

JAMES BRUCE
Attorney at Law
Post Office Box 1056
Santa Fe, New Mexico 87504
Telephone: (505) 982-2043
Fax: (505) 982-2151

FAX COVER SHEET

DELIVER TO: Lori Wrotenbery
COMPANY: Oil Conservation Division
CITY: Santa Fe, New Mexico
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MEMO:

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JAMES BRUCE
ATTORNEY AT LAWPOST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504SUITE B
912 OLD SANTA FE TRAIL
SANTA FE, NEW MEXICO 87501(505) 982-2043
(505) 982-2151 (FAX)

October 6, 1998

Via Fax and U.S. MailLori Wrotenbery
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico

Re: Case No. 11985 (de novo); Application of Saga Petroleum,
L.L.C. for an unorthodox gas well location, Eddy County,
New Mexico

Case No. _____; Application of Saga Petroleum, L.L.C. for
compulsory pooling, Eddy County, New Mexico

Dear Ms. Wrotenbery:

Saga Petroleum, L.L.C. ("Saga") has requested that the above pooling application be consolidated for hearing with Case No. 11985 (de novo), which is scheduled for the October 15, 1998 Commission hearing. OXY USA Inc. ("OXY") objects to consolidation, for the following reasons:

1. Both Saga and OXY (a party of record) have agreed to dismiss the de novo application. See letter from OXY to Saga attached hereto as Exhibit A. Therefore, there will be no Commission hearing with which the pooling application can be consolidated.
2. OXY is currently in discussions with Saga on a potential farmout of OXY's acreage in the well unit affected by the pooling application. If these discussions are not successful, the pooling case may well be contested, and OXY believes it best to proceed in the normal fashion, with the first hearing in front of a Hearing Examiner.
3. Tom Kellahin will be handling the hearing on behalf of OXY. Mr. Kellahin has been out of town the past two weeks, and will not return to his office until October 12th. Thus, he will have insufficient time to prepare

for the case. In addition, certain OXY personnel have scheduling conflicts on October 15th.

Based on the foregoing, OXY requests that Saga's motion to consolidate the above applications be denied, and that Saga's pooling application be set for the appropriate Examiner hearing. Thank you.

Very truly yours,



James Bruce

Attorney for OXY USA Inc.

cc: William F. Carr (via fax)
W. Thomas Kellahin
Richard E. Foppiano (via fax)



OXY USA Inc.
5 Greenway Plaza, Suite 2400
P.O. Box 27570, Houston, TX 77227-7570

September 28, 1998

Mr. Mark Caldwell
Saga Petroleum
415 W. Wall, Suite 835
Midland, Texas 79701

*** BY FAX **

Re: Case #11985, Order R-11048, Application of Saga Petroleum LLC for Unorthodox Gas Well Location, Dero Federal Com #3 Well, Section 35, Township 19 South, Range 28 East, Eddy County, NM

Dear Mark:

Thank you again for taking time to meet with us the other day. It helped us better understand Saga's plans, and I hope the pressure buildup information was useful. Since both parties are prepared to accept the examiner's order as final, this letter shall serve to memorialize our understanding that OXY will not file a Denovo application in the referenced case and Saga will dismiss their application for a Denovo hearing.

I hope this clears the air regarding this dispute. If you need anything else, please don't hesitate to call me at 713-215-7317.

Sincerely,

A handwritten signature in cursive script that reads 'Rick'.

Richard E. Foppiano, P.E.
Senior Advisor

REF: ref

Cc: TECATE Team
Tom Kellahin
Jim Bruce

