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BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION

APPLICATION OF AMERICAN QUASAR
PETROLEUM CO. OF NEW MEXICO FOR
APPROVAL OF A UNIT AGREEMENT AND
FOR APPROVAL OF AN UNORTHODOX GAS
WELL LOCATION, LEA COUNTY, NEW
MEXICO

Case No. 4518

A P P L I C A T I O N

Comes now AMERICAN QUASAR PETROLEUM CO. OF NEW MEXICO by its attorneys and applies for approval of the VACA DRAW UNIT Agreement and for approval of an unorthodox gas well location for the initial test well in said Unit, and in support of its application states:

1. The proposed Vaca Draw Unit comprises all of Sections 8, 9, 10, 15, 16, 17, 20, 21, 22, 27, 28 and 29, T. 25 S., R. 33 E., Lea County, New Mexico, comprising 7,680 acres, more or less, of Federal, State and fee lands.

2. The proposed Vaca Draw Unit is governed by the Vaca Draw Unit Agreement which designates American Quasar Petroleum Co. of New Mexico, 606 Vaughn Building, Midland, Texas 79701, as the unit operator. The Unit Agreement contemplates the drilling of an initial test well to a depth of 18,500 feet or to the Devonian Formation. The proposed unit is North of and adjacent to the Red Hills Unit, as contracted.

3. The initial test well for the proposed unit is projected as a gas well 660 feet from the North line and 760 feet from the East line, in the NE/4 NE/4 of Section 28, T. 25 S., R. 33 E., Lea County, New Mexico. Although this well is projected to 18,500 feet or to the Devonian Formation it is probable that production will be obtained in the Wolfcamp Formation. The proposed location ^{for} ~~from~~ the said well would be unorthodox under the special rules and regulations established

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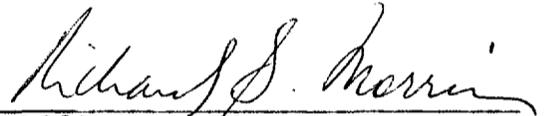
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for the Red Hills-Wolfcamp Gas Pool by Order No. R-3073.

4. Applicant seeks approval of the proposed Unit Agreement and further seeks approval of the proposed unorthodox location for its initial test well therein. Approval of this application will prevent waste, protect correlative rights, prevent the drilling of unnecessary wells and enable the unit operator to achieve an optimum location for the initial test well for this unit.

WHEREFORE, applicant requests that this application be set for hearing before the Commission or one of its examiners and that the Commission enter its order approving the Vaca Draw Unit Agreement and the unorthodox location for the initial test well therein, all as set forth herein.

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