SAGE ENERGY COMPANY P. O. DRAWER 3068 MIDLAND, TEXAS 79702

915/683-5271

March 3, 1998

State of New Mexico Energy and Mineral Department Oil Conservation Division 2040 South Pacheco Santa Fe, New Mexico 87505

Re: Directional Drilling - Horizontal Non-Standard Proration Unit North Vacuum (Abo) North Unit Well No. "16" #3 North Vacuum (Abo) Field Lea County, New Mexico

Gentlemen:

Administrative approval, Rule 104(D) and Rule 111(D), is requested to directionally drill a vertical well with a Southeast and Southwest lateral in a non-standard proration unit in the Abo formation. The North Vacuum (Abo) North Unit is a candidate for horizontal wells because of the heterogeneous nature of the reservoir.

Attached for your information is a copy of Sage's directional plans, a type log section, and Form C-102. The affected offset operators have been notified of this request. Attached is the offset operator's list and certified mail receipts.

Very truly yours,

Hardy Engineering

JHH/tjs Attachments

cc: NMOCD, P.O. Box 1980, Hobbs, N.M. 88240

SAGE ENERGY COMPANY P. O. DRAWER 3068 MIDLAND, TEXAS 79702

915/683-5271

February 17, 1998

Directional Drilling - Horizontal Non-Standard Location North Vacuum (Abo) North Unit Well No. "16" #3 North Vacuum (Abo) Field Lea County, New Mexico

To The Offset Operators

Gentlemen:

As an offset operator of the subject unit, you are being furnished with a copy of Sage's application to drill a vertical well with two horizontal laterals in the Abo formation. If you have no objection, please sign the waiver at the bottom of this letter and return in the enclosed envelope. If you do object, it must be filed with the NMOCD within twenty (20) days of this notice.

Very truly yours, H. Hardy Engineerin

WAIVER APPROVED:

Company:

By: _____

Date: _____

JHH/tjs Attachments OFFSET OPERATOR'S LIST North Vacuum (Abo) North Unit Well No. "16" #3 Lea County, New Mexico

Mobil Exploration and Producing US Inc. P.O. Box 633 Midland, Texas 79702

Marathon Oil Company Attn: Joint Interest Manager P.O. Box 552 Midland, Texas 79702

Mallon Resources Corporation Attn: Vice President Engineering 999 18th Street; Suite: 1700 Denver, Colorado 80202

Arco Oil and Gas, Permian Unit A.J. Best, President P.O. Box 1610 Midland, Texas 79702

BTA Oil Producers Attn: L.G. Johnson, Drilling Supt. 104 S. Pecos Street Midland, Texas 79701

Southwest Royalties, Inc. Attn: Doug Keathly, VP Operations P.O. Box 11390 Midland, Texas 79702

Exxon Company, USA Attn: Joint Interest Manager P.O. Box 4707 Houston, Texas 77210-4707

Yates Drilling Company 110 S. 4th Street; Yates Building Artesia, New Mexico 88210

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Registered Certified Express Mail	P.O. Box 11390 Midland, Texas 79702	Registered Certified Express Mail	• 4th Stre ia, New Me
f. Article	3. Article Addressed to: SOUTHWEST ROYALTIES, INC	4. Article (P-2. Tune	YATES DRILLING COMPANY
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PS Form 3811, Feb. 1986 3. Article Addressed to: ¢. card from being returned to you. <u>The return receipt fee will provide you the name of the person</u> delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested. 7. Date of De 1. Show to whom delivered, date, and addressee's address. Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this Midland, Texas 2709 N. Big Spring Street KCS Medallion Resources, Minc SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. 1 1 ddressee N 大うれて 11111 79705 -FEB, 2,0 jų, Registered Certified Express Mail 800 8. Addressee's Address (ONL) 4. Article Number agent and DATE DELIVERED Always obtain signature of addressee or requested and fee paid P-248-625-639 200 Type of Service: 2. C Restricted Delivery. DOMESTIC RETURN RECEIPT 20

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ABOVE DATE DOES NOT CONFIDENTIAL LOGS \mathcal{F} $\overline{\langle \cdot \rangle}$ ELF

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