

BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

IN THE MATTER OF THE APPLICATION OF)	
SAGA PETROLEUM CORP. FOR AN)	
ORDER APPROVING THE UNITIZATION OF)	CAUSE NO. _____
THE J SAND FORMATION FOR ENHANCED)	
RECOVERY OPERATIONS IN THE RUSH)	DOCKET NO. _____
WILLADEL FIELD, WASHINGTON COUNTY,)	
COLORADO)	

VERIFIED APPLICATION

Saga Petroleum Corp. ("Applicant") respectfully requests the Colorado Oil and Gas Conservation Commission ("Commission") issue an order approving the unitization for purposes of enhanced recovery and unit operations of the J Sand Formation for lands within the Rush Willadel Field in Washington County, Colorado. In support of this application, the Applicant states as follows:

1. The Applicant is a Colorado corporation and is authorized to conduct business in Colorado. It is an interested party and has a right to bring this Application under Rules 401.b and 503.b.3 because it owns working interests in the J Sand Formation underlying the following lands located in the existing Rush Willadel Field in Washington County, Colorado:

Township 3 South, Range 51 West, 6th P.M.
Section 25: W½NW¼

Township 3 South, Range 51 West, 6th P.M.
Section 26: All

(the "Application Lands").

2. The Applicant acquired its working interests in the Application Lands a little more than a year ago. Its wholly owned subsidiary, Saga Petroleum Limited Liability Company of Colorado ("SPLLCC"), has been the operator of producing wells and two existing injection wells in the Application Lands during this period. The two existing injection wells in the Application Lands inject water into the J Sand Formation and thereby promote production from other wells within the Application Lands that produce from the J Sand Formation. The Commission has previously authorized in writing the operation of all of these wells on a well by well basis and inspected and regulated these wells and operations for decades before SPLLCC became the operator.

3. The Applicant proposes this Commission approve the establishment of an enhanced recovery operation within the Application Lands to be operated on a unit basis pursuant to Commission rules, proposed agreements submitted with this Application and the requirements of Colorado law.

Background and Exhibits

4. Exhibit A is a reference map identifying the Application Lands and proposed Allocation Units within the Applications Lands. Exhibit A-1 lists the owners of surface lands, working interests and royalty interests within each proposed Allocation Unit within the Application Lands and within one quarter mile of each existing and proposed injection well. Exhibit B lists the owners of working interests, royalty interests and overriding royalty interests within each proposed Allocation Unit within the Application Lands. Exhibits A, A-1 and B are submitted pursuant to Rule 401.b.1.

5. Exhibit C is a reference map depicting the Application Lands and the status of existing wells both within and near the Application Lands. Section 26 of the Application Lands is subject to Order No. 526-1 which established field rules and a 160 acre drilling and spacing unit for Section 26 for Cretaceous Age formations from the base of the Dakota Formation to the surface including the J Sand and Niobrara Formations. The Order also authorized two sets of twin wells, with one J Sand Formation well and one Niobrara Formation well authorized at each drilling location. These twin wells have been drilled and are listed on Exhibit C. Exhibit C is submitted pursuant to Rule 401.b.1. None of the wells penetrating the proposed injection zone within one quarter mile of each injection well require remedial action within the scope of Rule 401.b.1.

6. Exhibit D is an affidavit verifying that, on October 13, 2011, this Application was mailed via first class to all J Sand Formation owners of record within the Application Lands or within one-quarter mile of the proposed intake well or wells listed on Exhibit D-1 as required by Rules 401.b.1 and 403.

7. Exhibit E is a description of the enhanced recovery operation for which authorization is requested as required by Rule 401.b.2. Exhibit E also describes the relevant formations, nearby sources of drinking water and the fluids the Applicant proposes continue to be injected. Exhibit E additionally includes casing diagrams and a well log as required by Rule 401.b.4. The Applicant does not propose a stimulation program within the meaning of Rule 401.b.4.F. SPLCC is the proposed operator of the enhanced recovery unit and those persons notified of this Application are described herein. See Rule 401.b.4.G.

8. Exhibit F is a copy of the proposed unit agreement and is submitted pursuant to Rule 401.b.3.

9. Exhibit G is a copy of the proposed unit operating agreement and is submitted pursuant to Rule 401.b.3.

10. No later than seven days after the Application is filed, the Applicant shall submit to the Commission a certificate of service demonstrating that it has served a copy of this Application via United States mail, first class postage prepaid, on those persons not listed in Exhibit A-1 or Exhibit B who nonetheless own an interest in the mineral estate within one half mile of the Application Lands to be unitized as required by Rules 503.e. and 507.b(3).

Request for Approval of Enhanced Recovery Unit

11. At present there are six J Sand Formation producing wells and two J Sand Formation water injection wells in the Rush Willadel Field. The commingled water and oil streams

produced from the six J Sand Formation producing wells are piped to a central processing facility in which the oil is separated from the water. The oil is transferred to sales tanks after passing through a heater treater. The water is diverted to injection tanks and pumped into the two existing injection wells, the Jones #3 well and the Jones-Dupree #9 well, that are completed in the J Sand Formation within the Application Lands. As noted above, the Commission has previously authorized in writing the operation of all of these wells on a well by well basis and has continued to regulate and inspect these wells and operations.

12. The water injected into the J Sand Formation in the Application Lands helps promote production from the six presently producing J Sand Formation wells. Without water injection, it is doubtful that the Rush Willadel Field would be economic to produce. Records available to the Applicant do not show the existence of any compatibility or other environmental issues with water in the J Sand Formation since injection operations began several decades ago.

13. Since becoming the operator, SPLCC has worked to increase production and improve the reliability, environmental condition and safety of the Rush Willadel Field. Among other things, SPLCC has improved the central production facility and the oil measurement and allocation methodology. SPLCC has filed with the Commission a presently pending application to convert the currently inactive Jones #4 well to an injection well. SPLCC also is in the process of recompleting the Jones-Dupree #7 well to the J Sand Formation.

14. The Applicant asserts that these steps and others which will be undertaken by the working interest owners and SPLCC once this enhanced recovery unit is approved are reasonably necessary to increase the ultimate recovery of oil from the Application Lands. The Applicant and SPLCC also reasonably believe that the value of the anticipated additional recovery of oil exceeds the estimated additional cost incident to conducting such operations. The operation of the proposed enhanced recovery unit will help prevent waste, protect correlative rights and be conducted in a manner consistent with the protection of public health, safety, including the protection of the environment and wildlife resources. As a result, approval of this Application will help promote the statutory purposes of the Colorado Oil and Gas Conservation Act and, more specifically, § 34-60-118(3), Colo. Rev. Stat. (2011).

15. The proposed unit agreement and unit operating agreement attached as Exhibits F and G include terms that are just and reasonable and fulfill the purposes and requirements outlined in § 34-60-118, Colo. Rev. Stat. (2011) and, more specifically, §§ 34-60-118(4), Colo. Rev. Stat. (2011).

16. The Applicant owns more than eighty percent of the working interest in the proposed unit and has approved in writing the formation of the proposed unit. The Applicant is undertaking steps to obtain the approval of the owners of at least eighty percent of the production or proceeds therefrom to be credited to interests that are free of costs, including royalties and overriding royalty interests. The Applicant proposes that the unit become effective upon the final approval of the Commission consistent with § 34-60-118(5), Colo. Rev. Stat. (2011).

17. SPLCC, the present operator of wells and other facilities associated with production within the Rush Willadel Field, shall be selected by the working interest owners to be the operator of the proposed enhanced recovery unit.

Conclusion and Request for Relief

18. Applicant respectfully requests that this matter be set for hearing in December 2011, and that notice be given as required by law. In order to prevent waste, protect correlative rights and promote the efficient and effective drainage of oil, gas and associated hydrocarbons from the J Sand Formation underlying the Application Lands, the Commission should approve this Application and issue an order approving the unitization for purposes of enhanced recovery and unit operations of the J Sand Formation for the Application Lands within the Rush Willadel Field in Washington County, Colorado.

Respectfully submitted on October 13, 2011.

BJORK LINDLEY LITTLE PC

By: _____
David R. Little #13340
Bjork Lindley Little PC
1600 Stout Street, Suite 1400
Denver, CO 80202
Telephone: 303-892-1400
Facsimile: 303-892-1401
dlittle@bjorklindley.com

Applicant's Contact Information:

Saga Petroleum Corp.
600 17th Street, Suite 1700N
Denver, CO 80202

BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

IN THE MATTER OF THE APPLICATION OF)	
SAGA PETROLEUM CORP. FOR AN)	
ORDER APPROVING THE UNITIZATION OF)	CAUSE NO. _____
THE J SAND FORMATION FOR ENHANCED)	
RECOVERY OPERATIONS IN THE RUSH)	DOCKET NO. _____
WILLADEL FIELD, WASHINGTON COUNTY,)	
COLORADO)	

VERIFICATION

STATE OF COLORADO)	
) ss.	
CITY AND COUNTY OF DENVER)	

I, Robert D. Annear, am employed as Manger of Lands and Contracts for the Applicant. I have read the foregoing Application, have personal knowledge of the facts asserted in it and hereby swear upon oath that the matters discussed in the Application are true and correct to the best of my knowledge, information and belief.

Name: /s/_____

Address: 600 17th Street, Suite 1700N
 Denver, CO 80202

Subscribed and sworn to before me this 13th day of October, 2011.

Witness my hand and official seal.

My commission expires: _____.

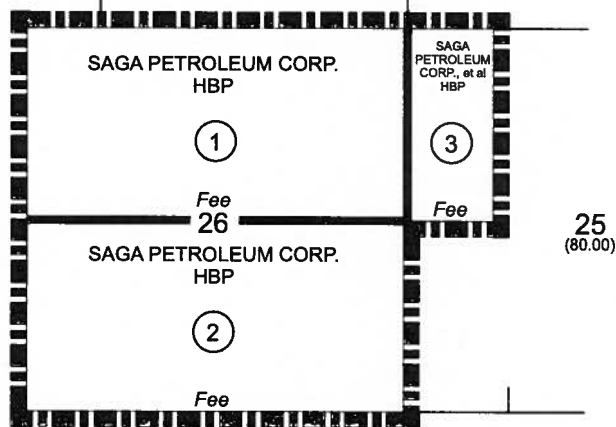
/s/_____
Notary Public

[SEAL]

23

R 51 W

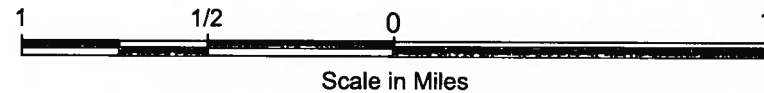
T
3
S



	ACREAGE	PERCENTAGE
PATENTED LANDS	720.00	100.00%
TOTALS	720.00	100.00%

UNIT OUTLINE

③ TRACT NUMBER



NOTE: UNLESS OTHERWISE NOTED HEREIN THE SECTIONS
ON THIS PLAT CONTAIN 640.00 ACRES

EXHIBIT "A"

RUSH WILLADEL "J" SAND UNIT

WASHINGTON COUNTY, COLORADO

*PLEASE REFER TO EXHIBIT "A-1" FOR SURFACE,
MINERAL & WORKING INTEREST OWNERSHIP

SAGA PETROLEUM LIMITED LIABILITY COMPANY OF COLORADO
DENVER, COLORADO

10-11-2011



EXHIBIT "A-1"
RUSH WILLADEL "J" SAND UNIT
WASHINGTON COUNTY, COLORADO

SORTED BY UNIT TRACT AND LANDS:

Tract 1 being the N/2 Section 26: T3S-R51W

Surface:	Darla Joy Brady	100.000000%
Working		
Interest:	Saga Petroleum Corp.	100.000000%
Minerals:	Allison Gagliardo Rold	0.742168%
	Arthur W. Johnson Trust	2.968800%
	Barbara Butler	0.925376%
	Betty Ann Himes	0.555520%
	Charles Verdin Jones	2.777624%
	Cyril Earl Jarrett	0.555520%
	Daniel E. Jones	1.388752%
	Darla Joy Brady	4.655648%
	Darlene Lois Kosinski	0.555520%
	David Brown	0.555304%
	David Holt	0.078120%
	David MacDermott	4.687496%
	Denise Joann Oltjenbruns	4.655664%
	Donna Eve Veca	0.555520%
	Dr. Richard MacDermott	4.687496%
	Elijah Jones	1.388872%
	Finchum Family Trust	0.742184%
	Gagliardo Living Trust	0.742184%
	Gene F. Lang and Co	0.078120%
	Geoffrey MacDermott	4.687496%
	James W. Nylund	0.312480%
	Janet Clodfelder	0.556552%
	Jim Brown	0.277800%
	Jimmie Brown Estate	0.278752%
	John C. Gagliardo	0.742184%
	John H. Dupree	9.375000%
	Kenneth Eugene Jarrett	0.555520%
	Kirby Minerals Oklahoma GP	1.406232%
	Lena Mae Grant Irrev. Trust	3.124960%



Leonard Sunde	0.925416%
Lester Sunde	0.925552%
Linda Dupree Bell	9.375000%
Linda Galvin	0.556552%
Londa Lynn Reynolds	2.777624%
Margaret M. Sebastian Trust	0.781280%
Melodie Hope Rosendale	4.655656%
Patchen Family Partners LTD	0.625000%
Peter K. Hulkovich	0.556552%
Randy Verlin Jones	4.655680%
Renee MacDermott Baker	4.687504%
Richard Junior Jones	2.777624%
Robin Lucille Neergaard	4.655648%
Roger Vernon Jones	4.655648%
Sherrie A. Tellier	1.388200%
Tina Marie Steinbach	1.388200%

Tract 2 being the S/2 Section 26: T3S-R51W

Surface:	Randy V. Jones	100.000000%
Working		
Interest:	Saga Petroleum Corp.	100.000000%
Minerals:	Barbara Butler	1.850776%
	Betty Ann Himes	1.111048%
	Charles Verdin Jones	5.555256%
	Cyril Earl Jarrett	1.111048%
	Daniel E. Jones	2.777504%
	Darla Joy Brady	9.259192%
	Darlene Lois Kosinski	1.111048%
	David Brown	1.110688%
	Denise Joann Oltjenbruns	9.259216%
	Donna Eve Veca	1.111048%
	Elijah Jones	2.777752%
	Janet Clodfelder	1.113104%
	Jim Brown	0.555600%
	Jimmie Brown Estate	0.557504%
	Kenneth Eugene Jarrett	1.111048%
	Leonard Sunde	1.850824%
	Lester Sunde	1.851104%
	Linda Galvin	1.113104%

Londa Lynn Reynolds	5.555256%
Melodie Hope Rosendale	9.259208%
Peter K. Hulkovich	1.113104%
Randy Verlin Jones	9.259224%
Richard Junior Jones	5.555256%
Robin Lucille Neergaard	9.259208%
Roger Vernon Jones	9.259208%
Sherrie A. Tellier	2.776336%
Tina Marie Steinbach	2.776336%

Tract 3 being the W/2NW/4 Section 25: T3S-R51W

Surface:	Randy V. and Diane B. Jones	100.000000%
Working		
Interest:	Saga Petroleum Corp.	83.333330%
	Headington Oil Co. LP	15.700270%
	Logos Capital Mngmt	0.966400%
Minerals:	Candy C. Schweizer	1.166664%
	Christa J. Jones Smith	8.166664%
	Daniel E. Jones –	8.166664%
	Elijah Jones –	26.500000%
	James M. Jones –	9.333330%
	John W. Jones II	8.166664%
	Jonathan J. Jones	15.166672%
	Sharon L. Flesher	8.166672%
	Virginia Jones LaBounty	8.166664%
	Saga Royalty LLC	8.166664%

The S/2SE/4, SE/4SW/4 Section 23 and W/2SW/4 Section 25: T3S-R51W

Surface:	Randy V. Jones	
Working		
Interest:	Unleased	100.000000%
Minerals:	Randy Verlin Jones and Diane B. Jones	27.0835%
	Roger Vernon Jones	14.5833%
	Melodie Hope Rosendale	14.5833%
	Robin Lucille Neergaard and	
	Randy L. Neergaard	14.5833%
	Denise Joann Oltjenbruns	14.5833%
	Darla Joy Brady and John F. Brady	14.5833%

SORTED BY UNIT INJECTION WELL:

Jones – Dupree 2
NWNE 26, 3S-51W
Surface and Mineral Ownership within ¼ Mile

NE4, E2NW of 26

Surface:	Darla Joy Brady	100.000000%
Working		
Interest:	Saga Petroleum Corp.	100.000000%
Minerals:	Allison Gagliardo Rold	0.742168%
	Arthur W. Johnson Trust	2.968800%
	Barbara Butler	0.925376%
	Betty Ann Himes	0.555520%
	Charles Verdin Jones	2.777624%
	Cyril Earl Jarrett	0.555520%
	Daniel E. Jones	1.388752%
	Darla Joy Brady	4.655648%
	Darlene Lois Kosinski	0.555520%
	David Brown	0.555304%
	David Holt	0.078120%
	David MacDermott	4.687496%
	Denise Joann Oltjenbruns	4.655664%
	Donna Eve Veca	0.555520%
	Dr. Richard MacDermott	4.687496%
	Elijah Jones	1.388872%
	Finchum Family Trust	0.742184%
	Gagliardo Living Trust	0.742184%
	Gene F. Lang and Co	0.078120%
	Geoffrey MacDermott	4.687496%
	James W. Nylund	0.312480%
	Janet Clodfelder	0.556552%
	Jim Brown	0.277800%
	Jimmie Brown Estate	0.278752%
	John C. Gagliardo	0.742184%
	John H. Dupree	9.375000%
	Kenneth Eugene Jarrett	0.555520%
	Kirby Minerals Oklahoma GP	1.406232%
	Lena Mae Grant Irrev. Trust	3.124960%

Leonard Sunde	0.925416%
Lester Sunde	0.925552%
Linda Dupree Bell	9.375000%
Linda Galvin	0.556552%
Londa Lynn Reynolds	2.777624%
Margaret M. Sebastian Trust	0.781280%
Melodie Hope Rosendale	4.655656%
Patchen Family Partners LTD	0.625000%
Peter K. Hulkovich	0.556552%
Randy Verlin Jones	4.655680%
Renee MacDermott Baker	4.687504%
Richard Junior Jones	2.777624%
Robin Lucille Neergaard	4.655648%
Roger Vernon Jones	4.655648%
Sherrie A. Tellier	1.388200%
Tina Marie Steinbach	1.388200%

S2SE, SESW of 23

Surface:	Randy V. Jones	100.000000%
Working		
Interest:	Unleased	100.000000%
Minerals:	Randy Verlin Jones and Diane B. Jones	27.0835%
	Roger Vernon Jones	14.5833%
	Melodie Hope Rosendale	14.5833%
	Robin Lucille Neergaard and Randy L. Neergaard	14.5833%
	Denise Joann Oltjenbruns	14.5833%
	Darla Joy Brady and John F. Brady	14.5833%

Jones 3

NESW 26, 3S-51W

Surface and Mineral Ownership within ¼ Mile

SW4, W2SE of 26

Surface:	Randy V. Jones	100.000000%
Working		
Interest:	Saga Petroleum Corp.	100.000000%

Minerals:	Barbara Butler	1.850776%
	Betty Ann Himes	1.111048%
	Charles Verdin Jones	5.555256%
	Cyril Earl Jarrett	1.111048%
	Daniel E. Jones	2.777504%
	Darla Joy Brady	9.259192%
	Darlene Lois Kosinski	1.111048%
	David Brown	1.110688%
	Denise Joann Oltjenbruns	9.259216%
	Donna Eve Veca	1.111048%
	Elijah Jones	2.777752%
	Janet Clodfelder	1.113104%
	Jim Brown	0.555600%
	Jimmie Brown Estate	0.557504%
	Kenneth Eugene Jarrett	1.111048%
	Leonard Sunde	1.850824%
	Lester Sunde	1.851104%
	Linda Galvin	1.113104%
	Londa Lynn Reynolds	5.555256%
	Melodie Hope Rosendale	9.259208%
	Peter K. Hulkovich	1.113104%
	Randy Verlin Jones	9.259224%
	Richard Junior Jones	5.555256%
	Robin Lucille Neergaard	9.259208%
	Roger Vernon Jones	9.259208%
	Sherrie A. Tellier	2.776336%
	Tina Marie Steinbach	2.776336%

S2NW, SWNE of 26

Surface:	Darla Joy Brady	100.000000%
Working		
Interest:	Saga Petroleum Corp.	100.000000%
Minerals:	Allison Gagliardo Rold	0.742168%
	Arthur W. Johnson Trust	2.968800%
	Barbara Butler	0.925376%
	Betty Ann Himes	0.555520%
	Charles Verdin Jones	2.777624%
	Cyril Earl Jarrett	0.555520%
	Daniel E. Jones	1.388752%

Darla Joy Brady	4.655648%
Darlene Lois Kosinski	0.555520%
David Brown	0.555304%
David Holt	0.078120%
David MacDermott	4.687496%
Denise Joann Oltjenbruns	4.655664%
Donna Eve Veca	0.555520%
Dr. Richard MacDermott	4.687496%
Elijah Jones	1.388872%
Finchum Family Trust	0.742184%
Gagliardo Living Trust	0.742184%
Gene F. Lang and Co	0.078120%
Geoffrey MacDermott	4.687496%
James W. Nylund	0.312480%
Janet Clodfelder	0.556552%
Jim Brown	0.277800%
Jimmie Brown Estate	0.278752%
John C. Gagliardo	0.742184%
John H. Dupree	9.375000%
Kenneth Eugene Jarrett	0.555520%
Kirby Minerals Oklahoma GP	1.406232%
Lena Mae Grant Irrev. Trust	3.124960%
Leonard Sunde	0.925416%
Lester Sunde	0.925552%
Linda Dupree Bell	9.375000%
Linda Galvin	0.556552%
Londa Lynn Reynolds	2.777624%
Margaret M. Sebastian Trust	0.781280%
Melodie Hope Rosendale	4.655656%
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Peter K. Hulkovich	0.556552%
Randy Verlin Jones	4.655680%
Renee MacDermott Baker	4.687504%
Richard Junior Jones	2.777624%
Robin Lucille Neergaard	4.655648%
Roger Vernon Jones	4.655648%
Sherrie A. Tellier	1.388200%
Tina Marie Steinbach	1.388200%

Jones 4
NESE 26, 3S-51W

Surface and Mineral Ownership within ¼ Mile

SWNW of 25

Surface:	Randy V. and Diane B. Jones	100.000000%
Working		
Interest:	Saga Petroleum Corp.	83.333330%
	Headington Oil Co. LP	15.700270%
	Logos Capital Mngmt	0.966400%
Minerals:	Candy C. Schweizer	1.166664%
	Christa J. Jones Smith	8.166664%
	Daniel E. Jones –	8.166664%
	Elijah Jones –	26.500000%
	James M. Jones –	9.33333%
	John W. Jones II	8.166664%
	Jonathan J. Jones	15.166672%
	Sharon L. Flesher	8.166672%
	Virginia Jones LaBounty	8.166664%
	Saga Royalty LLC	8.166664%

S2NE of 26

Surface:	Darla Joy Brady	100.000000%
Working		
Interest:	Saga Petroleum Corp.	100.000000%
Minerals:	Allison Gagliardo Rold	0.742168%
	Arthur W. Johnson Trust	2.968800%
	Barbara Butler	0.925376%
	Betty Ann Himes	0.555520%
	Charles Verdin Jones	2.777624%
	Cyril Earl Jarrett	0.555520%
	Daniel E. Jones	1.388752%
	Darla Joy Brady	4.655648%
	Darlene Lois Kosinski	0.555520%
	David Brown	0.555304%
	David Holt	0.078120%
	David MacDermott	4.687496%

Denise Joann Oltjenbruns	4.655664%
Donna Eve Veca	0.555520%
Dr. Richard MacDermott	4.687496%
Elijah Jones	1.388872%
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Gagliardo Living Trust	0.742184%
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Geoffrey MacDermott	4.687496%
James W. Nylund	0.312480%
Janet Clodfelder	0.556552%
Jim Brown	0.277800%
Jimmie Brown Estate	0.278752%
John C. Gagliardo	0.742184%
John H. Dupree	9.375000%
Kenneth Eugene Jarrett	0.555520%
Kirby Minerals Oklahoma GP	1.406232%
Lena Mae Grant Irrev. Trust	3.124960%
Leonard Sunde	0.925416%
Lester Sunde	0.925552%
Linda Dupree Bell	9.375000%
Linda Galvin	0.556552%
Londa Lynn Reynolds	2.777624%
Margaret M. Sebastian Trust	0.781280%
Melodie Hope Rosendale	4.655656%
Patchen Family Partners LTD	0.625000%
Peter K. Hulkovich	0.556552%
Randy Verlin Jones	4.655680%
Renee MacDermott Baker	4.687504%
Richard Junior Jones	2.777624%
Robin Lucille Neergaard	4.655648%
Roger Vernon Jones	4.655648%
Sherrie A. Tellier	1.388200%
Tina Marie Steinbach	1.388200%

SE4 of 26

Surface:	Randy V. Jones	100.000000%
Working		
Interest:	Saga Petroleum Corp.	100.000000%
Minerals:	Barbara Butler	1.850776%

Betty Ann Himes	1.111048%
Charles Verdin Jones	5.555256%
Cyril Earl Jarrett	1.111048%
Daniel E. Jones	2.777504%
Darla Joy Brady	9.259192%
Darlene Lois Kosinski	1.111048%
David Brown	1.110688%
Denise Joann Oltjenbruns	9.259216%
Donna Eve Veca	1.111048%
Elijah Jones	2.777752%
Janet Clodfelder	1.113104%
Jim Brown	0.555600%
Jimmie Brown Estate	0.557504%
Kenneth Eugene Jarrett	1.111048%
Leonard Sunde	1.850824%
Lester Sunde	1.851104%
Linda Galvin	1.113104%
Londa Lynn Reynolds	5.555256%
Melodie Hope Rosendale	9.259208%
Peter K. Hulkovich	1.113104%
Randy Verlin Jones	9.259224%
Richard Junior Jones	5.555256%
Robin Lucille Neergaard	9.259208%
Roger Vernon Jones	9.259208%
Sherrie A. Tellier	2.776336%
Tina Marie Steinbach	2.776336%

W2SW of 25

Surface:	Randy V. Jones	100.000000%
Working Interest:	Unleased	100.000000%
Minerals:	Randy Verlin Jones and Diane B. Jones	27.0835%
	Roger Vernon Jones	14.5833%
	Melodie Hope Rosendale	14.5833%
	Robin Lucille Neergaard and Randy L. Neergaard	14.5833%
	Denise Joann Oltjenbruns	14.5833%
	Darla Joy Brady and John F. Brady	14.5833%

EXHIBIT "B"
SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS
RUSH WILLADEL "J" SAND UNIT AREA
WASHINGTON COUNTY, COLORADO

Ownership Reflected herein is limited to the "J" Sand defined in the Electrical Log run in the Jones-Dupree #4 well and located in the SE/4NW/4 of Section 26, Township 3 South, Range 51 West, 6th P.M., Washington County, Colorado, with the top of the "J" Sand Formation being found at a depth of 3929' below the surface (+685' subsea) and the base of the Unitized Formation being found at a depth of 4157' below the surface (+456' subsea) or to the stratigraphic equivalent thereto.

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
1.	<u>T3S-R51W, 6TH P.M.</u> Sec. 26: N2	320.00	HBP	Allison Gagliardo Rold (12.5% Royalty)	Saga Petroleum Corp. 100.000000%	Allison Gagliardo Rold 0.1875%	Saga Petroleum Corp. 100.000000%
				Arthur W. Johnson Trust (12.5% Royalty)		Arthur W. Johnson Trust 0.7500%	
				Barbara Butler (12.5% Royalty)		Finchum Family Trust 0.1875%	
				Betty Ann Himes (12.5% Royalty)		Gagliardo Living Trust 0.1875%	
				Charles Verdin Jones (12.5% Royalty)		John H & Catherine Brunel 0.2500%	
				Cyril Earl Jarrett (12.5% Royalty)		Patchen Family Partners LT 0.1250%	
				Daniel E. Jones (12.5% Royalty)		Marylin Montgomery 0.1250%	
				Darla Joy Brady (12.5% Royalty)		John C Gagliardo 0.1875%	
				Darlene Lois Kosinski (12.5% Royalty)		<u>TOTAL</u> 2.00%	
				David Brown (12.5% Royalty)			
				David Holt (12.5% Royalty)			
				David MacDermott (12.5% Royalty)			
				Denise Joann Oltjenbruns (12.5% Royalty)			
				Donna Eve Veca (12.5% Royalty)			
				Dr. Richard MacDermott (12.5% Royalty)			
				Elijan Jones (12.5% Royalty)			
				Finchum Family Trust (12.5% Royalty)			
				Gagliardo Living Trust (12.5% Royalty)			
				Gene F. Lang and Co (12.5% Royalty)			
				Geoffrey MacDermott			

1. Continued.



TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
			(12.5% Royalty)				
			James W. Nylund	0.312480%			
			(12.5% Royalty)				
			Janet Clodfelder	0.556552%			
			(12.5% Royalty)				
			Jim Brown	0.277800%			
			(12.5% Royalty)				
			Jimmie Brown Estate	0.278752%			
			(12.5% Royalty)				
			John C. Gagliardo	0.742184%			
			(12.5% Royalty)				
			John H. Dupree	9.375000%			
			(12.5% Royalty)				
			Kenneth Eugene Jarrett	0.555520%			
			(12.5% Royalty)				
			Kirby Minerals Oklahoma GP	1.406232%			
			(12.5% Royalty)				
			Lena Mae Grant Irrev. Trust	3.124960%			
			(12.5% Royalty)				
			Leonard Sunde	0.925416%			
			(12.5% Royalty)				
			Lester Sunde	0.925552%			
			(12.5% Royalty)				
			Linda Dupree Bell	9.375000%			
			(12.5% Royalty)				
			Linda Galvin	0.556552%			
			(12.5% Royalty)				
			Londa Lynn Reynolds	2.777624%			
			(12.5% Royalty)				
			Margaret M. Sebastian Trust	0.781280%			
			(12.5% Royalty)				
			Melodie Hope Rosendale	4.655656%			
			(12.5% Royalty)				
			Patchen Family Partners LT	0.625000%			
			(12.5% Royalty)				
			Peter K. Hulkovich	0.556552%			
			(12.5% Royalty)				
			Randy Verlin Jones	4.655680%			
			(12.5% Royalty)				
1.	<u>Continued.</u>		Renee MacDermott Baker	4.687504%			
			(12.5% Royalty)				
			Richard Junior Jones	2.777624%			
			(12.5% Royalty)				
			Robin Lucille Neergaard	4.655648%			
			(12.5% Royalty)				
			Roger Vernon Jones	4.655648%			
			(12.5% Royalty)				
			Sherrie A. Tellier	1.388200%			
			(12.5% Royalty)				

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
				Tina Marie Steinbach (12.5% Royalty)			
				TOTAL			
2.	<u>T3S-R51W, 6TH P.M.</u> Sec. 26: S2	320.00	HBP	Barbara Butler (12.5% Royalty)	Saga Petroleum Corp.	None	Saga Petroleum Corp.
				Betty Ann Himes (12.5% Royalty)	100.000000%		100.000000%
				Charles Verdin Jones (12.5% Royalty)			
				Cyril Earl Jarrett (12.5% Royalty)			
				Daniel E. Jones (12.5% Royalty)			
				Darla Joy Brady (12.5% Royalty)			
				Darlene Lois Kosinski (12.5% Royalty)			
				David Brown (12.5% Royalty)			
				Denise Joann Oltjenbruns (12.5% Royalty)			
				Donna Eve Veca (12.5% Royalty)			
				Elijan Jones (12.5% Royalty)			
				Janet Clodfelder (12.5% Royalty)			
				Jim Brown (12.5% Royalty)			
				Jimmie Brown Estate (12.5% Royalty)			
				Kenneth Eugene Jarrett (12.5% Royalty)			
2.	<u>Continued.</u>			Leonard Sunde (12.5% Royalty)			
				Lester Sunde (12.5% Royalty)			
				Linda Galvin (12.5% Royalty)			
				Londa Lynn Reynolds (12.5% Royalty)			
				Melodie Hope Rosendale (12.5% Royalty)			
				Peter K. Hulkovich (12.5% Royalty)			
				Randy Verlin Jones (12.5% Royalty)			
				Richard Junior Jones			

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE			
				(12.5% Royalty) Robin Lucille Neergaard (12.5% Royalty) Roger Vernon Jones (12.5% Royalty) Sherrie A. Tellier (12.5% Royalty) Tina Marie Steinbach (12.5% Royalty) TOTAL	9.259208% 9.259208% 2.776336% 2.776336% 100.000000%					
3.	<u>T3S-R51W, 6TH P.M.</u> Sec. 25: W2NW	80.00	HBP	Candy C Schweizer (12.5% royalty) Christa J Jones Smith (12.5% royalty) Daniel E Jones (12.5% royalty) Elijan Jones (12.5% royalty) James M Jones (12.5% royalty) John W Jones II (12.5% royalty) Jonathan J Jones (12.5% royalty) Sharon L Flesher (12.5% royalty) Virginia Jones Labounty (12.5% royalty) Saga Royalty LLC (12.5% royalty) TOTAL	1.166666% 8.166666% 8.166666% 26.500000% 8.166666% 8.166666% 15.166672% 8.166666% 8.166666% 8.166666% 100.000000%	Saga Petroleum Corp. Headington Oil Co LP Logos Capital Mngmt TOTAL	83.333330% 15.700270% 0.966400% 100.000000%	None	Saga Petroleum Corp. Headington Oil Co LP Logos Capital Mngmt TOTAL	83.333330% 15.700270% 0.966400% 100.000000%
3.	<u>Continued.</u>									
<u>RECAPITULATION</u>										
PATENTED LANDS		720.00	100.0000%							
		720.00	100.0000%							

REINHOLDI BOLIVARIANO



COGIS - Facility Query Results

You requested facilities by:	'WELL'
Operator number:	101101
Field name:	rush willadel
Maximum records are limited to:	100
For detail information:	Click on facility type.

Search Results - 12 record(s) returned.							
Facility Type	Facility ID/ API	Facility Name/ Number	Operator Name/ Number	Status	Field Name/ Number	Location	Related Facilities
WELL	05-121-05435	JONES J W 1	SAGA PETROLEUM LIMITED LIABILITY CO OF CO 101101	PR	RUSH WILLADEL 76000	WASHINGTON 121 NVNW 25 3S 51W 6	
WELL	05-121-09962	JONES, J W 3	SAGA PETROLEUM LIMITED LIABILITY CO OF CO 101101	PR	RUSH WILLADEL 76000	WASHINGTON 121 NVNW 25 3S 51W 6	
WELL	05-121-08883	JONES J W 2	SAGA PETROLEUM LIMITED LIABILITY CO OF CO 101101	PR	RUSH WILLADEL 76000	WASHINGTON 121 SWNW 25 3S 51W 6	
WELL	05-121-05380	JONES 4	SAGA PETROLEUM LIMITED LIABILITY CO OF CO 101101	SI	RUSH WILLADEL 76000	WASHINGTON 121 NESE 26 3S 51W 6	
WELL	05-121-05382	JONES 3	SAGA PETROLEUM LIMITED LIABILITY CO OF CO 101101	IJ	RUSH WILLADEL 76000	WASHINGTON 121 NESW 26 3S 51W 6	
WELL	05-121-10138	JONES-DUPREE 9	SAGA PETROLEUM LIMITED LIABILITY CO OF CO 101101	IJ	RUSH WILLADEL 76000	WASHINGTON 121 NWNE 26 3S 51W 6	
WELL	05-121-10487	JONES 33-26	SAGA PETROLEUM LIMITED LIABILITY CO OF CO 101101	PR	RUSH WILLADEL 76000	WASHINGTON 121 NWSE 26 3S 51W 6	
WELL	05-121-10881	JONES 34-26	SAGA PETROLEUM LIMITED LIABILITY CO OF CO 101101	PR	RUSH WILLADEL 76000	WASHINGTON 121 NWSE 26 3S 51W 6	
WELL	05-121-09963	JONES 6	SAGA PETROLEUM LIMITED LIABILITY CO OF CO 101101	PR	RUSH WILLADEL 76000	WASHINGTON 121 NWSE 26 3S 51W 6	
WELL	05-121-08884	JONES-DUPREE 7	SAGA PETROLEUM LIMITED LIABILITY CO OF CO 101101	PR	RUSH WILLADEL 76000	WASHINGTON 121 SENE 26 3S 51W 6	
WELL	05-121-05414	JONES-DUPREE 3	SAGA PETROLEUM LIMITED LIABILITY CO OF CO 101101	PR	RUSH WILLADEL 76000	WASHINGTON 121 SENV 26 3S 51W 6	
WELL	05-121-05415	JONES-DUPREE 1	SAGA PETROLEUM LIMITED LIABILITY CO OF CO 101101	PR	RUSH WILLADEL 76000	WASHINGTON 121 SWNE 26 3S 51W 6	

EXHIBIT D

BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO


IN THE MATTER OF THE APPLICATION OF SAGA)
PETROLEUM CORP. FOR AN ORDER) Cause No. _____
APPROVING THE UNITIZATION OF THE J SAND)
FORMATION FOR ENHANCED RECOVERY) Docket No. _____
OPERATIONS IN THE RUSH WILLADEL FIELD,)
WASHINGTON COUNTY, COLORADO)

CERTIFICATE OF SERVICE AND AFFIDAVIT OF MAILING

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

Robert D. Annear, of lawful age, being first duly sworn upon oath, states and declares:

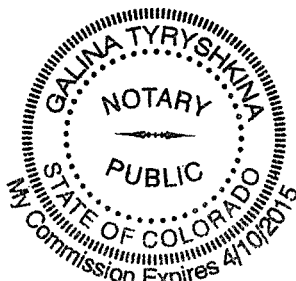
1. I am Manager of Lands and Contracts for Saga Petroleum Corp., the Applicant. I have personal knowledge of the matters discussed in this Affidavit.
2. On October 13, 2011, I arranged the mailing of a copy of the Verified Application, with exhibits and other documents, via first class mail, postage prepaid, to each owner of record within the Application Lands and each owner of record of the reservoir involved within one-quarter (1/4) mile of the proposed intake well or wells located within the Application Lands as required by Rule 403.
3. The names and addresses of those persons to whom the Verified Application was mailed on October 13, 2011, are listed on Exhibit D-1 submitted with this Affidavit.

By: 
Robert D. Annear

Subscribed and sworn to before me this 13th day of October 2011.

Witness my hand and official seal.

My commission expires: 04/10/2015



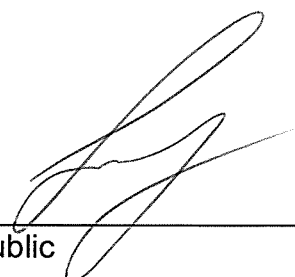

Notary Public

Exhibit "D-1"

Owner Name	Address	CityStateZip
ALLISON GAGLIARDO ROLD	704 6TH AVE WEST	KALISPELL MT 59901
ARTHUR W JOHNSON TRUST	Wells Fargo Bank-SAO P.O. Box 41779	Austin TX 78704
BARBARA BUTLER	150 DONLEE DR	ST GEORGE UT 84770
BETTY ANN HIMES	111 W HOAG AVE	YUMA CO 80759
CANDY C SCHWEIZER	1604 Chestnut St	Trenton MO 64683
CHARLES VERDIN JONES	RR 2 BOX 569	AVA MO 65608
CHRISTA J JONES SMITH	7420 E HWY U	EL DORADO SPRINGS MO 64744
CYRIL EARL JARRETT	55447 COUNTY ROAD E	YUMA CO 80759-7720
DANIEL E JONES	6235 SOUTH HIGHWAY U	EL DORADO SPRINGS MO 64744
Darla Joy Brady	13800 County Rd LL	Anton CO 80801
DARLENE LOIS KOSINSKI	13726 ROAD J	SILVER CREEK NE 68663
DAVID BROWN	401 CEDAR AVE	AKRON CO 80720
DAVID HOLT	P O BOX 680997	FRANKLIN TN 37068-0997
DAVID MACDERMOTT	15529 Escarpment Oak	Helotes TX 78023
DENISE JOANN OLTJENBRUNS	P O BOX 506	NATURITA CO 81422-0506
DONNA EVE VECA	217 SOUTH WASHINGTON	HAXTUN CO 80731
DR RICHARD MACDERMOTT	12 WINDSOR CIR	WOBURN MA 01801-5386
ELIJAH JONES	494 LOVELAND DRIVE	ROGERSVILLE MO 65742
FINCHUM FAMILY TRUST	BOX ODC TRUSTEES	FPO AP MO 96507
GAGLIARDO LIVING TRUST	22465 NE 9TH DR	SAMMAMISH WA 98053
GENE F LANG AND CO	6995 S CHAPPARAL CIRCLE WEST	AURORA CO 80016
GEOFFREY MACDERMOTT	5236 KIRBY MEWS CT	CHARLOTTE NC 28277-2643
JAMES M JONES AND RHONDA R	6235 S HWY U	EL DORADO SPRINGS MO 64744
JAMES W NYLUND	680 S OGDEN ST	DENVER CO 80209
JANET CLODFELDER	385 CEDAR	AKRON CO 80720
JIMMIE BROWN ESTATE	3402 DAVIDSON DR	FAYETTEVILLE NC 28306
JOHN C GAGLIARDO	2849 SW 170TH ST	BURIEN WA 98166
JOHN H & CATHERINE BRUNEL	P O BOX 229	GOLDEN CO 80401
JOHN H DUPREE	722 N BOSTON AVENUE	DELAND FL 32724
JOHN W JONES II	P O BOX 460 C/O LIBERTY BANK	STOCKTON MO 65785
JONATHAN J JONES	494 LOVELAND DRIVE	ROGERSVILLE MO 65742
KENNETH EUGENE JARRETT	14684 ROAD 17	SEDGWICK CO 80749
KIRBY MINERALS OKLAHOMA GP	PO BOX 268947	OKLAHOMA CITY OK 73126
LENA MAE GRANT IRREVOCABLE TRST	4880 W DIVISION RD	CRAWFORDSVILLE IN 47933
LEONARD SUNDE	5605 87TH PLACE	LUBBOCK TX 79424
LESTER SUNDE	P O BOX 175	BELLVUE CO 80512
LINDA DUPREE BELL	PO BOX 227	NORFOLK CT 6058
LINDA GALVIN	721 27th Avenue	Greeley CO 80634
LONDA LYNN REYNOLDS	5524 SOUTH 175TH ROAD	BRIGHTON MO 65617
MARGARET M SEBASTIAN TRUST	3291 AMMONS COURT	WHEAT RIDGE CO 80033-5950
MELODIE HOPE ROSENDALE	1622 STOVE PRAIRIE CIRCLE	LOVELAND CO 80538-3406
PATCHEN FAMILY PARTNERS LTD	5175 SHAVANO COURT	WINDSOR CO 80550
PETER K. HULKOVICH	716 PROSPECT STREET	FORT MORGAN CO 80701
RANDY VERLIN JONES	13195 COUNTY RD MM	ANTON CO 80801
RENEE MACDERMOTT BAKER	695 FIELD AVE	CANON CITY CO 81212
RICHARD JUNIOR JONES	16390 RD 30	AKRON CO 80720
ROBIN LUCILLE NEERGAARD	103 LORI DR	LOVELAND CO 80537
ROGER VERNON JONES	34855 COUNTRY RD 12	ANTON CO 80801
Sharon L. Flesher	7961 E HWY U	El Dorado Springs MO 64744
SHERRIE A TELLIER	5021 CORNELL AVENUE	WESTMINSTER CA 92683
TINA MARIE STEINBACH	3712 MILLER CT	WHEAT RIDGE CO 80033
VIRGINIA JONES LABOUNTY	P O BOX 460 LIBERTY BANK	STOCKTON MO 65785
Marylin Montgomery	11196 E Linvale Drive	Aurora CO 80014
Saga Royalty	600 17th Street Suite 1700N	Denver CO 80202
Headington Oil Company LP	2711 N. Haskell Ave Suite 2800	DALLAS TX 75204
Logos Capital Management	14319 Horizon Falls Ln.	Houston TX 77396
Saga Petroleum Corporation	600 17th Street Suite 1700 N	Denver CO 80202



EXHIBIT E

BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

IN THE MATTER OF THE APPLICATION OF SAGA)	
PETROLEUM CORP. FOR AN ORDER)	Cause No. _____
APPROVING THE UNITIZATION OF THE J SAND)	
FORMATION FOR ENHANCED RECOVERY)	Docket No. _____
OPERATIONS IN THE RUSH WILLADEL FIELD,)	
WASHINGTON COUNTY, COLORADO)	

TECHNICAL DATA REQUIRED BY RULES 402.b.2 and 402.b.4

Please see the attached summaries:

1. Description of the Proposed Unitization;
2. Geology Summary;
3. Resistivity Log for the Jones #4 Well;
4. Casing descriptions for relevant wells;
5. Statement Discussing Fluids to Be Injected; and
6. Diagrams of Rush Willadel Production Facility.

No stimulus program is proposed. Saga Petroleum Limited Liability Company of Colorado, the present operator of these wells, is the proposed initial Unit Operator.



A full description of the particular operation for which authorization is required.

Saga Petroleum LLC (Saga) is the current operator of the Rush Willadel field in Washington County, CO. Saga purchased it from Merit Energy in mid-2010. Since then, Saga has been working steadily to increase production and improve reliability, environmental condition, and the safety of the entire field.

The commingled water and oil streams from the J Sand formation in the six, soon to be seven, producing wells is piped to the central production facility where it is run through large 1500 barrel gunbarrels to separate the oil. The oil is skimmed off the tops of the tanks and transferred to sales tanks after passing through a heater treater. The water is diverted over to the injection plant tanks, and then pumped over to the two, soon to be three, water injection wells. The injection wells are completed in the J Sand.

Saga has rebuilt the central production facility and simplified the oil production measurement and allocation methodology. This included repairing and lining the three large gunbarrel tanks, removing the undersized free water knock outs and removing the electronic oil cut measurement system. Instead, Saga takes samples from each well quarterly to measure the individual oil cut and measures the total fluid from each well to regularly and fairly allocate production to each lease. Saga welcomes inspection of these processes.

Saga is in the process of reactivating the Jones-Dupree #7 as an oil well. This could add 20 barrels of oil and 3000 barrels of water per day. However, production is being limited by the current water injection capacity of the two existing water injection wells, which are taking ~ 21,000 barrels of water each day. There is a shut in well, the Jones #4, that Saga plans to convert to a third water injection well. Having this additional injection point provides sweep from the southeastern flank of the field (the two existing water injection wells are on the southwestern flank and on the northern flank), potentially increasing overall oil recovery and providing redundancy if one of the other injection wells would require repair. Additionally, reactivating the Jones 4 removes it from the Colorado Oil and Gas Conservation Commission's (COGCC) idle well list and avoids the need to plug it.

The field has been operated continuously in a non-Unit status. However, the COGCC is requiring the field be unitized in order to get the Jones 4 permitted as a water injection well.

Rush Willadel Field Unitization and Jones #4 WDW Application

Geology

Type Log for Rush Willadel Field

Jones #4 – NE SE NE Section 26, T3S-R51W

Reservoir Rocks at Rush Willadel Field

“D” Sandstone – extends from the base of the Graneros Shale down to the top of the Huntsman Shale. The “D” is 36’ thick and consists of two benches in the Jones #4 well, locally referred to as the “D1” and “D2” members. Although the “D” produces at Rush Willadel Field it is not productive in any of Saga’s wells.

“J” Sandstone – extends from the base of the Huntsman Shale down to the top of the Skull Creek Shale. The “J” is 203’ thick and consists of five sand benches in the Jones #4 well, locally referred to as the “J1”, “J2”, “J3”, “J4”, and “J5” members. The top of the “J” is at 3920’ in the Jones #4. The “J” Sandstone was deposited in marginal-marine to non-marine environment. Shale of varying thickness separates each of the “J” members. Although the “J1”, “J2”, “J3” members produce at Rush Willadel Field, only the “J2” and “J3” members were perforated in the Jones #4 well. The “J2” member is 18’ thick in the Jones #4 and the thickness of the “J3” is 44’. Gross perforated interval in the “J2” is 3952-3971’ and in the “J3” it is 3973-79’. Porosities in the sands are 25-30%. The well was completed in the “J2” and upper part of the “J3” for 150 barrels of oil per day in 1962. The Jones #4 has been shut-in since 1992.

Water Disposal Zones at Rush Willadel Field

The “J2” sand at 3953-3971’ and “J3” sand at 3973-3993’, and possibly the “J4” sand at 4032-4045’, will be used for disposal of produced water in the Jones #4 well. The “J2” and “J3” sands were hydrocarbon productive in the well before it was shut-in. These zones are currently used for disposal of produced water in Saga’s Jones #3 (located in NE SW Section 26, 3S-51W) and Jones-Dupree #9 (located in NW NE Section 26, 3S-51W). The Lakota Sandstone is also used for disposal of produced water in the Jones-Dupree #9.

Confining Layers at Rush Willadel Field

Pierre Shale – extends from the base of the Ogallala Formation down to the top of the Niobrara. The Pierre is a regionally continuous marine shale and is 2919’ thick in the Jones #4 well. The contact between the Ogallala and Pierre Shale is an erosional unconformity that has removed the upper part of the Pierre. According to USGS publication HA 730-C (Ground Water Atlas of the United States) the Pierre Shale forms an impermeable base to the High Plains aquifer in much of eastern Colorado.

Carlile Shale – extends from the base of the Niobrara down to the top of the Greenhorn. The Carlile is a regionally continuous marine shale and is 88’ thick in the Jones #4 well.

Graneros Shale – extends from the base of the Greenhorn down to the top of the “D” Sandstone. The Graneros is a regionally continuous marine shale and is 176’ thick in the Jones #4 well.

Huntsman Shale – extends from the base of the “D” Sandstone down to the top of the “J” Sandstone. The Huntsman is a regionally continuous marine shale and is 16’ thick in the Jones #4 well.

Skull Creek Shale – extends from the base of the “J” Sandstone down to the top of the Lakota Sandstone. The Skull Creek is a regionally continuous marine shale and is 84’ thick in the Jones #4 well.

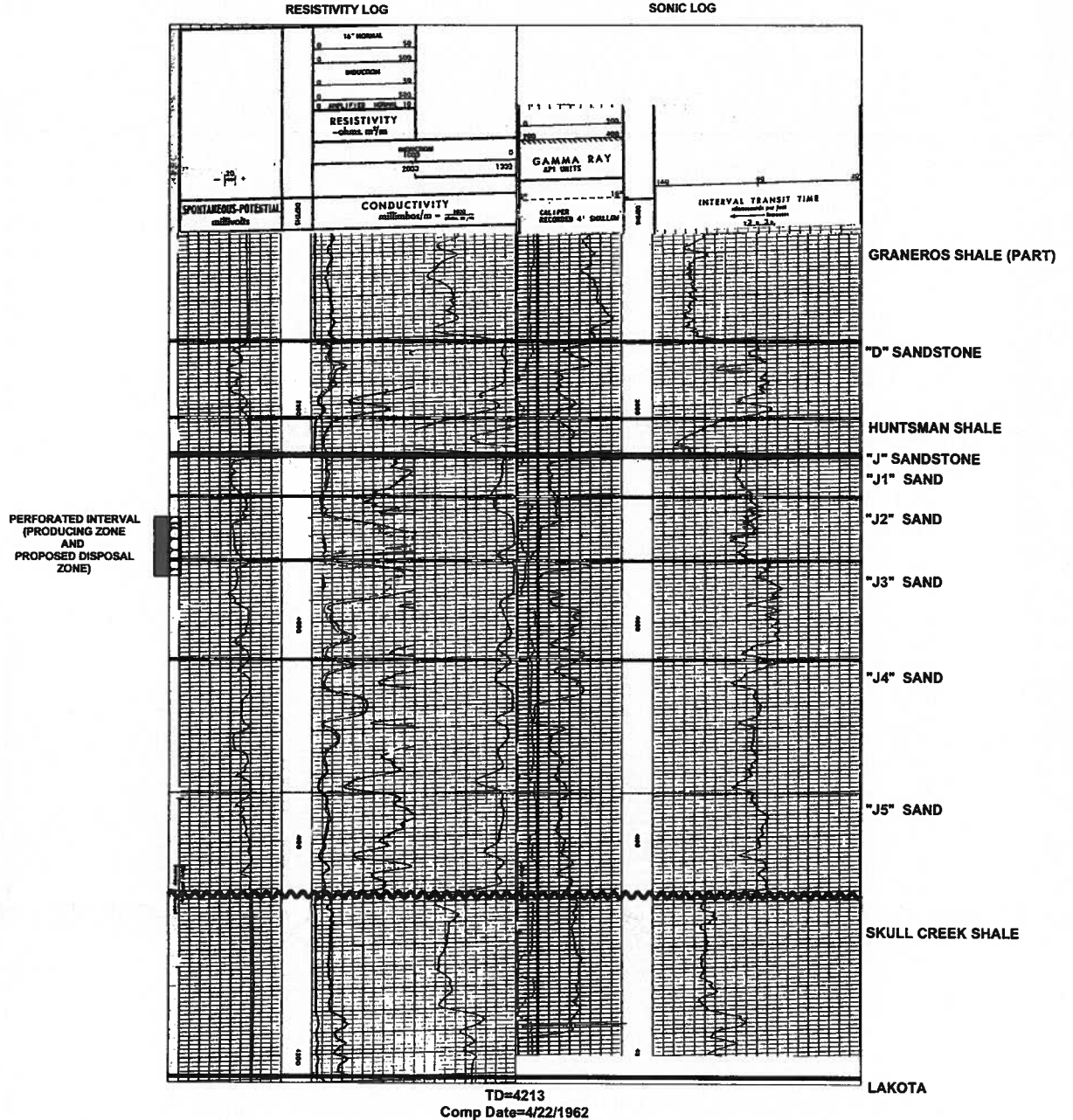
Underground Sources of Drinking Water

Ogallala Formation – Based on the 1979 Geologic Map of Colorado compiled by Ogden Tweto, the Tertiary Ogallala Formation is exposed on the surface at Rush Willadel. It consists of loose to well-cemented gravel, sand, silt and clay. The Ogallala and Quaternary alluvium are the principal sources of potable water in the area and part of the High Plains aquifer in eastern Colorado. The Ogallala is approximately 100-150’ thick at Rush Willadel and is underlain by the Pierre Shale. As noted above, the Pierre Shale forms an impermeable base to the High Plains aquifer in much of eastern Colorado. There are no live streams in the immediate area of Rush Willadel field that are known to be sources of fresh water.

05121053800000

SAGA PETROLEUM
JONES 4
C NE SE

TWP: 3 S - Range: 51 W - Sec. 26
Reference=KB
Datum=4612





Saga Petroleum LLC
Rush Willadel Field
Washington County, CO

J Sand Production Wells

Saga Petroleum LLC

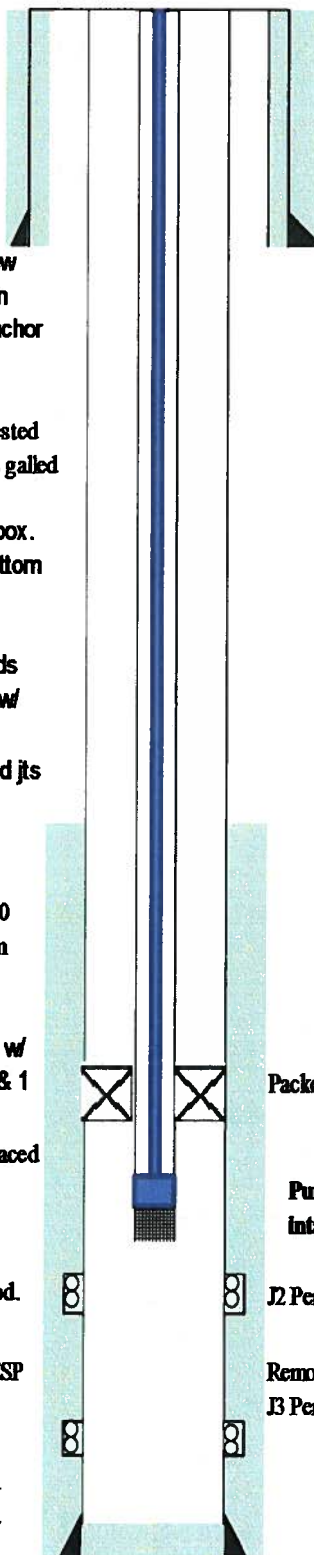
LEASE & WELL NO. <u>Jones 33-26</u>	FORMER NAME _____
FIELD NAME <u>Rush Willadel</u>	COUNTY, ST <u>Washington, Colorado</u>
LOCATION <u>2550' FSL 2500' FELNE SE Section 26-T3S-51W</u>	API NO. <u>0512110487</u>
DATE <u>1/5/2011</u>	PREPARED BY <u>CCH</u>

K.B. ELEV. 4623'
 D.F. ELEV. _____
 GRLEVEL 4,614

WELL HISTORY SPUD - 8/13/92

8/30/1992 Began completion; Perforated J sand & set packer
 9/28-10/2 1992 Installed pump, tubing & rods started up & blew fuse; then started up again and failed in 15 min
 10/6-10/8 1992 pulled rods & tubing reran w/ torque control anchor
 10/9/1992 IP (12 hrs) 200 BOPD, 87 BWPD
 12/16/1992 Pump failed due to hole in tubing
 12/18-12/26 1992 Pulled rods, found hole 2 jts from bottom; hydrotested tubing 10 jts blew @ 3000psi worn by guides, 6 jts galled threads, ran rods & moved pony as to stagger
 12/28-1/1 1992 Well Failed; part @ pin where 40th ran out of box. RTP 481' 3.5"N80 tubing @ bottom, 550' of bottom rods w/ reciprocating guides (4 per rod)
 1/7/1993 Pump Failure: broken drive shaft
 1/11/1993 MIRU tbg anchor moved up 14', spaced out rods coming up above pin 46', replace drive head w/ higher torque model
 2/22/1993 Well down: pulled tbg found it backed off, 6 bad jts replaced w/ 2 7/8"; TA set wrong @ 27000# wouldn't reset. TH 16 jts new 3.5" 9.3#/ft N80 tubing TA set @ 30,000#
 5/25/1993 Tbg parted in 10' pup, replace 1 stator; Pump ran 30 min then sanded in. Stripped out of hole w/ bottom 700' rod & tbg; ETP new stators & rotors
 10/3/1993 Parted rod, replace 1 stator
 10/12/1993 Low Production 500 BFPD, replace 22 1" rods w/ molded 2-3/8" stationary guides, 1 collar leak & 1 bad joint tbg
 12/27/1993 Replace rotary pump w/ larger truderpump. Replaced 2-7/8" tbg w/ 3-1/2" tbg
 1/31/1994 Parted rod, significant wear on pump
 2/9/1994 parted rod, spaced out 48"
 4/15/1994 Parted rod, installed new bearing, drive, shaft, & rod. Ran 10 min then blew contactor on electrical panel
 Oct-94 Remove progressive cavity pump & replace with ESP
 7/15-7/26 2005 Hydro test pump
 Aug-97 New Pump

PBTD @ 4,040
 TD @ 4,060



SURFACE CASING			
SIZE	10 3/4"	WEIGHT	40.5#
GRADE	K 55	SX. CMT.	130 sx
DEPTH	224'	TOC @	surface

PRODUCTION CASING			
SIZE	7"	WEIGHT	20.8#
GRADE	K 55	SX. CMT.	910 sx
DEPTH	4055'	TOC @	2150'

Tubing Detail
 117 jts of 3-1/2" Tubing

Formation Tops (MD)	
Niobrara	2,950
Ft Hayes	3,400
D Sand	3,858
Huntsman	3,894
J1 Sand	3,910
J2 Sand	3,918

Packer @ 3846

Pump FLT ESP: 59 stage 13.35' & 52 stage 11.9';
 Intake @ 3649' as of 2008

J2 Perfs 3918-50' 12spf; swab tested 10% oil

Removeable Bridge Plug @ 3953

J3 Perfs 3960-80' 12spf; swab tested 30% oil

Saga Petroleum LLC

LEASE & WELL NO. Jones 34-26

FIELD NAME Rush Willadel

LOCATION 2351' FSL 1359' FEL NW SE Section 26-T3S-51W

DATE 12/1/2010

FORMER NAME

COUNTY, ST Washington, Colorado

APINO. 00512110881

PREPARED BY CCH

K.B. ELEV. 4832'

D.F. ELEV. 4820'

GR.LEVEL 4,831

WELL HISTORY SPUD - 9/10/05

9/17/2005 Finished drilling

10/18-11/4 2005 Completion, Perfd J1 & J2 sands. Run ESP & tubing

8/31/2007 tally 120 joints pipe

9/4-9/6 2007 Hydrotest w/ 122 joints tubing, ran pump in ; 122 joints @ 3824'

SURFACE CASING

SIZE 9 5/8" WEIGHT 32.#
GRADE SX. CMT. 115 sx
DEPTH 235' TOC @ surface

PRODUCTION CASING

SIZE 7" WEIGHT 20.#
GRADE SX. CMT. 590 sx
DEPTH 4142' TOC @ surface

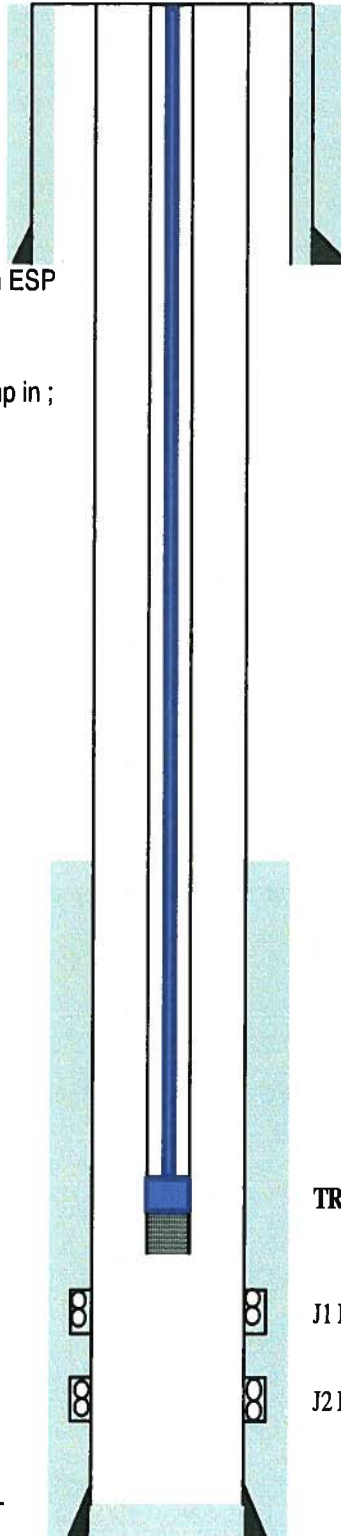
Tubing Detail

120 jts 2 7/8" 6.4# J-55 EUE @ 3404

Formation Tops (MD)	
Niobrara	3,000
Fort Hayes	3,443
Codell	3,510
Greenhorn	3,617
Bentonite	3,773
D Sand	3,853
J Sand	3,904
J1 Sand	3,930
J2 Sand	3,964

PBTD @ 4,142

TD @ 4,179



TR5/ESP 150HP 132 stage (as of 2008)

J1 Perfs 3930-50 6spf

J2 Perfs 3964-84 6spf

Saga Petroleum LLC

LEASE & WELL NO. J W Jones # 1	FORMER NAME
FIELD NAME Rush Wiladel	COUNTY, ST Washington, Colorado
LOCATION 966 FNL 603 FWL NW NW Section 25-T3S-51W	API NO. 05-121-05435-0000
DATE 1/5/2011	PREPARED BY CCH

K.B. ELEV. 4631'

DF. ELEV.

GRLEVEL 4,621

WELL HISTORY SPUD - 4/13/62

5/15/1962 IPP 181BOPD

DST #1 3890-86 recov 1470' oil, 60" OCM, ISI 823,
FSI 771, IF 288, FF 555, IHP 2399, FHP 2303

4/1/1963 Clean Out Sand fill 3960-4035

7/1/1969 In stall 100HP Pump

5/1/1972 Replace Pump

3/1/1975 Sqz'd Csg holes @ 1930, 1980, 2220,
2827, 3557 & 3927'

8/1/1981 Replace Pump

5/1/1983 Replace Pump

6/1/1988 Replace Pump

2/1/1989 Replace Pump

4/1/1991 Replace Pump

9/8/1994 replaced equalizer & flat cable

6/1/1997 Change out Pump

9/29/1997 Perf'd 3982-84 & 3988-90; Upgrade ESP

10/27-11/2 2005 Run bit and scraper

10/16/2009 Bail Sand fill @ 3991'

6/30/2010 New Pump

SURFACE CASING

SIZE	8 5/8"	WEIGHT	24.#
GRADE	J-55	SX. CMT.	85 sx
DEPTH	122'	TOC @	Surface

PRODUCTION CASING

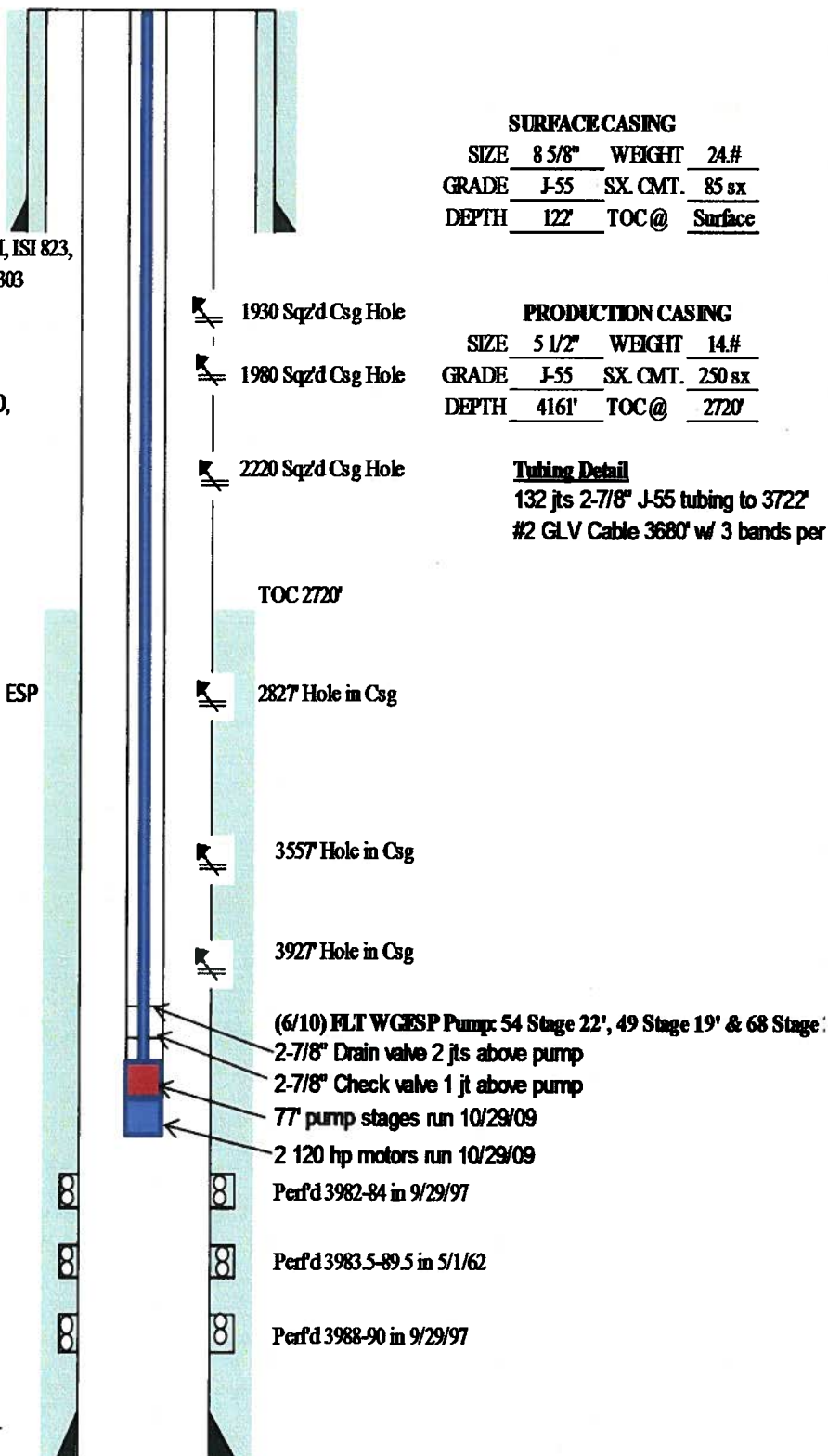
SIZE	5 1/2"	WEIGHT	14.#
GRADE	J-55	SX. CMT.	250 sx
DEPTH	4161'	TOC @	2720'

Tubing Detail

132 jts 2-7/8" J-55 tubing to 3722'
#2 GLV Cable 3680' w/ 3 bands per

Schlumberger Analysis:			
Depth (MD)	Porosity (%)	Water Sat (%)	RW
3890-13	20.00	82.00	0.35
3980-3990	25.00	35.00	0.45
3993-99	16.00	76.00	0.45
Formation Tops (MD)			
Niobrara	2,952		
Ft Hayes	3,420		
Carlile	3,494		
Greenhorn	3,605		
D Sand	3,890		
J Sand	3,942		

PBTD @ 4136'
TD @ 4165'



Saga Petroleum LLC

LEASE & WELL NO. J W Jones # 2	FORMER NAME _____
FIELD NAME Rush Willadel	COUNTY, ST Washington, Colorado
LOCATION 1788' FNL 340' FWL SW NW Section 25-T3S-51W	API NO. 05-121-08883-0000
DATE 1/5/2011	PREPARED BY CCH

K.B. ELEV. 4626'
D.F. ELEV. _____
GR. LEVEL 4,616'

WELL HISTORY

SPUD - 3/30/1974

4/25/1974 Completion Date: IPP 59 BOPD 121 BWPD
8/30/1975 Install New Pump
8/1/1976 Sand Pump w/ 20' fill
7/1/1977 Replace pump
12/1/1979 Sand Pump w/ 24' fill
2/1/1980 Sand Pump w/ 65' fill
3/1/1981 Install 50 HP Pump
10/1/1982 Replace steel lines with Polyethylene Flowline
8/1/1983 Replace 50HP Pump w/ 85HP variable speed
3/1/1984 Install 85 HP VSP Sub Pump
4/1/1985 Pull & replace pump & motor
3/1/1988 Clean out pump, fill from 3986-4044 added J2 Perfs
4/1/1988 Replace Sub Pump
10/1/1988 Pump sanded up; replaced pump
2/1/1989 Replace Sub Pump
1/1/1990 Replace Sub Pump, clean out sand 4061-76
1/10/1991 Replace Sub Pump
2/1/1992 ESP Failure clean out 20' sand, replace pump
5/1/1992 ESP Failure replace pump to a lower rate pump
6/1/1992 Install new flowline; 2350' of 3" sched 40
9/1/1992 reperfd 3974-3983 & 3940-3942' @ 8spf
9/6/1994 Replaced lead motor cable & Equalizer
11/10-11/18 2005 Run bit and scraper, bail sand; run new pump & motor
3/3-3/20 2006 Pull & repair ESP motor burned up , tag fill 4086'
8/29-8/31 2007 RIH Test tbg to 1500#

SURFACE CASING

SIZE	9 5/8"	WEIGHT	36.#
GRADE	K-55	SX. CMT.	180 sx
DEPTH	143'	TOC @	Surface

PRODUCTION CASING

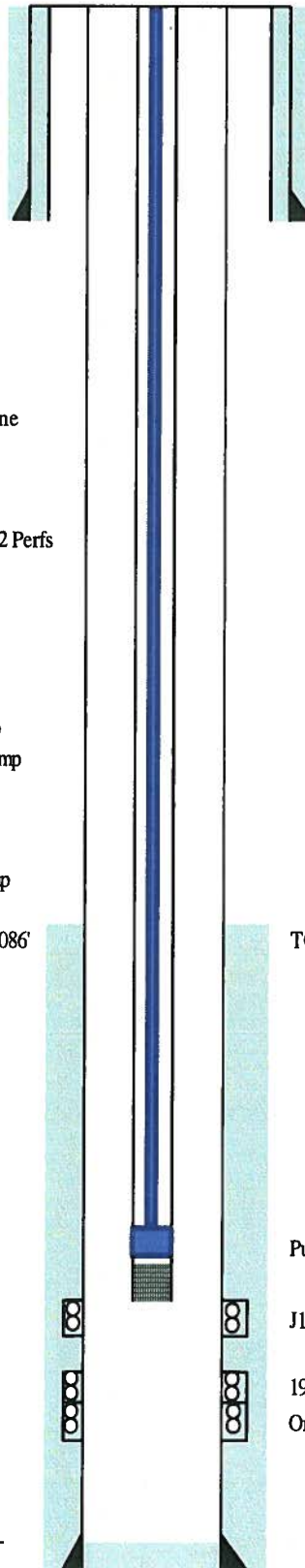
SIZE	7"	WEIGHT	23.#
GRADE	K-55	SX. CMT.	200 sx
DEPTH	4121'	TOC @	2720'

Tubing Detail

112 jts 2 7/8 6.5# J-55 EUE
Tubing set to 4000'

Formation Tops (MD)	
Niobrara	2,978
Ft Hayes	3,417
Carlile	3,488
Bentonite	3,798
D Sand	3,886
J Sand	3,938

PBTD @ 4076'
TD @ 4128'



Pump 63 Stage ESP 18.01' Long (as of 2007)

J1 Perfs 3840-42' 4spf

1988 J2 Perfs 3974-83' 4spf

Orig J2 Perfs 3977-79 4spf

Saga Petroleum LLC

LEASE & WELL NO. Jones Dupree # 1 FORMER NAME _____
 FIELD NAME Rush Willadel COUNTY, ST Washington, Colorado
 LOCATION 1984; FNL 2025 FEL SW NE Sec 26 T3S R51W API NO. 05-121-05415
 DATE 1/5/2011 PREPARED BY CCH

K.B. ELEV. 4607
 D.F. ELEV. _____
 GRLEVEL 4,607

**There were 6 DST & 2 cores on this well in file

WELL HISTORY **SPUD - 9-19-61**
 Oct-61 Completion of well Perfd 3922-28'; IP 206
 BOPD, 0 BWPD on rod pump
 Apr-64 Cleaned out Sand Bridges, treat w/ 300# plastic
 coated walnut hulls & 2.5% XF Acid
 9/10-9/15 1968 Hole in thg @ 2360', hole in Csg 2355-60';
 cement sqz'd hole & put back on production,
 tested @ 245BO
 Feb-84 Ran 3.825' Gauge ring to 3939, tight @ 2366 & 3500
 May-87 Sand Pump fill 3897-4008; replaced Sub Pump Perfd
 J3 3963-71'; split thg repair
 Prod. Before: 129BOPD
 Prod. After: 191 BOPD
 Aug-91 Ran 2 new abrasion resistant ESP pumps
 Nov-92 Pulled ESP, prod 75BOPD 1935BWPD
 2/18-3/7 1999 Repaired Csg Leak and ran cement from 1200'-
 1900' (Assumed depths)
 May-05 Replaced ESP
 11/4-11/10 2005 Run bit & scraper, bail sand

SURFACE CASING
 SIZE 8 5/8" WEIGHT 24. #
 GRADE J55 SX. CMT. 110 sx
 DEPTH 132' TOC @ Surface

PRODUCTION CASING
 SIZE 4 1/2" WEIGHT 9.5#
 GRADE J-55 SX. CMT. 250 sx
 DEPTH 4038' TOC @ 1200'

Tubing Detail
 106 Joints 2 7/8" 6.5# EUE Tubing

Schlun Analysis:			
Depth (MD)	Porosity (%)	Water Sat (%)	RW
3872-77	23.00	50.00	0.27
3922-3932	19-22	18-27	0.45
3932-3950	19-29	27-33	0.45
3950-3959	18.00	38.00	0.45
3962-3986	14-16	41.00	0.45
3986-3990	16.00	55.00	0.45
Formation Tops (MD)			
Niobrara	2983'		
Ft Hayes	3446'		
Codell	3513'		
Carlile	3519'		
Greenhorn	3620'		
Bentonite	3776'		
D Sand	3856'		
J Sand	3907'		

Casing Hole between 1200'-1900' in Sqz'd 1999

Casing Hole @ 2355-60 Sqzd in 9/68
 Casing Tight Spot 2366

Casing Tight Spot @ 3500 & 3935'

CL 300 ESP PUMP: TA2200 w/boh/ESP 13.46' & 54 Stages,
 TA2200/ESP 19.02' & 82 Stages, TA2200/ESP 19.02' & 82 Stages
 TA2200/intake/ESP 19.38' & 82 Stages (as of 2008)

J2 Perfs 3922'-28

J3 Perfs 3963-71

PBTD @ 4008'
 TD @ 4042'

Saga Petroleum LLC

LEASE & WELL NO. Jones Dupree # 3

FIELD NAME Rush Willadel

LOCATION C NENE Section 26-T3S-51W

DATE 1/5/2011

FORMER NAME

COUNTY, ST Washington, Colorado

API NO. 05-121-05414-0000

PREPARED BY CCH

K.B. ELEV. 4614'

DF. ELEV.

GR LEVEL 4,608

WELL HISTORY SPUD - 1/13/62

1/19-1/22 1962 Ran 8 DST of D and J Sand

2/5/1962 Well Completed Pumped 220 BOPD

7/1/1962 Cow and Calf killed by pumping unit on property

1/4/1963 Pump Repair

7/8/1964 Pump Repair

12/5/1968 New Pump Prod Incr from 135->550BOPD & 590->2000BOPD

5/8/1972 Changed Pump

1/12/1976 Pump Repair

4/30/1977 Changed Pump

1/31/1983 Changed Pump

4/20-4/24 1987 replace Pump and Shot new perfs @ 3968-72

12/5-12/11 1991 Pump Change, found split Csg, put a patch from surface to 96'

8/4 - 8/12 1994 Swabbed well, ran pump back in hole

7/5 - 7/7 1995 Pump plugged, repaired

8/22 - 8/23 1997 Upgrade ESP pump

2/7 - 3/17 1998 Repair Csg leak, ran cement 2x and & Re-run esp pump; avg prod = 45b/d

10/17-10/31 1999 Pump ESP Upgrade, Sqzd @ 2250 b/c of hole in Csg

7/18-7/26 2005 Hydrotest tubing, bail sand

3/29 - 5/4 2007 mill out parted csg, cleaned out hole

6/1/2007 Resize water lines and lease kills???

5/12/2008 Pull & repair ESP

4/5/2009 Mill & pull out fish, ran 25 joints new 5.5 Csg

10/3/2009 Pull & repair ESP; replace seqals & 1600' cable

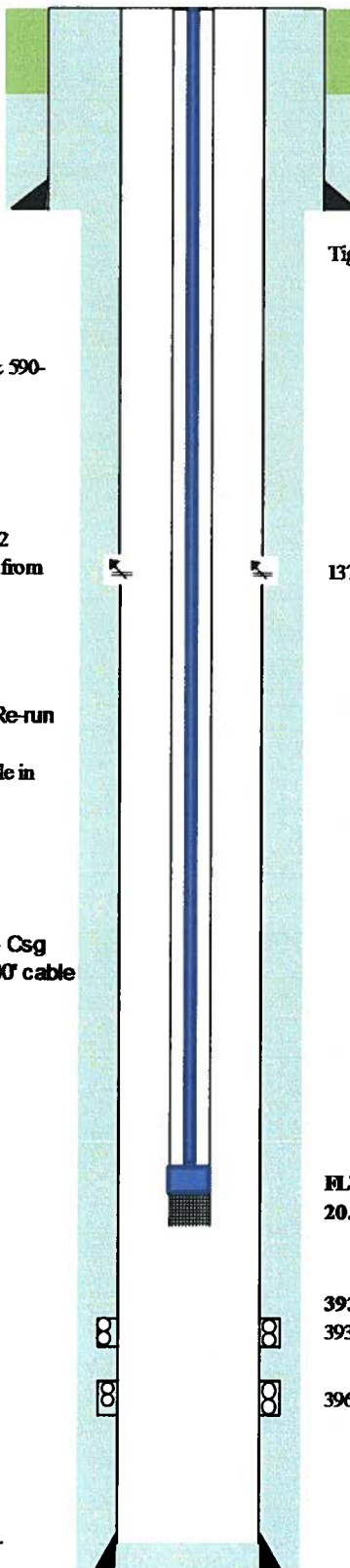
Schlum Analysis:

Depth (MD)	Porosity (%)	Water Sat (%)	RW
3930-34	26.00	10.00	0.27
3934-52	21.00	30-45	0.45
3952-70	26-29	45-55	0.45
3970-90	22.00	35-40	0.45
3986-90	26.00	60.00	0.35

Formation Tops (MD)

Niobrara	2,963
Ft Hayes	3,425
Codell	3,490
Carlile	3,495
Greenhorn	3,596
Bentonite	3,791
D Sand	3,880
J2 Sand	3,920
J3 Sand	3,966
Skull Creek	4,160

PBTD @ 4,022
TD @ 4,167



Split Casing in '91, patch run to 96'
** 8 DST's in well file

SURFACE CASING

SIZE	8 5/8"	WEIGHT	26.#
GRADE		SX. CMT.	85 sx
DEPTH	107'	TOC @	Surface

Tight spot @ 497'

PRODUCTION CASING

SIZE	5 1/2"	WEIGHT	14.#
GRADE	J-55	SX. CMT.	250 sx
DEPTH	4254'	TOC @	Surface

Tubing Detail

115 joints of 2 7/8" EUE

1377 top of hole; bottom 2250' Hole in Csg Squeezed in

FLT ESP Pump 2 68 Stage 21.8' long & 1 63 stage
20.4' long (as of 2009)

3930-36

3936-43' J2 Sand Perfs

3968-72 J3 Sand Perfs

Saga Petroleum LLC

LEASE & WELL NO. Jones Dupree #7

FIELD NAME Rush Willadel

LOCATION SENE Section 26-T3S-51W

DATE 1/5/2011

FORMER NAME

COUNTY, ST Washington, Colorado

API NO. 05-121-08884-0000

PREPARED BY CCH

K.B. ELEV. 4616'

D.F. ELEV.

GR.LEVEL 4,606

Reservoir Data

K = 0.3mD Porosity = 35% BHT 110 F

WELL HISTORY SPUD - 4/7/74

4/27/1974 Perfd 3944-46' Well Completed on rod pump; IP 86 BOPD 114 BWPD

12/7/1981 Recomplete as niobrara gas well when prod down to 6 BOPD. Set CIBP 3806'; perfd 2970-80. FRAC: 500gal 7.5% HCL, 37000# 20/40 sand, 50000# 10/20 Sand in 34400gal vesagel w/ 40 tons CO2

IP 640 MCFD 120BWOD@ 420psi

4 joint AOF test 1800MCFD IBHP 850psi

7/8/1983 Set packer @ 2956, ran 91 jts 1.5" EUE tubing; pulled rods & tbg installed Plunger Lift

10/28/1983 Pumped 130,000scf of N2 foam cleanout

1983 One month well test w/ gas compressor, significant water increase

3/14/1984 Sales line pressure @ 150psi 150MCFD 2BWPD

7/26/1993 Acid Job done 15% HCL

8/27/1993 Acid Job done 15% HCL

10/12/1993 Bacteria Test 0 colonies/L

1/25-11/21 2006 Acid Job done by Halliburton 15% HCL; reperfd Nio 2spf

2008 Model D packer removed

2011 Removed CIBP, Sqzd Niobrara

SURFACE CASING

SIZE	9 5/8"	WEIGHT	36.#
GRADE		SX. CMT.	170 sx
DEPTH	152'	TOC @	surface

PRODUCTION CASING

SIZE	7"	WEIGHT	20,23,26
GRADE		SX. CMT.	200 sx
DEPTH	4110'	TOC @	2300'

Tubing Detail

2-7/8" J-55 EUE tubing, bottom

Schlumberger Analysis:			
Depth (MD)	Porosity (%)	Water Sat (%)	RW
3943-50	27.00	33.00	0.45
3950-54	30.00	36.00	0.45
3954-60	28.00	44.00	0.45
3970-77	21.00	52.00	0.45

Formation Tops (MD)

Niobrara	2,919
Ft Hayes	3,407
Codell	-
Carlile	3,480
Greenhorn	3,593
Bentonite	-
D Sand	3,863
J Sand	3,915

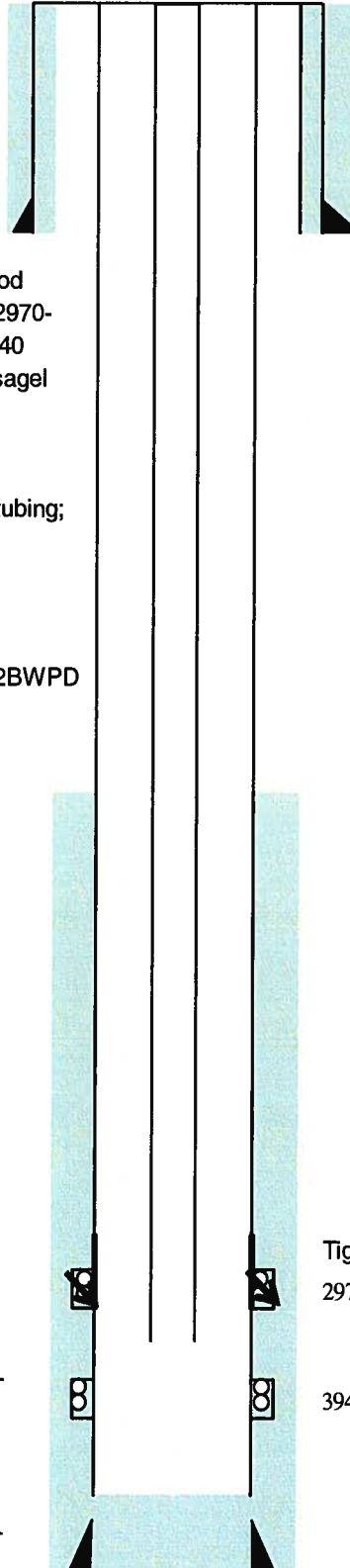
PBTD @ 3,806

PBTD @ 4,084

TD @ 4,120

Tight spot in casing from 2956' to 3011'
2970-2980 4 spf Squeezed 2011

3944-3946 J Sand Perfs 4spf. Added 3946' to 3



Rush Willadel Water Injection Wells

Saga Petroleum LLC

LEASE & WELL NO. <u>Jones # 3</u>	FORMER NAME _____
FIELD NAME <u>Rush Willadel</u>	COUNTY, ST <u>Washington, Colorado</u>
LOCATION <u>2088' FSL 2090' FWL C NESW Section 26-T3S-51W</u>	APINO. <u>05-121-05382-0000</u>
DATE <u>1/5/2011</u>	PREPARED BY <u>CCH</u>

K.B. ELEV. 4624
D.F. ELEV. _____
GRLEVEL 4,618

**** There are 2 cores & 2 DST's in the well file**

WELL HISTORY **SPUD - 2/20/1962**

3/6/1962 Completion's Orig Perfs in 3932-38' First
Production IP 252 BOPD

1/1/1965 Perfd Lower J2 Sand 3942-52

4/2/1965 Retainer placed between 3932-38' Perfs and
3942-52' Perfs to shut off lower perfs b/c of
lowered oil rate, from 100 down to 40 BOPD

8/4/1971 Perfd J3 Sand 3969-70' 4spf, set
packer @ 3960'

4/1/1974 Packer removed Comingled Production
May-86 Well Shut In due to sanded up WB

2/1/1991 Well Temporarily Abandoned

5/16/1995 State ordered a MIT be preformed on
July 15 1995

8/29/1996 MIT approved

8/29/1997 MIT approved

10/1/2009 Acidized 15% HCL

SURFACE CASING

SIZE	8 5/8"	WEIGHT	24#
GRADE		SX. CMT.	95 SX
DEPTH	110'	TOC @	Surface

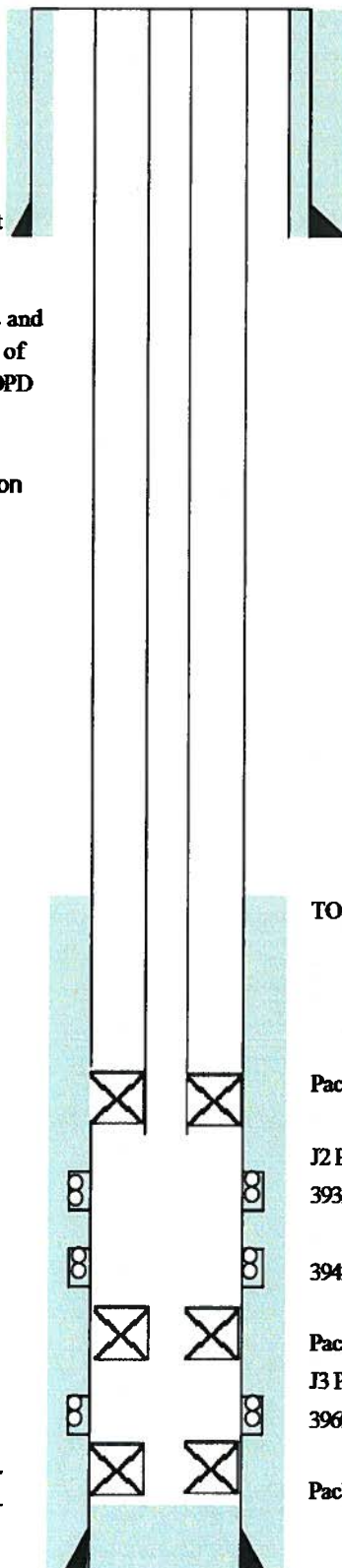
PRODUCTION CASING

SIZE	5 1/2"	WEIGHT	14#
GRADE	J-55	SX. CMT.	250 SX
DEPTH	4200'	TOC @	2700'

Tubing Detail
2 7/8" 6.5# J-55

Formation Tops (MD)	
Niobrara	3,017
Ft Hayes	3,424
Codell	3,488
Carlile	3,496
Greenhorn	3,598
Bentonite	3,794
D Sand	3,880
Huntsman	3,912
J2 Sand	3,930
J3 Sand	3,966
Skull Creek	4170

PBTD @ 4,165
TD @ 4,209



TOC 2700'

Packer @ 3723'

J2 Perfs
3932-3938'

3942-3952'

Packer @ 3960'

J3 Perfs
3969-3970'

Packer @ 4130'

Saga Petroleum LLC

LEASE & WELL NO. <u>Jones Dupree # 9</u>	FORMER NAME _____
FIELD NAME <u>Rush Willadel</u>	COUNTY, ST <u>Washington, Colorado</u>
LOCATION <u>660 FNL 2070 FEL NW NE Section 26-T3S-51W</u>	APINO. <u>00512110138</u>
DATE <u>1/5/2011</u>	PREPARED BY <u>CCH</u>

K.B. ELEV.	<u>4617</u>
D.F. ELEV.	<u>4616</u>
GRLEVEL	<u>4,605</u>

WELL HISTORY **SPUD - 12/13/84**

12/19/1984 Finished Drilling
 Jan-85 Completed Well
 1/16/1985 Perfd Lakota from 4324-32 & 4343-48 @ 4spf
 3/1/1985 MIT test
 1/24/1990 MIT test
 7/26/2007 Written up for no sign and cows rubbing on valves
 7/29/1997 MIT test
 7/26/2007 MIT test
 9/30/2009 Acid Job

SURFACE CASING

SIZE	<u>10 3/4"</u>	WEIGHT	<u>40.5#</u>
GRADE	<u>K-55</u>	SX. CMT.	<u>160 sx</u>
DEPTH	<u>248'</u>	TOC @	<u>surface</u>

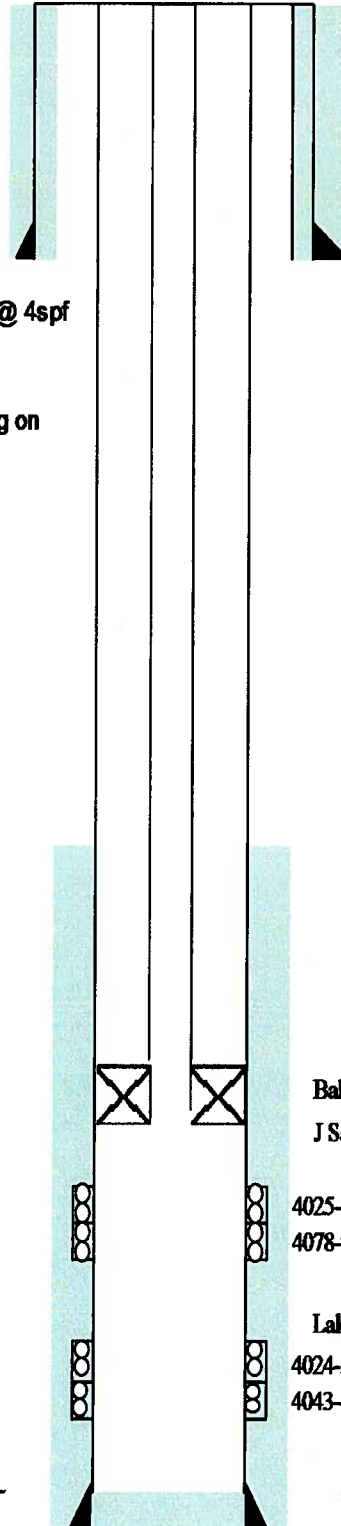
PRODUCTION CASING

SIZE	<u>7"</u>	WEIGHT	<u>23.#</u>
GRADE	<u>K-55</u>	SX. CMT.	<u>920 sx</u>
DEPTH	<u>4399'</u>	TOC @	<u>3300'</u>

Tubing Detail
 4.5" Csg run as tubing set @ 3900

Formation Tops (MD)	
Niobrara	3,004
Ft Hayes	3,458
Carlile	3,530
Greenhorn	3,640
Graneros	3,712
D Sand	3,936
Huntsman	3,959
J Sand	3974
Skull Creek	4219
Lakota	4,310
Morrison	4,405

PBTD @	<u>4,400</u>
TD @	<u>4,400</u>



Baker model FA permanent Packer @ 3950'
 J Sand Perfs 4spf

4025-58
 4078-91

Lakota Perfs 4spf
 4024-32
 4043-48.5

Saga Petroleum LLC

LEASE & WELL NO. Jones # 4
FIELD NAME Rush Willadel
LOCATION 2053' FSL 700' FEL NE SE Section 26-T3S-51W
DATE 1/5/2011
FORMER NAME _____
COUNTY, ST Washington, Colorado
API NO. 05-121-05380-0000
PREPARED BY OCH

K.B. ELEV. 4612'
D.F. ELEV. 4606'
GR LEVEL 4606'

WELL HISTORY **SPUD - 4/3/1962**
 4/11/1962 Acidized 250gal 3952-3955'
 4/16/1962 First Production IP 185 BOPD
 8/1/1963 Pump Repair
 2/13/1964 Temp Abandon @ water cut of 95% factors blamed for this were cement, sand fill and coning
 8/1/1964 Cleaned out fill, Perfd 3971-76' Sqz'd 3971-76' & 3952-61', RePerfd 3957-62' 4spf
 8/25/1964 New Pump
 5/1/1967 New Pump
 10/1/1969 Install New Pump
 4/15/1981 Install New Pump
 2/9/1983 New Pump
 9/23/1985 New Pump, New Perfs added to J Sand
 1/15/1987 Perfd 3971-76'
 8/15/1995 Removed Pump, well SI
 1/22/1997 New gravel Pack, Acidized and added J2 Sand Perfs 3955-59 in '88, J 3 Sand perfs 3976-79 in '88
 1/22/1997 Change of Status to SI beg in 9/30/91
 7/26/1999 MIT test
 10/24-10/26 Change out WH assembly
 10/24-10/26 2005 Pull Packer, run bit & scraper, fill @ 3970'; found Drill Collar leak; Hydrotested tbq to 6000#
 3/10-3/22 2006 Change out ESP; bail sand
 11/1/2005 MIT
 Mar-06 Pressure tested Csg to 350#, run ESP
 5/2-5/5 2008 Pull & repair ESP

There is a core & 2 DST's in well file

SURFACE CASING
 SIZE 8 5/8" WEIGHT 24.4#
 GRADE J-55 SX. CMT. 100 sx
 DEPTH 88' TOC @ Surface

PRODUCTION CASING
 SIZE 5 1/2" WEIGHT 14.4#
 GRADE J-55 SX. CMT. 250 sx
 DEPTH 4212' Est TOC @ 2500'

Tubing Detail
 120 js 2 7/8 6.4# J-55 HUE Tubing

Calculated top of cement @ 2500'

Schlumberger Analysis:			
Depth (MD)	Porosity (%)	Water Sat (%)	RW
3331-34	32.00	51.00	0.45
3953-60	24-28	45.00	0.45
3960-70	24-30	25-27	0.45
3975-81	24.00	37.00	0.45
3981-90	40,469.00	62.00	0.45
4024-34	22.00	50.00	0.45

Formation Tops	
Niobrara	3,020
Ft Hayes	3,488
Carlile	3,562
Greenhorn	3,640
Graneros	3,694
Bentonite	3,784
D Sand	3,870
J Sand	3,924
Skull Creek	4,125
Lakota	4,210

Top of bond log ~ 3850'. 100% bond.

Orig J Sand Perfs 3952-61' Sqz'd in '64

J2 Sand Perfs 3955-59 in '88

RePerfd 3957-62' 4spf in '64

Perf J Sand 3962-71' 2spf in '85

3971-76' Perfd & Sqz'd in '64

J 3 Sand perfs 3976-79 in '88

PBTD @ 4175'
 TD @ 4216'

Saga Petroleum LLC

LEASE & WELL NO. Jones # 4
FIELD NAME Rush Willadel
LOCATION 2053' FSL 700' FEL NE SE Section 26-T3S-51W
DATE 1/5/2011
FORMER NAME _____
COUNTY, ST Washington, Colorado
API NO. 05-121-05380-0000
PREPARED BY CCH

K.B. ELEV. 4612'
D.F. ELEV. 4606'
GR LEVEL 4606'

WELL HISTORY **SPUD - 4/3/1962**
 4/11/1962 Acidized 250gal 3952-3955'
 4/16/1962 First Production IP 185 BOPD
 8/1/1963 Pump Repair
 2/13/1964 Temp Abandon @ water cut of 95% factors blamed for this were cement, sand fill and coning
 8/1/1964 Cleaned out fill, Perfd 3971-76' Sqzd 3971-76' & 3952-61', RePerfd 3957-62 4spf
 8/25/1964 New Pump
 5/1/1967 New Pump
 10/1/1969 Install New Pump
 4/15/1981 Install New Pump
 2/9/1983 New Pump
 9/23/1985 New Pump, New Perfs added to J Sand
 1/15/1987 Perfd 3971-76'
 8/15/1995 Removed Pump, well SI
 1/22/1997 New gravel Pack, Acidized and added J2 Sand Perfs 3955-59 in '88, J 3 Sand perfs 3976-79 in '88
 1/22/1997 Change of Status to SI beg in 9/30/91
 7/26/1999 MIT test
 10/24-10/26 Change out WH assembly
 10/24-10/26 2005 Pull Packer, run bit & scraper, fill @ 3970'; found Drill Collar leak; Hydrotested tbg to 6000#
 3/10-3/22 2006 Change out ESP; bail sand
 11/1/2005 MIT
 Mar-06 Pressure tested Csg to 350#, run ESP
 5/2-5/5 2008 Pull & repair ESP

There is a core & 2 DST's in well file

SURFACE CASING
 SIZE 8 5/8" WEIGHT 24 #
 GRADE J-55 SX. CMT. 100 sx
 DEPTH 88' TOC @ Surface

PRODUCTION CASING
 SIZE 5 1/2" WEIGHT 14 #
 GRADE J-55 SX. CMT. 250 sx
 DEPTH 4212' Est TOC @ 2500'

Tubing Detail
 120 lbs 2 7/8 6.4# J-55 EUE Tubing

Calculated top of cement @ 2500'

Schlumberger Analysis:			
Depth (MD)	Porosity (%)	Water Sat (%)	RW
3331-34	32.00	51.00	0.45
3953-60	24-28	45.00	0.45
3960-70	24-30	25-27	0.45
3975-81	24.00	37.00	0.45
3981-90	40,469.00	62.00	0.45
4024-34	22.00	50.00	0.45
Formation Tops			
Niobrara	3,020		
Ft Hayes	3,488		
Carlile	3,562		
Greenhorn	3,640		
Graneros	3,694		
Bentonite	3,784		
D Sand	3,870		
J Sand	3,924		
Skill Creek	4,125		
Lakota	4,210		

New packer to be set at 3800'

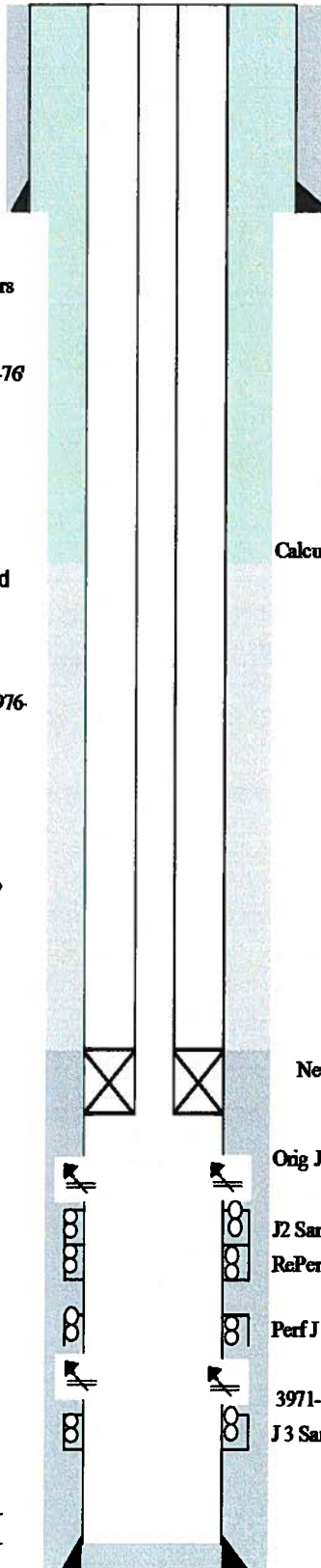
Orig J Sand Perfs 3952-61 Sqzd in '64

J2 Sand Perfs 3955-59 in '88
 RePerfd 3957-62 4spf in '64

Perf J Sand 3962-71' 2spf in '85

3971-76' Perfd & Sqzd in '64
 J 3 Sand perfs 3976-79 in '88

PBTD @ 4175
 TD @ 4216



Statement specifying the type of fluid to be injected, chemical analysis of the fluid to be injected, the source of the fluid, the estimated amounts to be injected daily, the anticipated injection pressures, water analysis of receiving formation, any available data on the compatibility of the fluid with the receiving formations and known or calculated fracture gradient (maximum authorized surface injection pressure will be set by the Director)

Saga will continue to inject water produced from the J Sand from 7 active wells in the Rush Willadel Unit. The producing wells include the JW Jones 1, JW Jones 2, Jones 33-26, Jones 34-26, Jones-Dupree 1, Jones-Dupree 3, and the Jones-Dupree 7. The water injection wells include the Jones 3, the Jones-Dupree 9, and the proposed Jones 4. This water has been through the production facility and a chemical analysis of the combined waters is attached. There have been no compatibility issues with the water in the J Sand since injection began several decades ago.

The total fluid volume for injection is currently 21,000 to 26,000 barrel of water per day. The total will not change with the addition of the Jones 4 as a water injection well, only the allocation. Both currently active water injection wells have zero pressure when the injection pumps are off, and the maximum pressure when the pumps are running is under 150 psi. The J Sand has high porosity and permeability. Both the producing wells and the injection wells have not required stimulation other than periodic acidizing of the injection wells. Since the wells have not been hydraulically fractured, there is no data available to determine a fracture gradient specific to this field and formation.

VISCO WATER ANALYSIS WORK SHEET

COMPANY Saga Petroleum LOCATION Washington County, CO
 TIME 6-10-11 LEASE Rvsh Willadel WATER SOURCE Water Tank - Combined

TOTAL DISSOLVED SOLIDS:

CATIONS	Column 1 mg/l as compound	Column 2 mg/l as ions	Column 3 mg/l	
A. Sodium		<u>7103.32</u> as Na ⁺⁺ = 23.0X	<u>308.84</u>	A.
B. Total hardness, as CaCO ₃ =	<u>1000</u>			
C. Calcium, as CaCO ₃ =	<u>800</u> X 0.400 =	<u>320</u> as Ca ⁺⁺ X 0.050 =	<u>16</u>	C.
D. Magnesium, as CaCO ₃ =	<u>200</u> X 0.243 =	<u>48.6</u> as Mg ⁺⁺ X 0.0823 =	<u>3.99</u>	D.
E. Barium, as BaSO ₄ =	<u>0</u> X 0.589 =	<u>0</u> as Ba ⁺⁺ X 0.0146 =	<u>0</u>	E.
F. Total Cations =		Subtotal	<u>19.99</u>	
		F. <u>7471.92</u>	<u>328.83</u>	F.

ANIONS				
G. Chloride, as NaCl =	<u>19,000</u> X 0.607 =	<u>11533</u> as Cl ⁻ X 0.0282 =	<u>325.23</u>	G.
H. Sulfate, as Na ₂ SO ₄ =	<u>0</u> X 0.676 =	<u>0</u> as SO ₄ X 0.0208 =	<u>0</u>	H.
I. Carbonate, as CaCO ₃ =	<u>0</u> X 0.600 =	<u>0</u> as CO ₃ X 0.0333 =	<u>0</u>	I.
J. Bicarbonate, as CaCO ₃ =	<u>180</u> X 1.220 =	<u>219.6</u> as HCO ₃ X 0.0164 =	<u>3.6</u>	J.
K. Total Anions =			<u>328.83</u>	K.
L. Total Dissolved Solids		K. <u>11752.0</u>		L.
M. Total Iron, as Fe	<u>0</u>	L. <u>19224.52</u>		
N. Acidity to Phen., as CaCO ₃	<u>480</u> X 0.440 =	<u>211.2</u> as CO ₂		

OTHER PROPERTIES:

P. Sulfide, as H ₂ S	<u>0</u>	S. Turbidity	<u>7/9</u>
Q. Oxygen, as O ₂	<u>7/9</u>	T. Temperature, °F	<u>130</u>
R. pH	<u>7.0</u>	V. Spec. Grav.	<u>1.01</u>

COMMENTS:

DISTRICT/AREA: _____ ANALYST: Steve Monstern / Valco

DIRECTIONS:

Step 1: Complete tests in Column 1, and "Other Properties":

Step 2: Complete the multiplication steps for Columns 2 and 3, except Line A.

Step 3: In Column 3, add C, D, E to get subtotal. In Column 3, add G, H, I and J and enter total in 3K.

Step 4: Subtract subtotal from 3K and enter difference in 3A. In Column 3, add 3A to subtotal and enter in 3F.

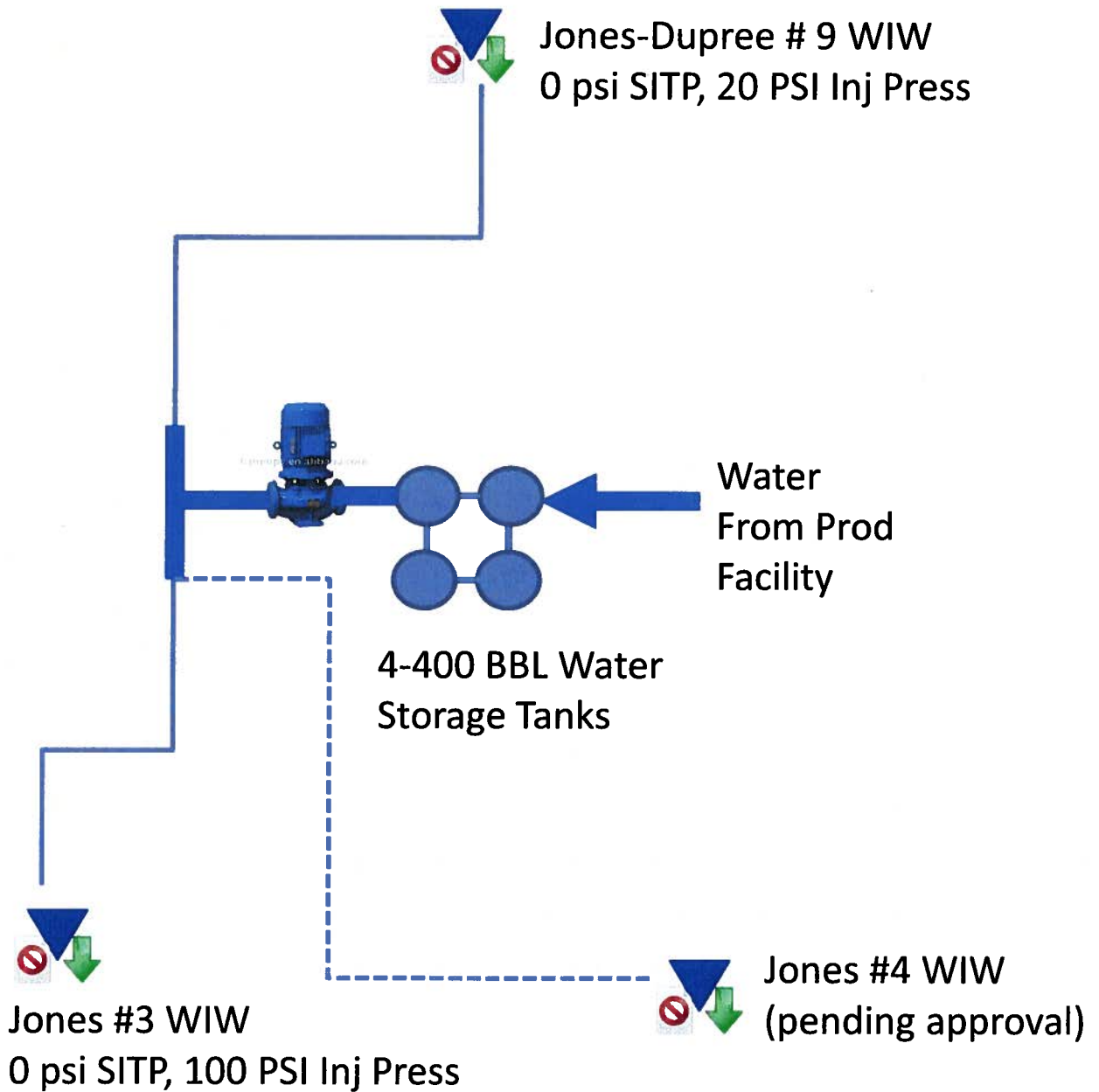
Step 5: Multiply 3A by 23.0 and enter in 2A

Step 6: Add column 2 Cations to get Total in 2F. Add Anions to get Total in 2K. Add 2F and 2K to get 2L.





Rush Willadel Water Injection Facility



As of Oct 2011

UNIT AGREEMENT

**RUSH WILLADEL J SAND UNIT
WASHINGTON COUNTY, COLORADO**



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UNIT AGREEMENT

RUSH WILLADEL J SAND UNIT

WASHINGTON COUNTY, COLORADO

THIS UNIT AGREEMENT, RUSH WILLADEL J SAND UNIT, WASHINGTON COUNTY, COLORADO (this "Agreement") is entered into as of the Effective Date defined herein by the parties who have signed the original of this instrument, a counterpart thereof, or other instrument agreeing to become a Person hereto,

WITNESSETH:

WHEREAS, in the interest of the public welfare and to promote conservation and increase the ultimate recovery of Unitized Substances from areas within and near the Rush Willadel Field in Washington County, Colorado, and to protect the rights of the owners of interests therein, it is deemed necessary and desirable to enter into this Agreement to unitize the Oil and Gas Rights in and to the Unitized Formation in order to conduct Unit Operations as herein provided,

NOW, THEREFORE, in consideration of the premise and of the mutual agreements herein contained, the parties enter into the following Agreement:

ARTICLE 1

DEFINITIONS

As used in this Agreement:

1.1 Unit Area shall mean the land described by Tracts in Exhibit "B" and shown on Exhibit "A" as to which this Agreement becomes effective or to which it may be extended as herein provided.

1.2 Unitized Formation shall mean the J Sand formation for the reservoir or common pool within the Unit Area as defined in the electrical log run in the Jones-Dupree #4 Well located in the SE/4NW/4 of Section 26, Township 3 South, Range 51 West, 6th P/M., Washington

County, Colorado, with the top of the J Sand Formation being found at a depth of 3929 feet below the surface (+685 feet subsea) and the base of the J Sand Formation being found at a depth of 4157 feet below the surface (+456 feet subsea) or to the stratigraphic equivalent thereto.

1.3 Unitized Substances are all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate, and all associated and constituent liquid or liquefiable hydrocarbons other than Outside Substances within or produced from the Unitized Formation

1.4 Working Interest is an interest in Unitized Substances by virtue of a lease, operating agreement, fee title or otherwise, including a carried interest, the owner of which interest is obligated to pay, either in cash or out of production or otherwise, a portion of the Unit Expense; however, Oil and Gas Rights that are free of lease or other instrument creating a Working Interest shall be regarded as a Working Interest to the extent of eight-eighths less the existing Land Owners Royalty. A Royalty Interest created out of a Working Interest subsequent to the execution of this Agreement by the owner of such Working Interest shall continue to be subject to such Working Interest burdens and obligations that are stated in this Agreement and the Unit Operating Agreement.

1.5 Royalty Interest is a right to or interest in any portion of the Unitized Substances or proceeds thereof other than a Working Interest.

1.6 Royalty Owner is a Person hereto who owns a Royalty Interest.

1.7 Working Interest Owner is a Person hereto who owns a Working Interest.

1.8 Tract Number is the number given to an Allocation Unit in Exhibit "B."

1.9 Unit Operating Agreement is the agreement entered into by Working Interest Owners, having the same Effective Date as this Agreement, entitled "Unit Operating Agreement, Rush Willadel J Sand Unit, Washington County, Colorado."

1.10 Unit Operator is the Working Interest Owner or a wholly owned subsidiary of a Working Interest Owner designated by Working Interest Owners under the Unit Operating Agreement to conduct Unit Operations, acting as operator and not as a Working Interest Owner. The initial Unit Operator shall be Saga Petroleum Limited Liability Company of Colorado, a

wholly owned subsidiary of Saga Petroleum Corp. Saga Petroleum Corp. is a Working Interest Owner. Saga Petroleum Limited Liability Company of Colorado does not own an interest in the Unit Area.

1.11 Allocation Unit shall mean one of the three tracts defined and depicted on Exhibit "A" and Exhibit "B." Each Allocation Unit is presently owned by the Royalty Owners and Working Interest Owners listed on Exhibit "B."

1.12 Unit Participation of a Working Interest Owner is the sum of the percentages obtained by multiplying the Working Interest of such Working Interest Owner in each Allocation Unit that qualifies for inclusion within the Unit Area by its percentage of ownership in each Allocation Unit.

1.13 Outside Substances are substances purchased or otherwise obtained for a consideration of Working Interest Owners and injected into the Unitized Formation.

1.14 Oil and Gas Rights are the rights to explore, develop, and operate lands within the Unit Area for the production of Unitized Substances, or to share in the production so obtained or the proceeds thereof.

1.15 Unit Operations are all operations conducted pursuant to this Agreement and the Unit Operating Agreement

1.16 Unit Equipment is all personal property, lease and well equipment, plants and other facilities and equipment taken over or otherwise acquired for the joint account for use in Unit Operations.

1.17 Unit Expense are all costs, expense or indebtedness incurred by Working Interest Owners or Unit Operator pursuant to this Agreement and the Unit Operating Agreement for or on account of Unit Operations.

1.18 Effective Date is the time and date this Agreement becomes effective as provided in Article 15.

1.19 Person is any individual, corporation, partnership, association, receiver, trustee, curator, executor, administrator, guardian, tutor, fiduciary, or other representative of any kind, any department, agency, or instrumentality of the state, or any governmental subdivision thereof, or any other entity capable of holding an interest in the Unitized Formation.

ARTICLE 2

EXHIBITS

2.1 Exhibits. The following exhibits, which are attached hereto, are incorporated herein by reference:

2.1.1 Exhibit "A" is a map that describes and shows the boundary lines of the Rush Willadel J Sand Unit and each Allocation Unit.

2.1.2 Exhibit "B" is a schedule that describes each Allocation Unit in the Rush Willadel J Sand Unit and the percentage of ownership of each owner of Oil and Gas Interests in each Allocation Unit.

2.1.3 Exhibit "D" is a schedule that shows the ownership of Working Interest Owners based on acreage percentage within each Allocation Unit and the ownership of each Working Interest Owner in each Allocation Unit.

2.2 Reference to Exhibits. When reference is made to an exhibit, it is to the exhibit as originally attached or, if revised, to the last revision.

2.3 Exhibits Considered Correct. Exhibits "A," "B" and "D" shall be considered to be correct until revised as herein provided.

2.4 Correcting Errors. The shapes and descriptions of the respective Allocation Units have been established by using the best information available. If it subsequently appears that any mechanical miscalculation or clerical error has been made, Unit Operator, with the approval of Working Interest Owners, shall correct the mistake by revising the exhibits to conform to the facts. Each such revision of an exhibit made prior to thirty (30) days after the Effective Date shall be effective as of the Effective Date. Each such revision thereafter made shall be effective at 7:00 A.M. on the first day of the calendar month next following the filing for record of the

revised exhibit or on such other date as may be determined by Working Interest Owners and set forth in the revised exhibit.

2.5 Filing Revised Exhibits. If an exhibit is revised, Unit Operator shall execute an appropriate instrument with the revised exhibit attached and file the same for record in the county or counties in which this Agreement is filed.

ARTICLE 3

CREATION AND EFFECT OF UNIT

3.1 Oil and Gas Rights Unitized. All Oil and Gas Rights of Royalty Owners in and to the lands described in Exhibit "B," and all Oil and Gas Rights of Working Interest Owners in and to said lands, are hereby unitized insofar as the respective Oil and Gas Rights pertain to the Unitized Formation, so that Unit Operations may be conducted with respect to the Unitized Formation as if the Unit Area had been included in a single lease executed by all Royalty Owners, as lessors, in favor of all Working Interest Owners, as lessees, and as if the lease contained all of the provisions of this Agreement.

3.2 Personal Property Excepted. All lease and well equipment, materials and other facilities heretofore or hereafter placed by any Working Interest Owners on the lands covered hereby shall be deemed to be and shall remain personal property belonging to and may be removed by Working Interest Owners. The rights and interests therein as among Working Interest Owners are set forth in the Unit Operating Agreement.

3.3 Amendment of Leases and Other Agreements. The provisions of the various leases, agreements, division and transfer orders, or other instruments pertaining to the Unit Area or the production therefrom are amended to the extent necessary to make them conform to the provisions of this Agreement, but otherwise shall remain in effect.

3.4 Continuation of Leases and Term Interests. Production from any part of the Unitized Formation, except for the purpose of determining payments to Royalty Owners, or other Unit Operations shall be considered as production from or operations on all lands within the Unit Area, and such production or operations shall continue in effect each lease or term mineral or

royalty interest as to all lands and formations covered thereby just as if such operations were conducted on and as if a well were producing from each lease.

3.5 Titles Unaffected by Unitization. Nothing herein shall be construed to result in the transfer of title to Oil and Gas Rights by any Person hereto to any other Person or to Unit Operator.

3.6 Injection Rights. Royalty Owners and the owners of all other Oil and Gas Rights in the Unit Area hereby grant Working Interest Owners the right to inject into the Unitized Formation any substances in whatever amounts Working Interest Owners deem expedient for Unit Operations, together with the right to drill, use and maintain injection wells on the Unit Area, and to use for injection purposes any nonproducing or abandoned wells or dry holes, and any producing wells completed in the Unitized Formations.

3.7 Development Obligation. Nothing herein shall relieve Working Interest Owners from any obligation to develop reasonably as a whole the lands and leases committed hereto.

3.8 Cooperative Agreements. Unit Operator may, after approval by Working Interest Owners, enter into cooperative agreements with respect to lands adjacent to the Unit Area for the purpose of coordinating operations.

ARTICLE 4

UNIT OPERATIONS

4.1 Unit Operator. Working Interest Owners are concurrently herewith entering into the Unit Operating Agreement designating Saga Petroleum Limited Liability Company of Colorado as the initial Unit Operator. Unit Operator shall have the exclusive right to conduct Unit Operations, which shall conform to the provisions of this Agreement and the Unit Operating Agreement. If there is any conflict between such agreements, this Agreement shall govern.

4.2 Method of Operation. Working Interest Owners are concurrently herewith entering into the Unit Operating Agreement designating Saga Petroleum Limited Liability Company of Colorado as the initial Unit Operator. Unit Operator shall have the exclusive right to conduct Unit Operations, which shall conform to the provisions of this Agreement and the

Unit Operating Agreement. If there is any conflict between such agreements, this Agreement shall govern. To the end that the quantity of Unitized Substances ultimately recoverable may be increased and waste prevented, Working Interest Owners shall, with diligence and in accordance with good engineering and production practices, engage in secondary recovery operations by injecting water or other fluids or combinations thereof deemed necessary or desirable to efficiently and economically increase the ultimate recovery of Unitized Substances.

4.3 Change of Method of Operation. Nothing herein shall prevent Working Interest Owners from discontinuing or changing in whole or in part any method of operation which, in their opinion, is no longer in accord with good engineering or production practices. Other methods of operation may be conducted or changes may be made by Working Interest Owners from time to time if determined by them to be feasible, necessary or desirable to increase the ultimate recovery of Unitized Substances.

ARTICLE 5

PRODUCTION AND REVENUE ALLOCATION METHODOLOGY

5.1 Allocation Methodology Before the Effective Date. Before the Effective Date the initial Unit Operator has used the methodology outlined in Exhibit 5.2 to allocate production to leases within the Unit Area. This Agreement defines these leases within the Unit Area as separate Allocation Units for the allocation of Unitized Substances. The intent of this Agreement is to continue the same methodology on and after the Effective Date subject to the other terms and requirements of this Agreement.

5.2 Allocation Methodology On and After the Effective Date. Operator shall take samples from each well within the Unit Area quarterly to measure the production of Unitized Substances ("Oil Cut") from each well within the Unit Area. Operator shall also measure total fluid volume ("Monthly Fluid Volume") produced monthly from each well within the Unit Area. The quarterly Oil Cut from each well multiplied by the Monthly Fluid Volume for that well shall be the "Allocated Well Monthly Oil Volume" for that well. The sum of the Allocated Monthly Oil Volume for all wells within an Allocation Unit shall be the "Allocation Unit Total Monthly Oil Volume" for each Allocation Unit. The sum of the Allocation Unit Total Monthly Oil Volume for all Allocation Units within the Unit Area shall be the "Unit Area Total Monthly Oil

Volume.” The percentage represented by the Allocation Unit Total Monthly Oil Volume divided by the Unit Area Total Monthly Oil Volume shall be the monthly “Allocation Unit Participation Factor” for each Allocation Unit.

ARTICLE 6

ALLOCATION OF UNITIZED SUBSTANCES

6.1 Allocation of Unitized Substances to each Allocation Unit. All Unitized Substances produced and saved from the Unit Area shall be allocated to the several Allocation Units by multiplying the total actual production of Unitized Substances from the Unit Area times the Allocation Unit Participation Factor for each Allocation Unit. The amount of Unitized Substances allocated to each Allocation Unit, regardless of whether the amount is more or less than the actual production of Unitized Substances from the well or wells, if any, on such Allocation Unit, shall be deemed for all purposes to have been produced from such Allocation Unit. Nonetheless, the Unit Operator shall determine and report production from each well within the Application Lands based on the Oil Cut and Monthly Fluid Volume for each well.

6.2 Distribution within Allocation Units. The Unitized Substances allocated to each Allocation Unit shall be distributed among, or accounted for to, the Persons entitled to share in the production from such Allocation Unit in the same manner, in the same proportions, and upon the same conditions in accordance with the respective percentage and kind of their ownership of Oil and Gas Interests as shown on Exhibit “B.” If any Oil and Gas Rights in a tract hereafter become divided and owned in severalty as to different parts of the Allocation Unit, the owners of the divided interests, in the absence of an agreement providing for a different division, shall share in the Unitized Substances allocated to the Allocation Unit, or in the proceeds thereof, in proportion to the surface acreage of their respective parts of the Allocation Unit. Any royalty or other payment which depends upon per well production or pipeline runs from a well or wells on an Allocation Unit shall, after the Effective Date, be determined by dividing the Unitized Substances allocated to the Allocation Unit by the number of wells on the Allocation Unit capable of producing Unitized Substances on the Effective Date; however, if any Allocation Unit has no well thereon capable of producing Unitized Substances on the Effective Date, the

Allocation Unit shall, for the purpose of this determination, be deemed to have one such well thereon.

6.3 Taking Unitized Substances in Kind. The Unitized Substances allocated to each Allocation Unit shall be delivered in kind to the respective Persons entitled thereto by virtue of the ownership of Oil and Gas Rights therein or by purchase from such owners. Such Persons shall have the right to construct, maintain and operate within the Unit Area all necessary facilities for that purpose, provided they are so constructed, maintained and operated as not to interfere with Unit Operations. Any extra expenditure incurred by Unit Operator by reason of the delivery in kind of any portion of Unitized Substances shall be borne by the owners of such portion. If a Royalty Owner has the right to take in kind a share of Unitized Substances and fails to do so, the Working Interest Owner who's Working Interest is subject to such Royalty Interest shall be entitled to take in kind such share of Unitized Substances.

6.4 Failure to Take in Kind. If any Person fails to take in kind or separately dispose of such Person's share of Unitized Substances, Unit Operator shall have the right, but not the obligation, for the time being and subject to revocation at will by the Person owning the share, to purchase or sell to others such share; however, all contracts of sale by Unit Operator of any other Person's share of Unitized Substances shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, but in no event shall any such contract be for a period in excess of one year. The proceeds of the Unitized Substances so disposed of by Unit Operator shall be paid to the Working Interest Owners of each affected Allocation Unit or a person designated by such Working Interest Owners who shall distribute such proceeds to the Persons entitled thereto. Notwithstanding the foregoing, Unit Operator shall not make a sale into interstate commerce of any other Person's share of gas production without first giving such other party notice sixty (60) days before such intended sale.

6.5 Responsibility for Royalty Settlements. Any Person receiving in kind or separately disposing of all or part of the Unitized Substances allocated to any Allocation Unit shall be responsible for the payment of all royalties, overriding royalties, production payments and all other payments chargeable against or payable out of such Unitized Substances, and shall indemnify all Persons hereto, including Unit Operator, against any liability for such payment.

6.6 Royalty on Outside Substances. If any Outside Substance consisting of natural gases is injected into the Unitized Formation, seventy-five percent (75%) of any like substance contained in Unitized Substances subsequently produced and sold, or used for other than Unit Operations, shall be deemed to be a part of the Outside Substances so injected until the total volume deemed to be such Outside Substance equals the total volume of such Outside Substance so injected. If any Outside Substance which prior to injection is liquefied petroleum gas or other liquid hydrocarbon is injected into the Unitized Formation, ten percent (10%) of all Unitized Substances produced and sold after one (1) year from the time the injection of such Outside Substance was commenced shall be deemed to be a part of the Outside Substance so injected until the value of the production deemed to be such Outside Substance equals the total cost of the Outside Substance so injected. Such ten percent (10%) of the Unitized Substances deemed to be Outside Substances will be in addition to that which is being recovered for natural gases as herein above provided, if both liquefied petroleum gas or other liquid hydrocarbons and natural gases are injected. No payment shall be due or payable to Royalty Owners on substances produced from the Unitized Formation that are deemed to be Outside Substances.

ARTICLE 7

PRODUCTION AS OF THE EFFECTIVE DATE

7.1 Oil or Liquid Hydrocarbons in Lease Tanks. Unit Operator shall gauge or otherwise determine the amount of merchantable oil or other liquid hydrocarbons produced from the Unitized Formation that are in lease tanks as of 7:00 A.M. on the Effective Date. Oil or other liquid hydrocarbons in treating vessels, separation equipment and tanks below pipeline connections shall not be considered to be merchantable. Any merchantable oil or liquid hydrocarbons that are a part of or attributable to the prior allowable of the wells from which they were produced shall remain the property of the Persons entitled thereto as if this Agreement had not been entered into. Any such merchantable oil or other liquid hydrocarbons not promptly removed may be sold by Unit Operator for the account of the Working Interest Owners entitled thereto that shall pay all royalty due thereon under the provisions of applicable leases or other contracts. Any oil or liquid hydrocarbons in excess of that attributable to the prior allowable of the wells from which they were produced shall be regarded as Unitized Substances produced after the Effective Date.

ARTICLE 8
USE OR LOSS OF UNITIZED SUBSTANCES

8.1 Use of Unitized Substances. Working Interest Owners may use or consume Unitized Substances for Unit Operations, including but not limited to the injection thereof into the Unitized Formation.

8.2 Royalty Payments. No royalty, overriding royalty or other payments shall be payable on account of Unitized Substances used, lost or consumed in Unit Operations.

ARTICLE 9
TITLES

9.1 Warranty and Indemnity. Each Person who, by acceptance of produced Unitized Substances or the proceeds thereof, may claim to own a Working Interest or Royalty Interest in and to any tract or in the Unitized Substances allocated thereto, shall be deemed to have warranted its title to such interest, and, upon receipt of the Unitized Substances or the proceeds thereof to the credit of such interest, shall indemnify and hold harmless all other Persons in interest from any loss due to failure, in whole or in part, of its title to any such interest.

9.2 Production Where Title is in Dispute. If the title or right of any Person claiming the right to receive in kind all or any portion of the Unitized Substances allocated to a Tract is in dispute, Unit Operator at the direction of Working Interest Owners shall either:

(a) require that the Person to whom such Unitized Substances are delivered or to whom the proceeds thereof are paid furnish security for the proper accounting thereof to the rightful owner if the title or right of such Person fails in whole or in part, or

(b) withhold and market the portion of Unitized Substances with respect to which title or right is in dispute and impound the proceeds thereof until such time as the title or right thereto is established by a final judgment of a court of competent jurisdiction or otherwise to the satisfaction of Working Interest Owners, whereupon the proceeds so impounded shall be paid to the Person rightfully entitled thereto.

9.3 Payments of Taxes to Protect Title. The owner of surface rights to lands within the Unit Area, or severed mineral interests or Royalty Interest in such lands, or lands outside the Unit Area on which Unit Equipment is located, is responsible for the payment of any ad valorem taxes on all such rights, interests or property, unless such owner and Working Interest Owners otherwise agree. If any ad valorem taxes are not paid by or for such owner when due, Unit Operator may with approval of the Working Interest Owners at any time prior to tax sale or expiration of period of redemption after tax sale, pay the tax, redeem such rights, interests or property, and discharge the tax lien. Any such payment shall be an item of Unit Expense. Unit Operator shall, if possible, withhold from any proceeds derived from the sale of Unitized Substances otherwise due any delinquent taxpayer an amount sufficient to defray the costs of such payment or redemption, such withholding to be credited to Working Interest Owners. Such withholding shall be without prejudice to any other remedy available to Unit Operator or Working Interest Owners.

9.4 Transfer of Title. Any conveyance of all or any part of any interest owned by a Person with respect to any Allocation Unit shall be subject to this Agreement. No change of title shall be binding upon Unit Operator, or upon any Person other than the Person so transferring, until 7:00 A.M. on the first day of the calendar month next succeeding the date of receipt by Unit Operator of a photocopy or a certified copy of the recorded instrument evidencing such change in ownership.

ARTICLE 10

EASEMENTS OR USE OF SURFACE

10.1 Grant of Easements. The parties hereto, to the extent of their rights and interests, hereby grant to Working Interest Owners the right to use as much of the surface of the land within the Unit Area as may be reasonably necessary for Unit Operations and the removal of Unitized Substances from the Unit Area.

10.2 Use of Water. Working Interest Owners shall have and are hereby granted free use of water from the Unit Area for Unit Operations, except water from any well, lake, pond or irrigation ditch of a Royalty Owner.

10.3 Surface Damages. Working Interest Owners shall pay the owner for damage to growing crops, timber, fences, improvements and structures on the Unit Area that result from Unit Operations.

ARTICLE 11

CHANGES AND AMENDMENTS

11.1 Changes and Amendments. Any change of the Unit Area or any amendment to this Agreement or the Unit Operating Agreement shall be in accordance with the law of the State of Colorado.

ARTICLE 12

RELATIONSHIP OF PERSONS

12.1 No Partnership. The duties, obligations and liabilities of the Persons hereto are intended to be several and not joint or collective. This Agreement is not intended to create, and shall not be construed to create, an association or trust, or to impose a partnership duty, obligation or liability with regard to any one or more of the Persons hereto. Each Person hereto shall be individually responsible for its own obligations as herein provided.

12.2 No Joint Refining or Marketing. This Agreement is not intended to provide, and shall not be construed to provide, directly or indirectly, for any joint refining or marketing of Unitized Substances.

12.3 Royalty Owners Free of Costs. This Agreement is not intended to impose, and shall not be construed to impose, upon any Royalty Owner any obligation to pay Unit Expense unless such Royalty Owner is otherwise so obligated.

12.4 Information to Royalty Owners. Each Royalty Owner shall be entitled to all information in possession of Unit Operator to which such Royalty Owner is entitled by an existing agreement with any Working Interest Owner.

ARTICLE 13
LAWS AND REGULATIONS

13.1 Laws and Regulations. This Agreement shall be subject to all applicable federal, state and municipal laws, rules, regulations and orders.

ARTICLE 14
FORCE MAJEURE

14.1 Force Majeure and Required Approvals. All obligations imposed by this Agreement on each Person, except for the payment of money, shall be suspended while compliance is prevented, in whole or in part, by a labor dispute, fire, war, civil disturbance, act of God; by federal, state or municipal laws; by any rule, regulation or order of a governmental agency; by inability to secure materials; or by any other cause or causes, whether similar or dissimilar, beyond reasonable control of the party. No Person shall be required against his will to adjust or settle any labor dispute. In addition, all obligations imposed by this Agreement on each Person, except for the payment of money, also shall be suspended while compliance is prevented, in whole or in part, by the inability of a Person to obtain any government or private permits, licenses, approvals or other authorization necessary to perform or fulfill the obligations so long as the Party claiming suspension has exercised reasonable due diligence under the circumstances and applied for the applicable permit, license, approval or other authorization prior to the date that performance of the obligations is due. Neither this Agreement nor any lease or other instrument subject hereto shall be terminated by reason of suspension of Unit Operations due to any one or more of the causes set forth in this Article.

ARTICLE 15
EFFECTIVE DATE

15.1 Effective Date. The Unit Agreement shall be effective the first day of the month next following the approval thereof by the Colorado Oil and Gas Commission pursuant to Colorado law.

15.2 Ipsa Facto Termination. If the requirements of Section 15.1 are not accomplished on or before January 1, 2013, this Agreement shall ipso facto terminate on that date (hereinafter

called the "termination date") and thereafter be of no further effect unless prior thereto Working Interest Owners owning a combined Unit Participation of at least eighty percent (80%) have become Persons to this Agreement and have decided to extend the termination date for a period not to exceed six (6) months. If the termination date is so extended and the requirements of Section 15.1 are not accomplished on or before the extended and the requirements of Section 15.1 are not accomplished on or before the extended termination date, this Agreement shall ipso facto terminate on the extended termination date and thereafter be of no further effect. For the purpose of this Section, the Unit Participation for each Working Interest Owner shall be those shown on the original Exhibit "B."

15.3 Certificate of Effectiveness. Unit Operator shall file for record in the county or counties in which the land affected is located a certificate stating the Effective Date of this Agreement.

ARTICLE 16

TERM

16.1 Term. The term of this Agreement shall be for the time that Unitized Substances are produced in paying quantities or other Unit Operations are conducted without a cessation of more than ninety (90) consecutive days, unless sooner terminated by Working Interest Owners in the manner herein provided.

16.2 Termination by Working Interest Owners. This Agreement may be terminated at any time by Working Interest Owners owning a combined Unit Participation of eighty percent (80%) or more upon a written finding by such Working Interest Owners determining that Unit Operations will not be or are no longer profitable or feasible.

16.3 Effect of Termination. Upon termination of this Agreement, the further development and operation of the Unitized Formation as a unit shall be abandoned, and Unit Operations shall cease. Each oil and gas lease and other agreement covering lands within the Unit Area shall remain in force for sixty (60) days after the date on which this Agreement terminates, and for such further period as is provided by the lease or other agreement.

16.4 Salvaging Equipment Upon Termination. If not otherwise granted by the leases or other instruments affecting each Allocation Unit, Royalty Owners hereby grant Working Interest Owners a period of six (6) months after the date of termination of this Agreement within which to salvage and remove Unit Equipment.

16.5 Certificate of Termination. Upon termination of this Agreement, Unit Operator shall file for record in the county or counties in which the land affected is located a certificate that this Agreement has terminated, stating its termination date.

ARTICLE 17

APPROVAL

17.1 Original, Counterpart or Other Instrument. An owner of Oil and Gas Rights may approve this Agreement by signing the original of this instrument, a counterpart thereof or a ratification or other instrument approving the Agreement. The signing of any such instrument shall have the same effect as if all Persons had signed the same instrument.

17.2 Joinder in Dual Capacity. Execution as herein provided by any Person as either a Working Interest Owner or a Royalty Owner shall commit all interests owned or controlled by such Person and any additional interest thereafter acquired.

17.3 Approval by the Colorado Oil and Gas Conservation Commission. Notwithstanding anything in this Section to the contrary, all tracts within the Unit Area shall be deemed to be qualified for participation if this Agreement and the Unit Operating Agreement are duly approved as the plan of unitization and operating plan by order of the Colorado Oil and Gas Conservation Commission pursuant to Colorado law, as amended and re-enacted.

ARTICLE 18

GENERAL

18.1 Amendments Affecting Working Interest Owners. Amendments hereto relating wholly to Working Interest Owners may be made if signed by all Working Interest Owners.

18.2 Action by Working Interest Owners. Except as otherwise provided in this Agreement, any action or approval required by Working Interest Owners hereunder shall be in accordance with the provisions of the Unit Operating Agreement.

18.3 Lien and Security Interest of Unit Operator. Unit Operator shall have a lien upon and a security interest in the interests of Working Interest Owners in the Unit as provided in the Unit Operating Agreement.

ARTICLE 19

SUCCESSORS AND ASSIGNS

19.1 Successors and Assigns. This Agreement shall extend to, be binding upon, and inure to the benefit of the Persons hereto and their respective heirs, devisees, legal representatives, successors and assigns and shall constitute a covenant running with the lands, leases and interests covered hereby.

IN WITNESS WHEREOF, this Agreement is approved on the dates opposite the respective signatures.

[remainder of page intentionally left blank]

SAGA PETROLEUM CORP. (WORKING INTEREST OWNER)

By _____

Address: _____

STATE OF COLORADO)
)
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me by
_____, _____ as _____
of _____.

This _____ day of _____, 2011.

WITNESS my hand and official seal.

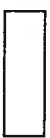
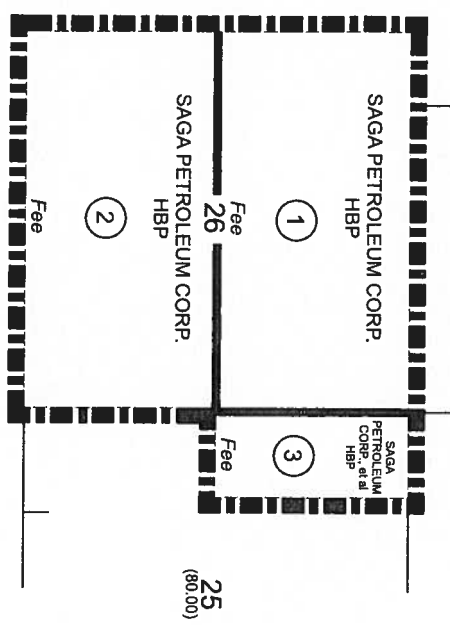
My commission Expires: _____

Notary Public

RUSH WILLADEL J SAND UNIT AGREEMENT
WASHINGTON COUNTY, COLORADO

23

R 51 W



PATENTED LANDS

ACREAGE

PERCENTAGE

TOTALS

720.00

100.00%

③ TRACT NUMBER

Scale in Miles

NOTE: UNLESS OTHERWISE NOTED HEREIN THE SECTIONS ON THIS PLAT CONTAIN 640.00 ACRES

EXHIBIT "A"

RUSH WILLADEL "J" SAND UNIT

WASHINGTON COUNTY, COLORADO

*PLEASE REFER TO EXHIBIT "A-1" FOR SURFACE, MINERAL & WORKING INTEREST OWNERSHIP

SAGA PETROLEUM LIMITED LIABILITY COMPANY OF COLORADO

DENVER, COLORADO

10-11-2011

EXHIBIT

A

Blumberg No. 5208

EXHIBIT 'B'
SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS
RUSH WILLADEL 'J' SAND UNIT AREA
WASHINGTON COUNTY, COLORADO

Ownership Reflected herein is limited to the "J" Sand defined in the Electrical Log run in the Jones-Dupree #4 well and located in the SE/4NW/4 of Section 26, Township 3 South, Range 51 West, 6th P.M., Washington County, Colorado, with the top of the "J" Sand Formation being found at a depth of 3929' below the surface (+685' subsea) and the base of the Unitized Formation being found at a depth of 4157' below the surface (+456' subsea) or to the stratigraphic equivalent thereof.

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
1.	T3S-R51W, 6TH P.M. Sec. 26, N2	320.00	HBP				
	Allison Gagliardo Rold (12.5% Royalty)			0.742168%	Saga Petroleum Corp. 100.0000000%	Allison Gagliardo Rold Arthur W. Johnson Trust Finchum Family Trust Gagliardo Living Trust John H & Catherine Brunel Patchen Family Partners LT Marylin Montgomery John C Gagliardo TOTAL	0.1875% 0.7500% 0.1875% 0.1875% 0.2500% 0.1250% 0.1875% 2.00%
	Arthur W. Johnson Trust (12.5% Royalty)			2.968800%			
	Barbara Butler (12.5% Royalty)			0.925376%			
	Betty Ann Himes (12.5% Royalty)			0.555520%			
	Charles Verdin Jones (12.5% Royalty)			2.777624%			
	Cyril Earl Jarrett (12.5% Royalty)			0.555520%			
	Daniel E. Jones (12.5% Royalty)			1.388752%			
	Darla Joy Brady (12.5% Royalty)			4.655648%			
	Darlene Lois Kosinski (12.5% Royalty)			0.555520%			
	David Brown (12.5% Royalty)			0.555304%			
	David Holt (12.5% Royalty)			0.078120%			
	David MacDermott (12.5% Royalty)			4.687496%			
	Denise Joann Oltjenbruns (12.5% Royalty)			4.655664%			
	Donna Eve Veca (12.5% Royalty)			0.555520%			
	Dr. Richard MacDermott (12.5% Royalty)			4.687496%			
	Eljian Jones (12.5% Royalty)			1.388872%			
	Finchum Family Trust (12.5% Royalty)			0.742184%			
	Gagliardo Living Trust (12.5% Royalty)			0.742184%			
	Gene F. Lang and Co (12.5% Royalty)			0.078120%			
	Geoffrey MacDermott			4.687496%			

1. Continued.

Rush Willadel J Sand Unit Area

1

10/7/02/2011



TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
	(12.5% Royalty)						
	James W. Nylund (12.5% Royalty)			0.312480%			
	Janet Clodfelder (12.5% Royalty)			0.556552%			
	Jim Brown (12.5% Royalty)			0.277800%			
	Jimmie Brown Estate (12.5% Royalty)			0.278752%			
	John C. Gagliardo (12.5% Royalty)			0.742184%			
	John H. Dupree (12.5% Royalty)			9.375000%			
	Kenneth Eugene Jarrett (12.5% Royalty)			0.555520%			
	Kirby Minerals Oklahoma GP (12.5% Royalty)			1.406232%			
	Lena Mae Grant Irrev. Trust (12.5% Royalty)			3.124960%			
	Leonard Sundt (12.5% Royalty)			0.925416%			
	Lester Sundt (12.5% Royalty)			0.925552%			
	Linda Dupree Bell (12.5% Royalty)			9.375000%			
	Linda Galvin (12.5% Royalty)			0.556552%			
	Londa Lynn Reynolds (12.5% Royalty)			2.777624%			
	Margaret M. Sebastian Trust (12.5% Royalty)			0.781280%			
	Melodie Hope Rosendale (12.5% Royalty)			4.655656%			
	Patchen Family Partners LT (12.5% Royalty)			0.625000%			
	Peter K. Hulkevich (12.5% Royalty)			0.556552%			
	Randy Verlin Jones (12.5% Royalty)			4.655680%			
	Renee MacDermott Baker (12.5% Royalty)			4.687504%			
	Richard Junior Jones (12.5% Royalty)			2.777624%			
	Robin Lucille Neergaard (12.5% Royalty)			4.655648%			
	Roger Vernon Jones (12.5% Royalty)			4.655648%			
	Sherrie A. Teller (12.5% Royalty)			1.388200%			

1. Continued.

Rush Willadel J Sand Unit Area

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDE ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE	
2.	T3S-R51W, 6TH P.M. Sec. 26; S2	320.00	HBP	Barbara Butler (12.5% Royalty) Betty Ann Himes (12.5% Royalty) Charles Verdin Jones (12.5% Royalty) Cyril Earl Jarrett (12.5% Royalty) Daniel E. Jones (12.5% Royalty) Darla Joy Brady (12.5% Royalty) Darlene Lois Kosinski (12.5% Royalty) David Brown (12.5% Royalty) Denise Joann Ojienbruns (12.5% Royalty) Donna Eve Veca (12.5% Royalty) Elijah Jones (12.5% Royalty) Janet Clodfelder (12.5% Royalty) Jim Brown (12.5% Royalty) Jimmie Brown Estate (12.5% Royalty) Kenneth Eugene Jarrett (12.5% Royalty)	1.850776% 1.111048% 5.555256% 1.111048% 2.777504% 9.259192% 1.111048% 1.110688% 9.259216% 1.111048% 2.77752% 1.113104% 0.555600% 0.557504% 1.111048%	Saga Petroleum Corp. 100.000000%	None	Saga Petroleum Corp. 100.000000%
				Tina Marie Steinbach (12.5% Royalty) TOTAL	1.388200% 100.000000%			
2.	Continued.			Leonard Sundre (12.5% Royalty) Lester Sundre (12.5% Royalty) Linda Galvin (12.5% Royalty) Londa Lynn Reynolds (12.5% Royalty) Melodie Hope Rosendale (12.5% Royalty) Peter K. Hulkevich (12.5% Royalty) Randy Verlin Jones (12.5% Royalty) Richard Junior Jones	1.850824% 1.851104% 1.113104% 5.555256% 9.259208% 1.113104% 9.259224% 5.555256%			

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER OF A EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
3.	<u>T3S-R51W, 6TH P.M.</u> <u>Sec. 25: W2NW</u>	80.00	HBP	(12.5% Royalty)			
				Robin Lucille Neergaard			
				(12.5% Royalty)			
				Roger Vernon Jones			
				(12.5% Royalty)			
				Sherrie A. Teller			
				(12.5% Royalty)			
				Tina Marie Steinbach			
				(12.5% Royalty)			
				TOTAL			

RECAPITULATION

PATENTED LANDS	720.00	100.00000%
	720.00	100.00000%

Rush Willadei J Sand Unit Area

EXHIBIT "D"
 ATTACHED TO AND MADE A PART OF THE UNIT OPERATING AGREEMENT FOR THE
 RUSH WILLADEL ("J" SAND) UNIT AREA
 WASHINGTON COUNTY, COLORADO

WORKING INTEREST OWNERS

**Working Interest Ownership based on
 Acreage Percentage in Unit Area**

Total Acres in Unit
 720.00

TRACT:	1	2	3	TOTAL
Acres in Tract:	320.00	320.00	80.00	720.00
Saga Petroleum Corp.	44.444444%	44.444444%	9.259259%	98.148148%
Headington Oil Co LP	0.000000%	0.000000%	1.744474%	1.744474%
Logos Capital Management	0.000000%	0.000000%	0.107378%	0.107378%
TOTALS	44.444444%	44.444444%	11.111111%	100.000000%

**Working Interest Ownership in each
 Allocation Unit**

TRACT:	1	2	3
Saga Petroleum Corp.	100.000000%	100.000000%	83.333330%
Headington Oil Co LP	0.000000%	0.000000%	15.700270%
Logos Capital Management	0.000000%	0.000000%	0.966400%
TOTALS	100.000000%	100.000000%	100.000000%

UNIT OPERATING AGREEMENT

OPERATING PLAN

RUSH WILLADEL J SAND UNIT

COUNTY OF WASHINGTON

STATE OF COLORADO



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UNIT OPERATING AGREEMENT

OPERATING PLAN

RUSH WILLADEL J SAND UNIT

COUNTY OF WASHINGTON

STATE OF COLORADO

THIS UNIT OPERATING AGREEMENT ("Unit Operating Agreement") is entered into as of the Effective Date defined herein by the parties who have signed the original of this Unit Operating Agreement, a counterpart hereof, or other instrument agreeing to become a Person hereto.

WITNESSETH:

WHEREAS, an agreement entitled, Unit Agreement, Rush Willadel J Sand Unit, Washington County, Colorado (herein referred to as "Unit Agreement") has been made which, among other things, provides for a separate agreement to provide for Unit Operations as therein defined,

NOW, THEREFORE, it is provided as follows:

ARTICLE 1

CONFIRMATION OF UNIT AGREEMENT

1.1 Confirmation of Unit Agreement. The Unit Agreement is hereby confirmed and by reference made a part of this Unit Operating Agreement. The definitions in the Unit Agreement are adopted for all purposes of this Unit Operating Agreement. If there is any conflict between the Unit Agreement and this Unit Operating Agreement, the Unit Agreement shall govern.

ARTICLE 2

EXHIBITS

2.1 Exhibits. The following exhibits are incorporated herein by reference and shall be treated as a part of this Unit Operating Agreement:

2.1.1 Exhibits "A" and "B" of the Unit Agreement.

2.1.2 Exhibit "D," attached hereto, is a schedule showing the Working Interest of each Working Interest Owner in each Allocation Unit as defined in the Unit Agreement and Exhibits "A" and "B" of the Unit Agreement, Working Interest ownership based on Acreage Percentage in each Allocation Unit and Working Interest Ownership in each Allocation Unit. Exhibit "D," or a revision thereof, shall not be conclusive as to the information therein, except it may be used as showing the Unit Participations of the Working Interest Owners for purposes of this Unit Operating Agreement until shown to be in error, or is revised as herein authorized.

2.2 Revision of Exhibits. Whenever Exhibits "A" and "B" are revised, Exhibit "D" shall be revised accordingly, and be effective as of the same date. Unit Operator shall also revise Exhibit "D" from time to time as required to conform to changes in ownership of which Unit Operator has been notified as provided in the Unit Agreement.

2.3 Reference to Exhibits. Whenever reference is made herein to an exhibit, it is to the exhibit as originally attached or, if revised, to the last revision.

ARTICLE 3

SUPERVISION OF OPERATIONS BY WORKING INTEREST OWNERS

3.1 Overall Supervision. Working Interest Owners shall exercise overall supervision and control of all matters pertaining to Unit Operations. In the exercise of such authority, each Working Interest Owner shall act solely in its own behalf in the capacity of an individual owner and not on behalf of the owners as an entirety.

3.2 Specific Authority and Duties. The matters with respect to which Working Interest Owners shall decide and take action shall include, but not be limited to, the following:

3.2.1 Method of Operation. The method of operation, including the type of recovery program to be employed.

3.2.2 Drilling of Wells. The drilling of any well whether for production of Unitized Substances, for use as an injection well, or for other purposes.

3.2.3 Well Recompletions and Change of Status. The recompletion, abandonment, or change of status of any well, or the use of any well for injection or other purposes.

3.2.4 Unit Operator's Tools and Equipment. The use by Unit Operator of its own tools and equipment in the drilling of a well or in any other operation in which drilling equipment is required.

3.2.5 Expenditures. The making of any single expenditure in excess of Twenty-five Thousand Dollars (\$25,000.00); however, approval by Working Interest Owners of the drilling, reworking, deepening, or plugging back of any well shall include approval of all necessary expenditures required therefor, and for completing, testing and equipping the well, including necessary flow lines, separators and lease tankage.

3.2.6 Disposition of Unit Equipment. The selling or otherwise disposing of any item of surplus unit Equipment, if the current price of new equipment similar thereto is in excess of Ten Thousand Dollars (\$10,000.00).

3.2.7 Appearance Before a Court or Regulatory Agency. The designating of a representative to appear before any court or regulatory agency in matters pertaining to Unit Operations; however, such designation shall not prevent any Working Interest Owner from appearing in person or from designating another representative in its own behalf.

3.2.8 Audit Exceptions. The settlement of unresolved audit exceptions.

3.2.9 Inventories. The Unit Operator shall take periodic inventories consistent with its present practices and as agreed to by the Working Interest Owners.

3.2.10 Technical Services. The authorizing of charges to the joint account for services by consultants or Unit Operator's technical personnel.

3.2.11 Assignments to Committees. The appointment of committees to study any problems in connection with Unit Operations.

3.2.12 Removal of Operator. The removal of Unit Operator and the selection of a successor.

3.2.13 Changes and Amendments. The changing of the Unit Area or the amending of this Unit Operating Agreement or the Unit Agreement as provided by Article 11 of the Unit Agreement.

3.2.14 Investment Adjustment. The adjustment and readjustment of investments.

3.2.15 Termination of Unit Agreement. The termination of the Unit Agreement as provided therein.

ARTICLE 4

MANNER OF EXERCISING SUPERVISION

4.1 Designation of Representatives. Each Working Interest Owner shall inform Unit Operator in writing of the names and addresses of the representative and alternate who are authorized to represent and bind such Working Interest Owner with respect to Unit Operations. The representative or alternate may be changed from time to time by written notice to Unit Operator.

4.2 Meetings. All meetings of Working Interest Owners shall be called by Unit Operator upon its own motion or at the request of one or more Working Interest Owners having a total Unit Participation of not less than three percent (3%). No meeting shall be called on less than fourteen (14) days advance written notice, with agenda for the meeting attached. Working Interest Owners who attend the meeting may amend items included in the agenda and may act upon an amended item or other items presented at the meeting. The representative of Unit Operator shall be chairman of each meeting.

4.3 Voting Procedure. Working Interest Owners shall determine all matters coming before them as follows:

4.3.1 Voting Interest. Each Working Interest Owner shall have a voting interest equal to its Unit Participation.

4.3.2 Vote Required. Unless otherwise provided herein or in the Unit Agreement, Working Interest Owners shall determine all matters by the affirmative vote of one or more Working Interest Owners having a combined seventy percent (70%) or more of the Voting Interest; provided, however, if one Working Interest Owner voting in the affirmative has seventy percent (70%) or more but less than seventy-five percent (75%) of the Voting Interest, the affirmative vote of that Working Interest Owner shall not be binding unless supported by the affirmative vote of at least one other Working Interest Owner.

4.3.3 Vote at Meeting by Non-attending Working Interest Owner. Any Working Interest Owner who is not represented at a meeting may vote on any agenda item by letter, telegram or facsimile addressed to the representative of Unit Operator if its vote is received prior to the vote at the meeting.

4.3.4 Poll Votes. Working Interest Owners may vote by letter, telegram or facsimile on any matter submitted in writing to all Working Interest Owners. If a meeting is not requested, as provided in Article 4.2, within seven (7) days after a written proposal is received by the Working Interest Owners, the vote taken by letter, telegram or facsimile shall control. Unit Operator shall give prompt notice of the results of such voting to each Working Interest Owner.

4.3.5 Binding Effect of Vote. All Working Interest Owners shall be bound for their proportionate share of all costs and expenses of Unit Operations approved by the Working Interest Owners by the vote required herein.

ARTICLE 5

INDIVIDUAL RIGHTS OF WORKING INTEREST OWNERS

5.1 Reservation of Rights. Working Interests Owners retain all their rights, except as otherwise provided in this Unit Operating Agreement or the Unit Agreement.

5.2 Specific Rights. Each Working Interest Owner shall have, among others, the following specific rights:

5.2.1 Access to Unit Area. Access to the Unit Area at all reasonable times to inspect Unit Operations, all wells, and the records and data pertaining thereto.

5.2.2 Reports. The right to receive from Unit Operator, upon written request, copies of all reports to any governmental agency, reports of crude oil runs and stocks, inventory reports, and all other information pertaining to Unit Operations. The cost of gathering and furnishing information not ordinarily furnished by Unit Operator to all Working Interest Owners shall be charged to the Working Interest Owner that requests the information.

5.2.3 Audits. The right to audit the accounts of Unit Operator pertaining to Unit Operations in a manner consistent with industry custom and practice.

5.3 Reversionary Interest. When ownership of a Working Interest within the Unit Area changes due to the payout (or multiple) of a well within the Unit Area, the balance remaining to recover shall be calculated on an allocated basis according to Allocation Units after the Effective Date. Payout shall be deemed to occur the first day of the month following the time that the payout balance becomes zero.

ARTICLE 6

UNIT OPERATOR

6.1 Unit Operator. Saga Petroleum Limited Liability Company of Colorado ("SPLLCC") is designated as the initial Unit Operator. SPLLCC does not own an interest in the Unit but is a wholly owned subsidiary of Saga Petroleum Corp.

6.2 Resignation or Removal. Unit Operator may resign at any time. Unit Operator may be removed at any time by the affirmative vote of one or more Working Interest Owners having seventy percent (70%) or more of the voting interest. Such resignation or removal shall not become effective for a period of three (3) months after the resignation or removal, unless a successor Unit Operator has taken over Unit Operations prior to the expiration of such period. If Unit Operator sells all or a simple majority of its initial Working Interest Ownership based on

Acreage Percentage in the Unit Area as reflected in Exhibit "D," an election of a new Unit Operator is required.

6.3 Selection of Successor. Upon the resignation or removal of Unit Operator, a successor Unit Operator shall be selected by a majority vote of the Working Interest Owners. If the removed Unit Operator fails to vote, the successor Unit Operator shall be selected by the affirmative vote of Working Interest Owners having sixty percent (60%) or more of the voting interest remaining after excluding the voting interest of the removed Unit Operator.

ARTICLE 7

AUTHORITY AND DUTIES OF UNIT OPERATOR

7.1 Exclusive Right to Operate Unit. Subject to the provisions of this Unit Operating Agreement and to instructions from Working Interest Owners, Unit Operator shall have the exclusive right and be obligated to conduct Unit Operations.

7.2 Workmanlike Conduct. Unit Operator shall conduct Unit Operations in a good and workmanlike manner as would a prudent operator under the same or similar circumstances. Unit Operator shall freely consult with Working Interest Owners and keep them informed of all matters which Unit Operator, in the exercise of its best judgment, considers important. Unit Operator shall not be liable to Working Interest Owners for damages resulting from any act or omission by Unit Operator in conducting Unit Operations, unless such damages result from its gross negligence or willful misconduct.

7.3 Liens and Encumbrances. Unit Operator shall endeavor to keep the lands and leases in the Unit Area and Unit Equipment free from all liens and encumbrances occasioned by Unit Operations, except those provided for in Article 11.

7.4 Employees. The number of employees used by Unit Operator in conducting Unit Operations, their selection, hours of labor, and compensation shall be determined by Unit Operator. Such employees shall be the employees of Unit Operator.

7.5 Records. Unit Operator shall keep correct books, accounts and records of Unit Operations.

7.6 Reports to Working Interest Owners. Unit Operator shall furnish Working Interest Owners quarterly summary reports on unit activities, plus timely filed copies of reports of production and injection required periodically by any governmental agency.

7.7 Reports to Governmental Authorities. Unit Operator shall make all reports to governmental authorities that it has the duty to make as Unit Operator.

7.8 Engineering and Geological Information. Unit Operator shall furnish to all Working Interest Owners who shared in the cost of the operation involved a copy of all logs and other engineering and geological data pertaining to wells drilled for Unit Operations.

7.9 Expenditures. Unit Operator is authorized to make single expenditures not in excess of Twenty-Five Thousand Dollars (25,000.00) without prior approval of Working Interest Owners. In the event of an emergency, Unit Operator may immediately make or incur such expenditures as in its opinion are required to deal with the emergency. Unit Operator shall report to Working Interest Owners, as promptly as possible, the nature of the emergency and the action taken.

7.10 Wells Drilled by Unit Operator. All wells drilled by Unit Operator shall be at the rates prevailing in the area. Unit Operator may employ its own tools and equipment, but the charge thereof should not exceed the usual prevailing rate in the area, and the work shall be performed by Unit Operator under the same terms and conditions as are usual in the area in the contracts of independent contractors doing work of a similar nature.

ARTICLE 8

TAXES

8.1 Property Taxes. Beginning with the first calendar year after the Effective Date hereof, Unit Operator shall make and file all necessary property tax renditions and returns with the proper taxing authorities with respect to all property of each Working Interest Owner used or held by Unit Operator for Unit Operations. Unit Operator shall settle assessments arising therefrom. All such property taxes shall be paid by Unit Operator and charged to the joint account; however, if the interest of a Working Interest Owner is subject to a separately assessed overriding royalty interest production payment, or other interest in excess of a one-eighth (1/8)

royalty, such Working Interest Owner shall be given credit for the reduction in taxes paid resulting therefrom.

8.2 Other Taxes. Each Working Interest Owner shall pay or cause to be paid all production, severance, gathering, and other taxes imposed upon or with respect to the production or handling of its share of Unitized Substances.

8.3 Income Tax Election. Notwithstanding any provisions herein that the rights and liabilities hereunder are several and not joint or collective, or that this Unit Operating Agreement and operations hereunder shall not constitute a partnership, if for Federal income tax purposes this Unit Operating Agreement and the operations hereunder are regarded as a partnership, then each Person hereby affected elects to be excluded from the application of all of the provisions of Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1986, as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Unit Operator is authorized and directed to execute on behalf of each Person hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the United States of the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements and the data required by Federal Regulations 1.761-1(a). Should there be any requirement that each Person hereby affected give further evidence of this election, each such Person shall execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. No such Person shall give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Unit Area is located or any future income tax law of the United States contain provisions similar to those in Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1986, under which an election similar to that provided by Section 761 of the Code is permitted, each Person hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing election, each such Person states that the income derived by such Person from Unit Operations can be adequately determined without the computation of partnership taxable income.

ARTICLE 9

INSURANCE

- 9.1 **Insurance.** Unit Operator, with respect to Unit Operations, shall:
- (a) comply with the Workmen's Compensation Laws of the State,
 - (b) comply with Employer's Liability and other insurance requirements of the laws of the state, and
 - (c) provide insurance or other protection in an amount consistent with the present insurance on assets within the Application Lands.

ARTICLE 10

ADJUSTMENT OF INVESTMENTS

10.1 **Property Taken Over.** Upon the Effective Date, Working Interest owners shall deliver to Unit Operator the following:

10.1.1 **Wells.** All wells completed in the Unitized Formation, as shown on Exhibit "A."

10.1.2 **Equipment.** The casing and tubing in each such well, the wellhead connections thereon, and all other lease and operating equipment that is used in the operation of such wells which Working Interest Owners determine is necessary or desirable for conducting Unit Operations. Working Interest Owners shall have twelve (12) months after this Unit Operating Agreement becomes effective in which to make such determination, and all such property that is determined to be surplus shall be returned to the Working Interest Owners in as good condition as received, considering normal wear, who delivered same to Unit Operator and such surplus shall not be considered to have been taken over under this Section.

10.1.3 **Records.** A copy of all production and well records of such wells.

10.2 **Inventory and Evaluation.** Working Interest Owners shall at Unit Expense inventory and evaluate the wells and equipment taken over. The inventory of equipment shall be

limited to those items considered controllable except, upon determination of Working Interest Owners, items considered non-controllable may be included in the inventory in order to ensure a more equitable adjustment of investment. Casing shall be included in the inventory for record purposes, but shall be excluded from pricing and investment adjustment. The method of evaluating wells and equipment shall be in accordance with industry custom and practice.

10.3 Investment Adjustment. Upon approval by Working Interest owners of the inventory and evaluation, each Working Interest Owner shall be credited with the value of its interest in all wells and equipment taken over under Article 10.1, and shall be charged with an amount equal to that obtained by multiplying the total value of all wells and equipment taken over under Article 10.1 by each Working Interest Owner's Unit Participation. If the charge against any Working Interest Owner is greater than the amount credited to such Working Interest Owner, the resulting net charge shall be an item of Unit Expense chargeable against such Working Interest Owner. If the credit to any Working Interest Owner is greater than the amount charged against such Working Interest Owner, the resulting net credit shall be paid to such Working Interest Owner by Unit Operator out of funds received by it in settlement of the net charges described above.

10.4 General Facilities. The acquisition of warehouses, warehouse stocks, lease houses, camps, facility systems and office buildings necessary for Unit Operations shall be by negotiation by the owners thereof and Unit Operator, subject to the approval of Working Interest Owners.

10.5 Ownership of Property and Facilities. Each Working Interest Owner, individually, shall by virtue hereof own an undivided interest, equal to its Unit Participation in each Allocation Unit, of all wells, equipment and facilities taken over or otherwise acquired by Unit Operator pursuant to this Unit Operating Agreement.

ARTICLE 11

UNIT EXPENSE

11.1 Basis of Charge to Working Interest Owners. Unit Operator initially shall pay all Unit Expense. Each Working Interest Owner shall reimburse Unit Operator for its share of Unit

Expense in proportion to its respective Working Interest Ownership in each Allocation Unit.

11.2 Budgets. Before or as soon as practical after the Effective Date, Unit Operator shall prepare a budget of estimated Unit Expense and production volumes for the remainder of the calendar year, and on or before the first day of each September thereafter, shall prepare such a budget for the ensuing calendar year. A budget shall set forth the estimated Unit Expense and production volumes by quarterly periods. Budgets shall be estimates only, and shall be adjusted or corrected by Working Interest Owners and Unit Operator whenever an adjustment or correction is proper. A copy of each budget and adjusted budget shall be furnished promptly to each Working Interest Owner.

11.3 Advance Billings. Unit Operator shall have the right to require Working Interest Owners to advance their respective shares of estimated Unit Expenses.

11.4 Commingling of Funds. Funds received by Unit Operator under this Unit Operating Agreement need not be segregated or maintained by it as a separate fund, but may be commingled with its own funds.

11.5 Unpaid Unit Expense. If any Working Interest Owner fails or is unable to pay its share of Unit Expense within sixty (60) days after rendition of a statement therefor by Unit Operator, the non-defaulting Working Interest Owners shall, upon request by Unit Operator, pay the unpaid amount as if it were Unit Expense in the proportion that the Unit Participation of each such Working Interest Owner bears to the Unit Participation of all such Working Interest Owners. Each Working Interest Owner so paying its share of the unpaid amount shall, to obtain reimbursement thereof, be subrogated to the security rights described in Article 11.6 of this Unit Operating Agreement.

11.6 Security Rights. In addition to any other security rights and remedies provided for by the laws of Colorado with respect to services rendered or materials and equipment furnished under this Unit Operating Agreement, Unit Operator shall have a first and prior lien upon each Working Interest, including the Unitized Substances and the Unit Equipment credited thereto, in order to secure payment of the Unit Expense charged against such Working Interest, together with interest thereon at eight percent per annum or the maximum rate allowed by law,

whichever is less. If any Working Interest Owner does not pay its share of Unit Expense when due, or if any Working Interest Owner elects to be carried or otherwise financed, Unit Operator shall have the right to collect from the purchaser the proceeds from the sale of such Working Interest Owner's share of Unitized Substances until the amount owed, plus interest at the rate of eight percent (8%) per annum on the last day of the calendar month in which the unpaid balance becomes due or the maximum contract rate permitted by the applicable usury laws, whichever is the lesser, has been paid. Each purchaser shall be entitled to rely on Unit Operator's statement concerning the amount owed and the interest payable thereon.

11.7 Carved-Out Interests. Any overriding royalty, production payment, net proceeds interest, carried interest or any other interest carved out of a Working Interest and created after the Effective Date of this Unit Operating Agreement shall be subject to this Unit Operating Agreement. If a Working Interest Owner does not pay its share of Unit Expense and the proceeds from the sale of unitized Substances under Article 11.6 are insufficient for that purpose, the security rights provided for therein may be applied against the carved-out interests with which such Working Interest is burdened. In such event, the owner of such carved-out interest shall be subrogated to the security rights granted by Article 11.6.

11.8 Pre-Unitization Expense. Prior to Effective Date, Unit Operator and other Working Interest Owners have incurred certain costs and expenses for and on behalf of the Working Interest Owners in anticipation of the Unit Agreement and this Unit Operating Agreement becoming effective. Such costs approved by the Working Interest Owners shall herein be referred to as "Pre-Unitization Expenses." As soon as practicable after the Effective Date of this Unit Operating Agreement, Pre-Unitization Expenses shall be reallocated and billed among all Working Interest Owners in accordance with the Working Interest Ownership in each Allocation Unit of each such owner. Credit shall be given for payments made by Working Interest Owners prior to the Effective Date for costs included in the Pre-Unitization Expense. If the charge against any Working Interest Owner is greater than the amount credited to such Working Interest Owner, the resulting net charge shall be an item of Unit Expense chargeable against such Working Interest Owner. If the credit to any Working Interest Owner is greater than the amount charged against such Working Interest Owner, the resulting net credit shall be

paid to such Working Interest Owner by Unit Operator out of funds received by it in settlement of the net charge described above.

ARTICLE 12

NON-UNITIZED FORMATIONS

12.1 **Right to Operate.** Any Working Interest Owner that now has or hereafter acquires the right to drill for and produce oil, gas or other minerals from a formation underlying the Unit Area other than the Unitized Formation shall have the right to do so notwithstanding this Unit Operating Agreement or the Unit Agreement. In exercising the right, however, such Working Interest Owner shall exercise care to prevent unreasonable interference with Unit Operations. No Working Interest Owner other than Unit Operator shall produce Unitized Substances. If any Working Interest Owner drills any well into or through the Unitized Formation, the Unitized Formation shall be protected in a manner satisfactory to Working Interest Owners so that the production of Unitized Substances will not be affected adversely.

ARTICLE 13

LIABILITY, CLAIMS, AND SUITS

13.1 **Individual Liability.** The duties, obligations and liabilities of Working Interest Owners shall be several and not joint or collective; and nothing herein shall ever be construed as creating a partnership of any kind, joint venture, association or trust among Working Interest Owners.

13.2 **Settlements.** Unit Operator may settle any single damage claim or suit involving Unit Operations if the expenditure does not exceed Ten Thousand Dollars (\$10,000.00), and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, Working Interest Owners shall determine the further handling of the claim or suit. All costs and expense of handling, settling or otherwise discharging such claim or suit shall be an item of Unit Expense. If a claim is made against any Working Interest Owner or if any Working Interest Owner is sued on account of any matter arising from Unit Operations over which such Working Interest Owner individually has no control because of the rights given Working Interest Owners and Unit Operator by this Unit

Operating Agreement and the Unit Agreement, the Working Interest Owner shall immediately notify the Unit Operator, and the claim or suit shall be treated as any other claim or suit involving Unit Operations.

13.3 Notice of Loss. Unit Operator shall report to Working Interest Owners as soon as practicable after each occurrence, damage or loss to Unit Equipment, and each accident, occurrence, claim or suit involving third-party bodily injury or property damage not covered by insurance carried for the benefit of Working Interest Owners.

ARTICLE 14

NONDISCRIMINATION

14.1 Nondiscrimination. During the performance of work under this Unit Operating Agreement, Unit Operator agrees to comply with all of the provisions of Subsections (1) through (7) of Section 202, Executive Order 11246 of September 24, 1965, as amended by Executive Order 11375 of October 13, 1967, and as subsequently amended, which are hereby incorporated by reference in this Unit Operating Agreement.

ARTICLE 15

NOTICES

15.1 Notices. All notices required hereunder shall be in writing and shall be deemed to have been properly served when sent by mail or telegram to the address of the representative of each Working Interest Owner as furnished to Unit Operator in accordance with Article 4.

ARTICLE 16

WITHDRAWAL OF WORKING INTEREST OWNER

16.1 Withdrawal. A Working Interest Owner may withdraw from this Unit Operating Agreement by transferring, without warranty of title either express or implied, to the Working Interest Owners who do not desire to withdraw all its Oil and Gas Rights, exclusive of Royalty Interests, together with its interest in all Unit Equipment and in all wells used in Unit Operations, provided that such transfer shall not relieve such Working Interest Owner from any obligation or liability incurred prior to the first day of the month following receipt by Unit Operator of such

transfer. The delivery of the transfer shall be made to Unit Operator for the transferees. The transferred interest shall be owned by the transferees in proportion to their respective Unit Participations. The transferees, in proportion to the respective interests so acquired, shall pay the transferor for its interest in Unit Equipment, the salvage value thereof less its share of the estimated cost of salvaging same, and of plugging and abandoning all wells then being used or held for Unit Operations, as determined by Working Interest Owners. In the event such withdrawing owner's interest in the aforesaid salvage value is less than such owner's share of such estimated costs, the withdrawing owner, as a condition precedent to withdrawal, shall pay the Unit Operator, for the benefit of Working Interest Owners succeeding to its interest, a sum equal to the deficiency. Within sixty (60) days after receiving delivery of the transfer, Unit Operator shall render a final statement to the withdrawing owner for its share of Unit Expense, including any deficiency in salvage value, as determined by Working Interest Owners, incurred as of the first day of the month following the date of receipt of the transfer. Provided all Unit Expense, including any deficiency hereunder, due from the withdrawing owner has been paid in full within thirty (30) days after the rendering of such final statement by the Unit Operator, the transfer shall be effective the first day of the month following its receipt by Unit Operator and, as of such effective date, withdrawing owner shall be relieved from all further obligations and liabilities hereunder and under the Unit Agreement, and the rights of the withdrawing Working Interest owner hereunder and under the Unit Agreement shall cease insofar as they existed by virtue of the interest transferred.

16.2 Limitation on Withdrawal. Notwithstanding anything set forth in Article 16.1, Working Interest Owners may refuse to permit the withdrawal of a Working Interest Owner if its Working Interest is burdened by any royalties, overriding royalties, production payments, net proceeds interest, carried interest, or any other interest created out of the Working Interest in excess of existing Land Owner's Royalty, unless the other Working Interest Owners willing to accept the assignment agree to accept the Working Interest subject to such burdens.

ARTICLE 17

ABANDONMENT OF WELLS

17.1 Rights of Former Owners. If Working Interest Owners determine to permanently

abandon any well within the Unit Area prior to termination of the Unit Agreement, the Unit Operator shall give written notice thereof to the Working Interest Owners of the Allocation Unit on which the well is located, and they shall have the option for a period of sixty (60) days after the sending of such notice to notify the Unit Operator in writing of their election to take over and own the well. Within ten (10) days after the Working Interest Owners of the Allocation Unit have notified Unit Operator of their election to take over the well, they shall pay Unit Operator, for credit to the joint account, the amount determined by Working Interest Owners to be the net salvage value of the casing and equipment, through the wellhead, in and on the well. The Working Interest Owners of the Allocation Unit, by taking over the well, agree to seal off the Unitized Formation, and upon abandonment to plug the well in compliance with applicable laws and regulations.

17.2 Plugging. If the Working Interest owners of an Allocation Unit do not elect, in accordance with the voting procedure of Article 4.3.2, to take over a well located within the Unit Area that is proposed for abandonment, Unit Operator shall plug and abandon the well in compliance with applicable laws and regulations.

ARTICLE 18

EFFECTIVE DATE AND TERM

18.1 Effective Date. This Unit Operating Agreement shall become effective when the Unit Agreement becomes effective.

18.2 Term. This Unit Operating Agreement shall continue in effect so long as the Unit Agreement remains in effect, and thereafter until (a) all Unit wells have been plugged and abandoned or turned over to Working Interest Owners in accordance with Article 19; (b) all Unit Equipment and real property acquired for the joint account have been disposed of by Unit Operator in accordance with instructions of Working Interest Owners; and (c) there has been a final accounting.

ARTICLE 19

ABANDONMENT OF OPERATIONS

19.1 Termination. Upon termination of the Unit Agreement, the following will occur:

19.1.1 Oil and Gas Rights. Oil and Gas Rights in and to each separate Allocation Unit shall no longer be affected by this Unit Operating Agreement, and thereafter the parties shall be governed by the terms and provisions of the leases, contracts and other instruments affecting the separate Allocation Units.

19.1.2 Right to Operate. Working Interest Owners within any Allocation Unit that desire to take over and to continue to operate wells located thereon may do so by paying Unit Operator, for credit to the joint account, the net salvage value, as determined by Working Interest Owners, of the casing and equipment, through the wellhead, in and on the wells taken over and by agreeing upon abandonment to plug each well in compliance with applicable laws and regulations.

19.1.3 Salvaging Wells. Unit Operator shall salvage as much of the casing and equipment in or on wells not taken over by Working Interest Owners of separate Allocation Units as can economically and reasonably be salvaged, and shall cause the wells to be plugged and abandoned in compliance with applicable laws and regulations.

19.1.4 Cost of Abandonment. The cost of abandonment of Unit Operations shall be Unit Expense.

19.1.5 Distribution of Assets. Working Interest Owners shall share in the distribution of Unit Equipment, or the proceeds thereof, in proportion to their Unit Participations.

ARTICLE 20

APPROVAL

20.1 Original, Counterpart or Other Instrument. An owner of a Working Interest may approve this Unit Operating Agreement by signing the original, a counterpart thereof or other instrument approving this Unit Operating Agreement. The signing of any such instrument shall have the same effect as if all Persons had signed the same instrument.

ARTICLE 21

SUCCESSORS AND ASSIGNS

21.1 Successors and Assigns. This Unit Operating Agreement shall extend to, be

binding upon, and inure to the benefit of the Persons hereto and their respective heirs, devisees, legal representatives, successors and assigns, and shall constitute a covenant running with the lands, leases and interests covered hereby.

IN WITNESS WHEREOF, this Unit Operating Agreement is approved on the dates opposite the respective signatures.

[remainder of page intentionally left blank]

SAGA PETROLEUM CORP. (WORKING INTEREST
OWNER)

By _____

Address: _____

STATE OF COLORADO)
)
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me by
_____, _____ as _____
of _____.

This _____ day of _____, 2011.

WITNESS my hand and official seal.

My commission Expires: _____

Notary Public

RUSH WILLADEL J SAND UNIT OPERATING AGREEMENT
WASHINGTON COUNTY, COLORADO

EXHIBIT "D"
ATTACHED TO AND MADE A PART OF THE UNIT OPERATING AGREEMENT FOR THE
RUSH WILLADEL ("J" SAND) UNIT AREA
WASHINGTON COUNTY, COLORADO
WORKING INTEREST OWNERS

*Working Interest Ownership based on
Acreage Percentage in Unit Area*

Total Acres in Unit		720.00			
TRACT:		1	2	3	TOTAL
Acres in Tract:		320.00	320.00	80.00	720.00
Saga Petroleum Corp. Headington Oil Co LP Logos Capital Management	44.444444%	44.444444%	44.444444%	9.259259%	98.148148%
	0.000000%	0.000000%	0.000000%	1.744474%	1.744474%
	0.000000%	0.000000%	0.000000%	0.107378%	0.107378%
	TOTALS	44.444444%	44.444444%	11.111111%	100.000000%

*Working Interest Ownership in each
Allocation Unit*

TRACT:		1	2	3
Saga Petroleum Corp. Headington Oil Co LP Logos Capital Management	100.000000%	100.000000%	83.333330%	
	0.000000%	0.000000%	15.700270%	
	0.000000%	0.000000%	0.966400%	
	TOTALS	100.000000%	100.000000%	100.000000%