

BEFORE THE OIL CONSERVATION DIVISION
ENERGY AND MINERALS DEPARTMENT
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION :
OF ARMSTRONG ENERGY CORPORATION :
FOR APPROVAL OF THE BLUE LAGOON : Case No. 8672
UNIT AGREEMENT, LEA COUNTY, NEW :
MEXICO :

APPLICATION

COMES NOW ARMSTRONG ENERGY CORPORATION by its attorney and respectfully states:

1. Applicant seeks approval of the proposed unit agreement for development and operation of the Blue Lagoon Unit, Lea County, New Mexico.

2. The proposed unit area covered by said unit agreement is as follows:

Township 11 South, Range 34 East, N.M.P.M.

Section 26: S/2
Section 27: All
Section 34: All

Containing 1,600.00 acres, more or less,
from the surface to all depths.

3. The mineral ownership within the proposed unit area is as follows:

State of New Mexico ----- All

4. Applicant is informed and believes, and upon such information and belief, states that the proposed unit area covers all or substantially all of the geological features involved, and that in the event of a discovery of oil and gas thereon, that said unit agreement will permit the

producing area to be developed or operated in the interest of conservation and the prevention of waste of unitized substances.

5. Applicant is designated as the unit operator in said unit agreement, and, as such, is given authority under the terms thereof to carry on all operations necessary for the development and operation of the unit area for oil and gas subject to all applicable laws and regulations.

6. Said unit agreement provides for the drilling of an initial test well to a depth sufficient to test the Cisco formation, but applicant is not obligated to drill said well in any event to a depth in excess of 10,500 feet.

7. Applicant believes that in the event oil or gas is discovered in paying quantities on lands within the unit area, that the field or area can be developed more economically and efficiently under the terms of said unit agreement, to the end that maximum recovery will be obtained of unitized substances, and that said unit agreement will promote conservation and the prevention of waste as contemplated by the statutes of the State of New Mexico and the rules and regulations of the division.

8. Upon an order being entered by the division approving said unit agreement, and after approval of the same by the Commissioner of Public Lands of the State of New Mexico, an approved copy will be filed with the division.

WHEREFORE, applicant respectfully requests:

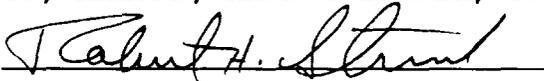
A. That this application be set for a hearing before an examiner and that notice of said hearing be given as required by law.

B. That upon such hearing, the division enter its order approving said unit agreement as being in the interest of conservation and the prevention of waste.

C. For such further relief as the division deems just and proper.

DATED this 1st day of August, 1985.

ATWOOD, MALONE, MANN & TURNER, P.A.

By: 

Attorneys for Applicant
Post Office Drawer 700
Roswell, New Mexico 88201
(505) 622-6221