



JIM BACA
COMMISSIONER

State of New Mexico
OFFICE OF THE
Commissioner of Public Lands
Santa Fe

P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

February 4, 1992

Bill Seltzer
214 West Texas, Suite 507
Midland, Texas 79701

Re: Proposed Muley Unit Area
Collins & Ware, Inc.
Eddy County, New Mexico

Dear Mr. Seltzer:

This office has reviewed the unexecuted copy of unit agreement, which you have submitted on behalf of Collins & Ware, Inc., for the proposed Muley Unit Area, Chaves County, New Mexico. This agreement meets the general requirements of the Commissioner of Public Lands and has this date granted you preliminary approval as to form and content.

Our preliminary approval of the unit area is given with the condition that the third well drilled in the unit must be drilled on State Trust Lands.

Preliminary approval shall not be construed to mean final approval of this agreement in any way and will not extend any short term leases, until final approval and an effective date have been given. Also, any well commenced prior to the effective date of this agreement which penetrates its objective horizon prior to said effective date shall not be construed as the initial test well.

When submitting your agreement for final approval, please submit the following:

1. Application for final approval by the Commissioner setting forth the tracts that have been committed and the tracts that have not been committed.
2. All ratifications from the Lessees of Record and Working Interest Owners. All signatures should be acknowledged by a notary and one set must contain original signatures.
3. Order of the New Mexico Oil Conservation Division. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division.

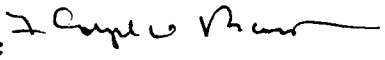
Bill Seltzer
February 3, 1992
Page 2

4. Approval letter from the Bureau of Land Management. Our Approval will be subject to like approval by the Bureau of Land Management.
5. On Exhibit "B" Tract No. 9, the correct lessee of record for lease No. V-2837 is Yates Petroleum Corp. (100%)
6. On Exhibits "A" and "B" Tract Nos. 11, 12 and 13, the correct lessee of record, for these tracts is Pacific Enterprises Oil Company. (Delete Collins & Ware, Inc.)
7. On Exhibit "B", Tract No. 13, the correct lease number for this tract is V-3553.
8. At the end of Exhibit "B" please provide a recapitulation of the total acreage broken down by State, Federal and Fee lands and their percentage equivalent.
9. A copy of the Unit Operating Agreement.

If you have any questions, or if we can be of further help, please contact Pete Martinez at (505) 827-5791. Your filing fee in the amount of \$270.00 has been received.

Very truly yours,

JIM BACA
COMMISSIONER OF PUBLIC LANDS

BY: 
FLOYD O. PRANDO, Director
Oil/Gas and Minerals Division
(505) 827-5744
JB/FOP/pm
encls.
cc: Reader File

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

RECEIVED
FEB 13 1992
CAMPBELL & BLACK

CASE NO. 10438
ORDER NO. R-9638

APPLICATION OF COLLINS & WARE,
INC. FOR A UNIT AGREEMENT,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION:

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 6, 1992, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 12th day of February, 1992, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Collins & Ware, Inc., seeks approval of the Muley Unit Agreement for all oil and gas in any and all formations underlying the following described 5,757.4 acres, more or less, of Federal, State and Fee Lands in Eddy County, New Mexico:

TOWNSHIP 23 SOUTH, RANGE 25 EAST, NMPM

Sections 25 through 28: All
Sections 33 through 36: All

TOWNSHIP 23 SOUTH, RANGE 26 EAST, NMPM

Section 30: All

(3) No interested party appeared and objected to the proposed unit agreement.

(4) All plans of development and operation, and creations, expansions or contractions of participating areas, or expansions or contractions of the unit area should be submitted to the Director of the Division for approval.

(5) Approval of the proposed unit agreement should promote the prevention of waste and protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Muley Unit Agreement is hereby approved for all oil and gas in any and all formations underlying the following described 5757.4-acres, more or less, of Federal, State and Fee Lands in Eddy County, New Mexico:

TOWNSHIP 23 SOUTH, RANGE 25 EAST, NMPM

Sections 25 through 28: All

Sections 33 through 36: All

TOWNSHIP 23 SOUTH, RANGE 26 EAST, NMPM

Section 30: All

(2) The plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided however, notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty or obligation which is now, or may hereafter be, vested in the Division to supervise and control operations for the unit and production of oil and gas therefrom.

(2) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; in the event of subsequent joinder by any other party or expansion or contraction of the unit area, the unit operator shall file with the Division, within 30 days thereafter, counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

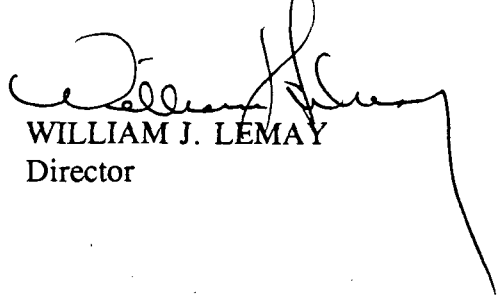
(3) All plans of development and operation, all unit participating areas and expansions or contractions of the unit area, shall be submitted to the Director of the Oil Conservation Division for approval.

(4) This order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the appropriate agency of the United States Department of the Interior; this order shall terminate ipso facto upon the termination of said unit agreement; and the last unit operator shall notify the Division immediately in writing of such termination.

(5) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

S E A L

O'BRIANT ENGINEERING

P. O. Box 10487
915-683-5511
(24 Hr. Ans.)

Midland, Texas 79702
915-683-3172

February 13, 1992

Bureau of Land Management - USGS
Box 1778
Carlsbad, NM 88220

SUBJECT: Notice of Staking
Collins & Ware, Inc. Muley Federal No. 1
1433' FSL & 1459' FEL Sec. 26, T23S, R25E
Eddy County, New Mexico

Attached are three Notice of Staking forms for the subject well that have been revised as to Surface Location, Formation Objectives and Estimated Well Depth. We apologize for any inconvenience this correction may have caused.

Yours very truly,



G. Thane Akins, P.E.
Agent for Collins & Ware, Inc.

GTA/kb

NOTICE OF STAKING

(Not to be used in place of Application for Permit to Drill Form 3160-3)

1. Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other <input type="checkbox"/> (Specify)		6. Lease Number NM 51073	
2. Name of Operator: Collins & Ware, Inc. 303 W. Wall, Ste. 2200 Midland, TX 79701		7. If Indian, Allottee or Tribe Name	
3. Name of Specific Contact Person: G. Thane Akins - O'Briant Engineering		8. Unit Agreement Name	
4. Address & Phone No. of Operator or Agent P.O. Box 10487 Midland, TX 79702		9. Farm or Lease Name Muley Federal	
5. Surface Location of Well 1433' FSL & 1459' FEL of Sec. 26 Attach: a) Sketch showing road entry into pad, pad dimensions, and reserve pit. b) Topographical or other acceptable map showing location, access road, and lease boundaries.		10. Well No. 1	
		11. Field or Wildcat Name Undes. Horseshoe Bend	
		12. Sec., T., R., M., or Blk and Survey or Area Sec. 26, T23S, R25E	
15. Formation Objective(s) Strawn - Morrow	16. Estimated Well Depth 12200'	13. County, Parish or Borough Eddy	14. State New Mexico

17. Additional Information (as appropriate; must include surface owner's name, address, and telephone number).

City of Carlsbad, City Hall, Carlsbad, NM 88220 (c/o Don Patterson 887-1191)

18. Signed G. Thane Akins Title Agent Date 2/13/92
G. Thane Akins

Note: Upon receipt of this Notice, the Bureau of Land Management (BLM) will schedule the date of the onsite predrill inspection and notify you accordingly. The location must be staked and access road must be flagged prior to the onsite.

Operators must consider the following prior to the onsite:

- a) H2S Potential
- b) Cultural Resources (Archeology)
- c) Federal Right of Way or Special Use Permit

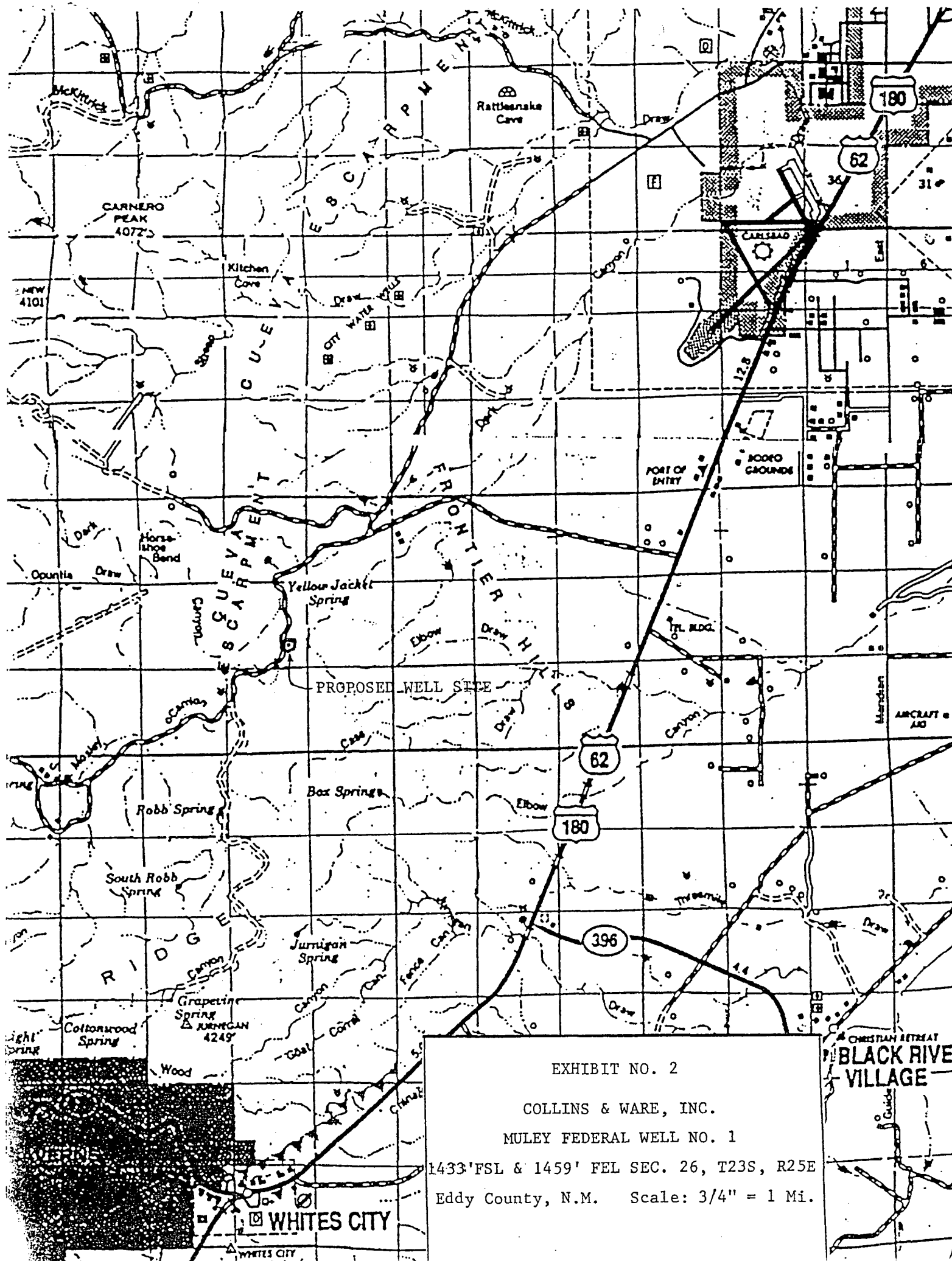


EXHIBIT NO. 2

COLLINS & WARE, INC.

MULEY FEDERAL WELL NO. 1

1433' FSL & 1459' FEL SEC. 26, T23S, R25E
Eddy County, N.M. Scale: 3/4" = 1 Mi.

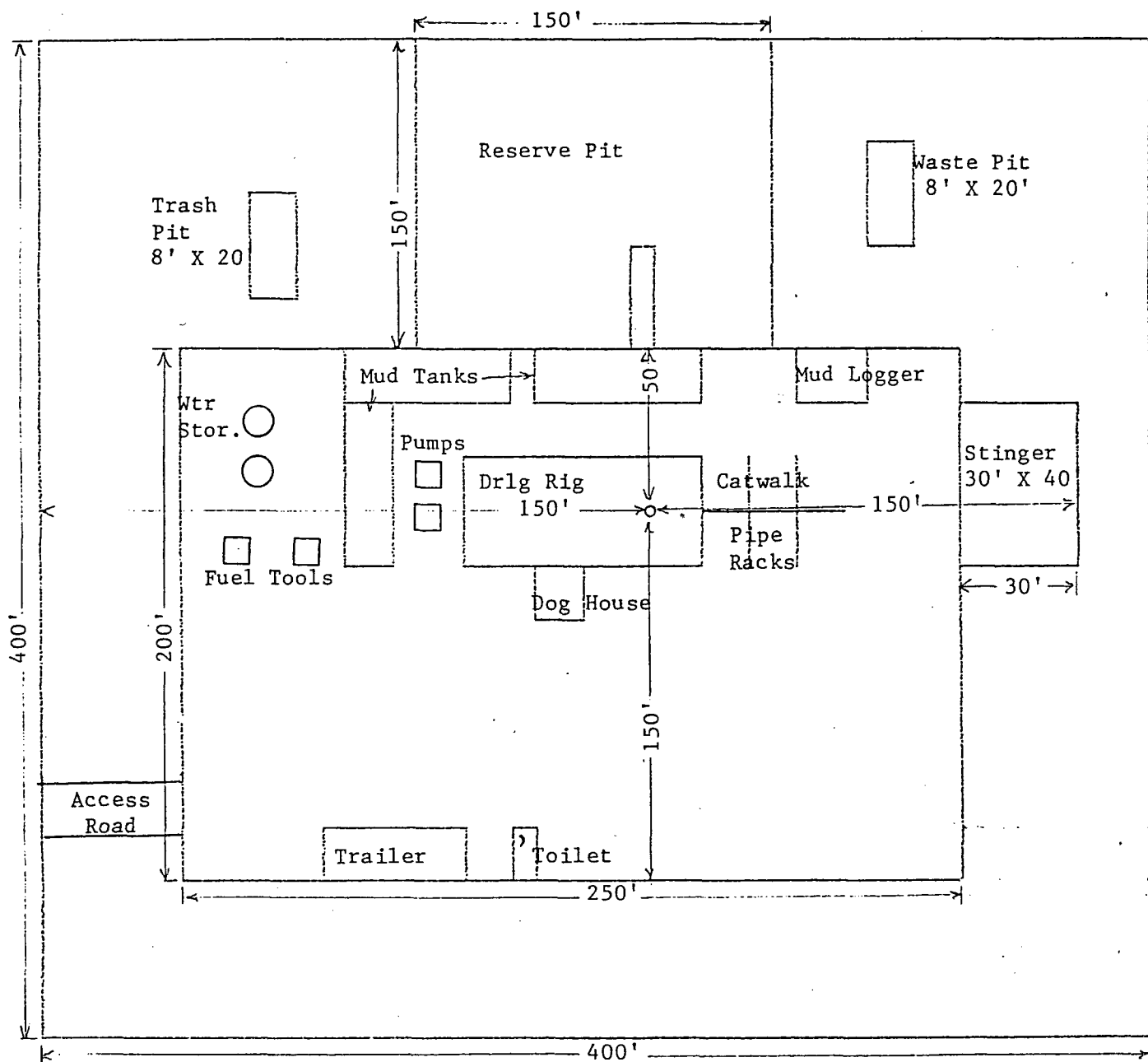


EXHIBIT NO. 5

DRILLING RIG LAYOUT

COLLINS & WARE, INC. MULEY FEDERAL NO. 1

Eddy County, New Mexico

Scale: None