additional information can be faxed to (505) 476-3471, or mailed to the Division in Santa Fe. If the necessary information is not submitted, your application will be returned to you and Saga will be required to shut-in the Conoco State Well No. 3.

Again, should you have any questions concerning this matter you will first want to contact your legal counsel, Mr. William F. Carr in Santa Fe at (505) 988-4421. Thank you.

Sincerely,



Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division – Hobbs
New Mexico State Land Office – Santa Fe
William F. Carr, Legal Counsel for Saga Petroleum, L.L.C. – Santa Fe
Wil Jones, NMOCD – Santa Fe



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-4866

Dear Ms. Husband:

Reference is made to the following: (i) your application submitted to the New Mexico Oil Conservation Division ("Division") on December 23, 2002 (*administrative application reference No. pKRV0-235835106*); (ii) the Division's various correspondences to you regarding this application from Mr. Michael E. Stogner, Engineer with the Division in Santa Fe, New Mexico, by letter or e-mail dated December 27, 2002, January 8, 14, 17, 28, and 31, and April 17, 2003; (iii) your responses or inquiries concerning this application by mailing, telefax, or e-mail dated January 8, 14, 21, 24, and 31, February 11, 12, and 18, March 3, and April 15, 2003; (iv) the Division's records in Santa Fe and Hobbs, including the files on Division Administrative Order DHC-3086, dated December 12, 2002, NMOCD Correspondence Reference No. SD-03-01, dated January 8, 2003, and Division Order No. R-4166, issued in Case No. 4564 on July 7, 1971: all concerning Saga Petroleum L.L.C.'s ("Saga") request for a non-standard wildcat Tubb gas well location for its existing Conoco State Well No. 3 (API No. 30-025-35960), located 2110 feet from the South line and 2055 feet from the East line (Unit J) of Section 33, 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 33, being a standard 160-acre shallow gas spacing unit, is to be dedicated to this well.

It is our understanding that this well was initially drilled to a total depth of 7,025 feet in September, 2002 for the Drinkard and Blinebry formations; however, gas was encountered in the Tubb formation. This location was considered to be standard within the: (i) Hobbs-Drinkard Pool (31730), 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 previously approved non-standard 80-acre stand-up oil spacing and proration unit comprising the SW/4 NE/4 (Unit G) and NW/4 SE/4 (Unit J) of Section 33; and (ii) Hobbs-Upper Blinebry Pool (31680) within a standard 40-acre oil spacing and proration unit comprising the NW/4 SE/4 of Section 33.

EXHIBIT
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Administrative Order NSL-4866
Saga Petroleum L.L.C.
April 23, 2003
Page 2

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 Conoco State Well No. 3 is hereby approved.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Lori Wrotenbery", is written over a horizontal line. The signature is fluid and cursive.

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe
File: Administrative Order DHC-3086
SD-03-01

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 DepartmentForm C-102
Revised August 15, 2000OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies☒ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number	² Pool Code	³ Pool Name
30-025-35961	96946	Hobbs Tubb
⁴ Property Code	⁵ Property Name	⁶ Well Number
20363	Conoco State	3
⁷ OGRID No.	⁸ Operator Name	⁹ Elevation
148967	Saga Petroleum LLC	3639' Gr

¹⁰ Surface Location


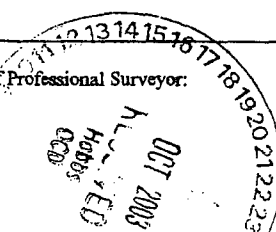
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	33	18S	38E		2110	S	2055	E	LEA

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	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
160			

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

16					¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.  Signature Bonnie Husband Printed Name Production Analyst Title 10/20/2003 Date
18					¹⁸ 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. Date of Survey Signature and Seal of Professional Surveyor:  Certificate Number



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-10
Revised August 15, 200

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	² Pool Code	³ Pool Name
30-025-35961	31730	Hobbs Drinkard
⁴ Property Code	⁵ Property Name	⁶ Well Number
20281	Conoco State	3
⁷ OGRID No.	⁸ Operator Name	⁹ Elevation
148967	Saga Petroleum LLC	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	Count
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	Count

¹² Dedicated Acres	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
80			

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

¹⁶	¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. <i>Bonnie Husband</i> Signature Bonnie Husband Printed Name Production Analyst Title 10/20/2003 Date
	¹⁸ 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. Date of Survey Signature and Seal of Professional Surveyor Certificate Number



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State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-10
Revised August 15, 200

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2040 South Pacheco
Santa Fe, NM 87505

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AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number	2 Pool Code	3 Pool Name
30-025-35961	31730	Hobbs Drinkard
4 Property Code	5 Property Name	6 Well Number
20281	Conoco State	3
7 OGRID No.	8 Operator Name	9 Elevation
148967	Saga Petroleum LLC	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	Count
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	Count

12 Dedicated Acres	13 Joint or Infill	14 Consolidation Code	15 Order No.
80			

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

16	17 OPERATOR CERTIFICATION
	I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.
	<i>Bonnie Husband</i>
	Signature
	Bonnie Husband
	Printed Name
	Production Analyst
	Title
	10/20/2003
	Date
	18 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.
	Date of Survey
	Signature and Seal of Professional Surveyor
	Certificate Number

EXHIBIT
18

Case No: ¹³⁴⁹⁴-----Application of Texland Petroleum, L.P. for a Compliance Order, including fines, against Latigo Petroleum, Inc. ("Latigo") including an order to void and revoke Administrative Order DHC-3086, and to require Latigo to immediately shut-in its Conoco State Well No. 3 (API No. 30-025-35961) located in Unit J of Section 33, T18S, R38E, Lea County New Mexico until such time as: (i) a standard 160-acre gas spacing unit consisting of the SE/4 of this section, is dedicated to this well in the Tubb formation, Hobbs-Tubb Gas Pool, (ii) the interest of all owners in the standard 80-acre oil spacing and proration unit, consisting of the N/2SE/4 of this section, is dedicated to this well in the Drinkard formation of the Hobbs-Drinkard Pool, (iii) the production proceeds from this well in the Tubb and Drinkard formations are reallocated and paid to the owners in these spacing units from the date of first production, and (iv) paid the fines for violations of the Gas and Gas Act. Section 70-2-31 NMSA 1978. The well is located approximately 7 miles West of Hobbs, New Mexico