

HINKLE, COX, EATON, COFFIELD & HENSLEY

ATTORNEYS AT LAW

500 MARQUETTE N.W., SUITE 800
ALBUQUERQUE, NEW MEXICO 87102-2121
(505) 768-1500
FAX (505) 768-1529

OF COUNSEL
O. M. CALHOUN*
MACK EASLEY
JOE W. WOOD
RICHARD S. MORRIS

CLARENCE E. HINKLE (1901-1985)
W. E. BONDURANT, JR. (1913-1973)
ROY C. SNODGRASS, JR. (1914-1987)

October 4, 1990

700 UNITED BANK PLAZA
POST OFFICE BOX 10
ROSWELL, NEW MEXICO 88203
(505) 422-6510
FAX (505) 623-9332

2800 CLAYDESTA NATIONAL BANK BUILDING
POST OFFICE BOX 3580
MIDLAND, TEXAS 79702
(915) 683-4691
FAX (915) 683-6518

1700 TEAM BANK BUILDING
POST OFFICE BOX 9238
AMARILLO, TEXAS 79105
(806) 372-5569
FAX (806) 372-9761

218 MONTEZUMA
POST OFFICE BOX 2068
SANTA FE, NEW MEXICO 87504
(505) 982-4554
FAX (505) 982-8623

LEWIS C. COX
PAUL W. EATON
CONRAD E. COFFIELD
HAROLD L. HENSLEY JR.
STUART D. SHANOR
ERIC D. LANPHERE
C. D. MARTIN
PAUL J. KELLY JR.
MARSHALL G. MARTIN
OWEN M. LOPEZ
DOUGLAS L. LUNSFORD
JOHN J. KELLY
T. CALDER EZZELL, JR.
WILLIAM B. BURFORD*
RICHARD E. OLSON
RICHARD R. WILFONG*
THOMAS J. MCBRIDE
STEVEN D. ARNOLD
JAMES J. WECHSLER
NANCY S. CUSACK
JEFFREY L. FORNACIARI
JEFFREY D. HEWETT
JAMES BRUCE
JERRY F. SHACKELFORD*
JEFFREY W. HELLBERG*
ALBERT L. PITTS
THOMAS M. HNASKO
JOHN C. CHAMBERS*
MICHAEL A. GROSS
THOMAS D. HAINES, JR.

FRANKLIN H. MCCALLUM*
GREGORY J. N. BERT
DAVID T. MARKETTE*
MARK C. DOW
KAREN M. RICHARDSON*
FRED W. SCHWENDIMANN
JAMES M. HUDSON

STANLEY K. KOTOVSKY JR.
BETTY H. LITTLE*
JEFFREY S. BARD*
RUTH S. MUSGRAVE
HOWARD R. THOMAS
PATRICIA A. WATTS
MACDONNELL GORDON
REBECCA NICHOLS JOHNSON
WILLIAM R. JOHNSON
ELLEN S. CASEY
S. BARRY PAISNER
MARGARET CARTER LUDWIG
MARTIN MEYERS
GREGORY S. WHEELER
ANDREW J. CLOUTIER
JAMES A. GILLESPIE
GARY W. LARSON
STEPHANIE LANDRY
JOHN R. KULSETH, JR.
LISA K. SMITH*

*NOT LICENSED IN NEW MEXICO

Ms. Florene Davidson
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

Dear Florene:

Enclosed is an Amended Application regarding case no. 10,102. Please set this matter for the October 31, 1990 docket. Thanks.

Very truly yours,

HINKLE, COX, EATON, COFFIELD & HENSLEY

By: James Bruce

JB:le
Enclosure

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF SAGE ENERGY COMPANY
FOR STATUTORY UNITIZATION AND
APPROVAL OF A UNIT, LEA COUNTY,
NEW MEXICO.

No. 10,102

AMENDED APPLICATION

Sage Energy Company hereby applies for an order approving statutory unitization of the area and formation known as the North Vacuum (Abo) North Unit, Lea County, New Mexico, and approving said Unit, and in support thereof states:

1. Sage Energy Company is engaged in the business of, among other things, producing and selling oil and gas as defined by the New Mexico Statutory Unitization Act (N.M. Stat. Ann. §§ 70-7-1 through 70-7-21 (1987 Repl. Pam.)), hereinafter referred to as "the Act").

2. The proposed area for which application is made for unitized operations pursuant to the Act is known as the North Vacuum (Abo) North Unit, Lea County, New Mexico ("the Unit Area"), and consists of 1763 acres, more or less, in Lea County, New Mexico, being more particularly described in Exhibit A attached hereto. A map of the Unit Area is attached hereto as Exhibit B.

3. The formation for which application is made ("the Unitized Formation") is the subsurface portion of the Unit Area known as the Abo Carbonate, defined as that oil bearing zone the top of which was encountered at a depth of 8440 feet and the base of which was encountered at a depth

of 9012 feet as recorded on the Compensated Neutron Log in the Shell Oil Company Shell State VI No. 1 Well on January 30, 1983, said well located 990 feet from the South line and 900 feet from the East line of Section 1, Township 17 South, Range 34 East, Lea County, New Mexico. The Unitized Formation shall further include all subsurface points throughout the Unit Area correlative to the above-identified depths.

4. The portion of the Unitized Formation included within the Unit Area has been reasonably defined by development.

5. Sage Energy Company proposes to institute a waterflood project for the secondary recovery of hydrocarbons from the Unitized Formation within the Unit Area, as described in testimony presented in Division Case No. 10,103.

6. The proposed plan of unitization is embodied in the Unit Agreement, a true copy of which has previously been submitted to the Division, and the plan is fair, reasonable, and equitable.

7. The proposed operating plan, covering the manner in which the Unit will be supervised and managed and costs allocated and paid, is embodied in the Unit Operating Agreement, a true copy of which has previously been submitted to the Division.

8. Sage Energy Company projects that the unitized management, operation, and further development of the Unitized Formation will increase production by approximately two million barrels of oil, will improve the oil producing rate, and will extend the producing life of the Unitized Formation beyond the year 2000. It is therefore evident that the unitized management, operation, and further development of the Unitized Formation is reasonably necessary in order to effectively carry on waterflood and secondary recovery operations to substantially increase the ultimate recovery of oil from the Unitized Formation within the Unit Area.

9. The method of operation which is proposed in the Unit Operating Agreement is feasible, will prevent waste, and will result with reasonable probability in the increased recovery of substantially more oil from the Unitized Formation than would otherwise be recovered.

10. The estimated additional costs of conducting unitized operations will not exceed the estimated value of the additional oil and gas to be recovered, plus a reasonable profit.

11. The proposed unitization and adoption of the methods of operation embodied in the Unit Operating Agreement will benefit the working interest owners and royalty interest owners of the oil and gas rights within the Unitized Formation of the Unit Area.

12. Sage Energy Company has made a good faith effort to secure voluntary unitization within the Unitized Formation of the Unit Area.

13. The participation formula contained in the Unit Agreement allocates the produced and saved unitized oil to the separately owned tracts in the Unit Area on a fair, reasonable, and equitable basis, and protects the correlative rights of all interest owners within the Unit Area.

14. Statutory unitization of the Unitized Formation within the Unit Area in accordance with the plan embodied in the Unit Agreement and Unit Operating Agreement will prevent waste and protect correlative rights.

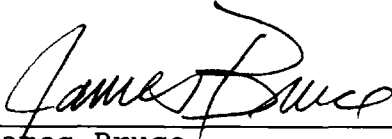
WHEREFORE, Sage Energy Company requests that this application be set for hearing on October 31, 1990, and that thereafter the Division enter its order approving statutory unitization of said Unit, and approving the Unit Agreement and Unit Operating Agreement, providing for the unitized management, operation, and further development of the Unitized Formation and the Unit Area in accordance with the Act.

Sage Energy Company further requests that the order include a provision for carrying any working interest owner, as provided in N.M. Stat. Ann. § 70-7-7 (F) (1987 Repl. Pam.).

Respectfully Submitted,

HINKLE, COX, EATON, COFFIELD &
HENSLEY

By


James Bruce

500 Marquette, N.W.

Suite 800

Albuquerque, New Mexico 87102

(505) 768-1500

Attorneys for Sage Energy Company

EXHIBIT A
Amended Application -- Case No. 10,102

Township 16 South, Range 34 East, N.M.P.M.

Section 35: $S\frac{1}{2}S\frac{1}{2}$

Section 36: $S\frac{1}{2}$

Township 17 South, Range 34 East, N.M.P.M.

Section 1: Lots 1-4, $S\frac{1}{2}N\frac{1}{2}$, $S\frac{1}{2}$ (All)

Section 2: Lots 1, 2, $S\frac{1}{2}N\frac{1}{2}$, $S\frac{1}{2}SW\frac{1}{4}$, $SE\frac{1}{4}$

Section 12: $NW\frac{1}{4}$

Containing 1762.79 acres, more or less.

EXHIBIT B
Amended Application -- Case No. 10,102

