



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

March 10, 1998

A handwritten signature in dark ink, appearing to be "C. Williams", written in a cursive style.

Sage Energy Company
P.O. Drawer 3068
Midland, Texas 79702

Attention: Jay H. Hardy

Re: Administrative application dated March 3, 1998 to institute a high angle/horizontal directional drilling project within the Sage operated North Vacuum (Abo) North Unit Waterflood Project in all or portions of Sections 35 and 36, Township 16 South, Range 34 East, NMPM and Sections 1, 2, and 12, Township 17 South, Range 34 East, NMPM, all in Lea County, New Mexico.

Dear Mr. Hardy:

The subject application was received by this office on March 5, 1998. Such a project within an existing waterflood project can be administered at the District level, under the new **Rule 111**, which was enacted on July 14, 1997 by Division Order No. R-10817 (see copy attached). Your application will be forwarded to the Hobbs District office of the Division for processing.

Should you have any questions or comments concerning this matter, please contact Mr. Chris Williams in Hobbs at (505) 393-6161 or you can call me in Santa Fe at (505) 827-8185. Thank you.

Sincerely,

A handwritten signature in dark ink, appearing to be "Michael E. Stogner", written in a cursive style.

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: Chris Williams, NMOCD - Hobbs

