



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Roswell District Office

P.O. Box 1397

Roswell, New Mexico 88202-1397



IN REPLY
REFER TO:

Muley Unit
3180 (065)

Bill Seltzer
214 W. Texas, Suite 507
Midland, Texas 79701

Gentlemen:

Your application of January 6, 1992, filed with the BLM on behalf of Collins & Ware, Inc., requests the designation of the Muley Unit area, embracing 5757.40 acres, more or less, Eddy County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act as amended, for all formations.

Pursuant to unit plan regulations 43 CFR 3180, the land requested as outlined on your plat marked Collins & Ware, Inc., Muley Unit, Eddy County, New Mexico, is hereby designated as a logical unit area. This designation is valid for a period of one year from the date of this letter.

The unit agreement submitted for the area designated should provide for a well to test the Strawn formation or to a depth of 10,000 feet. Your proposed use of the Form of Agreement for Unproved Areas will be accepted with the addition of Section 17B to Section 17 of the Unit Agreement as requested by the Bureau of Land Management.

If conditions are such that further modification of said standard form is deemed necessary, three 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 outlined 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 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.

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

Sincerely,

A handwritten signature in dark ink, appearing to read "Armando A. Lopez". The signature is fluid and cursive, with the first name being the most prominent.

For Armando A. Lopez
Assistant District Manager,
Minerals

Enclosure

Add to Section 17 of Unit Agreement

17 (B) In order to compensate the United States for drainage from any unleased Federal lands sharing a common pool or deposit with land in the participating area, 12½ percent of the production that would be attributable to such Federal lands under section 12 of this agreement, if they were leased, committed, and within the participating area, shall be payable as compensatory royalties to the Federal Government beginning on the last day of the calendar month next following the calendar month of production under the Bureau of Land Management's case recordation number for the participating area. Payment shall accrue from the date of first production of unitized substances from the participating area (or participating area expansion) sharing a common pool or deposit with the unleased Federal lands. If leased Federal lands that share in actual production allocation from the participating area become unleased, the payment shall accrue from the date the Federal lands become unleased. Payment due under this provision shall end when the unleased Federal tract is leased, or when production of unitized substances ceases within the participating area sharing a common pool with the unleased Federal tract, whichever occurs first.