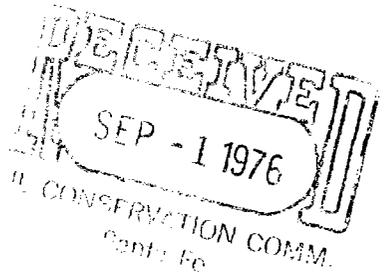


BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
APPLICATION FOR APPROVAL OF
BRINNINSTOOL UNIT AGREEMENT
LEA COUNTY, NEW MEXICO



New Mexico Oil Conservation Commission

Santa Fe, New Mexico 87501

Comes the undersigned, American Quasar Petroleum Co. of New Mexico at Midland, Texas, and files herewith one copy of the proposed Unit Agreement for the development and operation of the Brinninstool Unit Area, Lea County, New Mexico, and hereby makes application for approval of said Unit Agreement as provided by law, and in support thereof, states:

1. That the proposed Unit Area covered by said Agreement embraces 5,743.04 acres of land, more or less, more particularly described as follows:

DESCRIPTION

Township 23 South, Range 33 East, NMPM
Section 17: All
Section 18: All
Section 19: All
Section 20: All
Section 21: All
Section 22: All
Section 27: All
Section 28: All
Section 29: All

2. That of the lands embraced within the proposed unit, 2,471.40 acres are State of New Mexico Lands, being 43.033% of the Area, 3,271.64 acres are Lands of the United States, being 56.967% of the Area. There are no patented or fee lands in the Unit area.

3. That Application has been made to The United States Geological Survey for designation of the Brinninstool Unit Area as logically subject to unitization, and for approval of the depth of the initial test well, and such approval is anticipated in the immediate future.

4. That Application is being made for the designation of said area and for approval of the form of Unit Agreement by the Commissioner of Public Lands, State of New Mexico.

5. That 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 feature involved, and that in the event of a discovery of oil or gas thereon, that said Unit Agreement will permit the producing area to be developed and operated in the interest of conservation and the prevention of waste of the unitized substances.

6. That American Quasar Petroleum Co. of New Mexico 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. That said Unit Agreement provides for the drilling of an Initial Test Well to a depth sufficient to penetrate the Chester formation, but applicant is not obligated to drill said well in any event to a depth in excess of 15,800 feet.

7. That 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 is in the interest of conservation of prevention of waste as contemplated by the New Mexico Oil Conservation rules and regulations. State of New Mexico Lease No. K-6521, covering the S/2 and NW/4 of Section 27 of the Unit Area will expire on November 15, 1976 in the absence of operations or production on said date, and most of the other leases in the proposed Unit Area are due to expire in 1977 and 1978, all of which practically prohibit the orderly exploration and development of the area on an individual lease basis.

8. The American Quasar Petroleum Co. of New Mexico No. 1 Federal Brinninstool, located in the NW/4 of Section 20 of the Unit Area, was completed in 1975 from the Middle Morrow Formation with a CAOF of 22,700 MCFGPD, and presently produces at the rate of approximately 4,000 MCFGPD. It is understood that the qualification of this well as a Unit Well shall not be considered unless and until a well producing in paying quantities has been completed in accordance with Section 9 of the Unit Agreement. Accordingly, the following paragraph has been added to Section 11, Participation After Discovery, of said Unit Agreement:

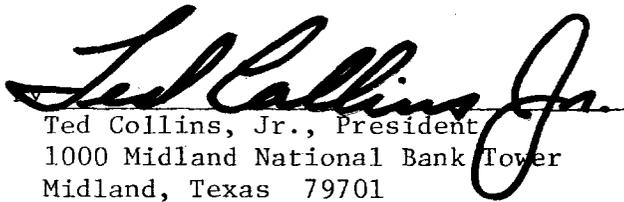
"Determination as to whether a well completed within the unit area prior to the effective date of this agreement is capable of producing unitized substances in paying quantities shall be deferred until an initial participating area is established as the result of the completion of a well for production in paying quantities in accordance with Section 9 hereof."

9. That upon an order being entered by the New Mexico Oil Conservation Commission approving said Unit Agreement, and after approval thereof by the Commissioner of Public Lands of the State of New Mexico and after approval by the United States Department of Interior, an approved copy will be filed with the New Mexico Oil Conservation Commission.

10. Wherefore, the undersigned applicant respectfully requests that a hearing be held before an examiner on the matter of said Unit Agreement, and that upon said hearing, said Unit Agreement be approved by the New Mexico Oil Conservation Commission as being in the interest of conservation and the prevention of waste. Applicant respectfully requests that his matter be heard at the hearing scheduled for September 15, 1976.

Dated this August 31, 1976.

AMERICAN QUASAR PETROLEUM CO. OF NEW MEXICO


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