



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
ROSWELL FIELD OFFICE
2909 West Second Street
Roswell, New Mexico 88201-2019

IN REPLY REFER
NMNM101360X
3180 (06200)

FEB 01 1998

GP II Energy, Inc.
Attention: M. A. (Manny) Sirgo III
P. O. Box 50682
Midland, TX 79710

Gentlemen:

Your application of December 18, 1998, filed with the BLM requests the designation of the North Square Lake Unit area, embracing 6125.30 acres, more or less, Eddy County, New Mexico, as logically subject to secondary recovery operations under the unitization provisions of the Mineral Leasing Act as amended.

Pursuant to unit plan regulations 43 CFR 3180, the land requested as outlined on your plat marked Exhibit A, GP II Energy, Inc., North Square Lake Unit, Eddy County, New Mexico, is hereby designated as a logical unit area and has been assigned No. NMNM101360X. This designation is valid for a period from one year from the date of this letter.

Waterflooding will be limited to the following interval: That interval underlying the Unit Area, the vertical limits of which extend from the top of the Grayburg formation to the base of the San Andres formation as seen on the Type Log from the Zephyr ZQ State #1 located at 330' FNL and 2310' FEL, Section 32, T. 16 S., R. 31 E., and is that interval which is correlative to the interval from 3050' to 4206' below the surface measured from the derrick floor. The derrick floor elevation is 3937.5'.

Your basis for allocation of unitized substances and your proposed form of unit agreement are acceptable, however, the total acreage shown on page 2, section 2 (a) of the agreement should be changed to 6125.30 acres. Corrections that need to be made to the enclosed Exhibits "A" and "B" are marked in red. Exhibits "B-2" and "c" also need to be revised to reflect the tracts that have changed numbers and the correct unit acreage.

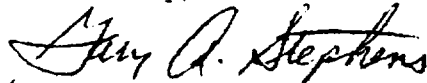
If conditions are such that modification of said standard form is deemed necessary, two copies of the proposed modifications with appropriate justification must be submitted to this office for preliminary approval.

In the absence of any type of land requiring special provisions or any objections not now apparent, a duly executed agreement identical with said form, modified as outline above, will be approved if submitted in approvable status within a reasonable period of time. However, notice is hereby given that the right is reserved to deny approval of any executed agreement submitted which in our opinion, does not have the full commitment of sufficient lands to afford effective control of operations in the unit area.

When the executed agreement is transmitted to the BLM for final approval, include the latest status of all acreage. In preparation of Exhibits "A" and "B", follow closely the format of the sample exhibits attached to the reprint of the aforementioned form. You will also need to submit an initial Plan of Operations and a list showing the old well names and numbers and the new well names and numbers.

Inasmuch as this unit agreement involves State land, we are sending a copy of the letter to the Commissioner of Public Lands. Please contact the State of New Mexico before soliciting joinders regardless of prior contacts or clearances from the state.

Sincerely,



Gary A. Stephens
Acting Assistant Field Office Manager,
Lands and Minerals

Enclosures

**BEFORE THE
OIL CONSERVATION DIVISION**
Santa Fe, New Mexico

Case Nos. 12112 and 12113 Exhibit No. 5

Submitted by: GP II Energy, Inc.

Hearing Date: February 4, 1999