

August 15, 1985



Southland Royalty Company

Mr. Frank Chavez
New Mexico Oil Conservation Division
1000 Rio Brazos
Aztec, New Mexico 87410

well file

RE: SRC-Federal PRI #1
UNIT Section 11, T29N, R12W
San Juan County, New Mexico

Dear Frank:

Please reference letter of August 12, 1985 from Charles Gholson of your office to James Smith in our Farmington office.

Attached is a letter sent to Producing Royalties, Inc. (PRI) in Lubbock, Texas concerning the disposition of the Federal PRI #1. We have been in communication with PRI by telephone, and they have indicated that if Southland Royalty recommends plugging the subject well, then they would like to take over the well. Southland Royalty's working interest in the Federal PRI #1 is 46.425%, with the remaining interest being held by PRI.

It is our contention that if the Dakota formation is subjected to foreign water invasion for a significant period of time, then the probability of regaining production is minimal. Since the subject well has been shut-in since 1982 when production ceased, it is doubtful that the estimated remaining Dakota reserves of approximately 900 MMCF can be recovered from the existing wellbore. A summary of the swabbing operations conducted during March and April of this year is attached.

Southland Royalty is recommending that the Federal PRI #1 be redrilled. We request that the fourteen day time limit specified by Mr. Gholson to initiate remedial action on the subject well be extended until we can get a reply from PRI. At such time, prompt action will be taken to workover or plug the well.

Please advise if further information is needed. Your cooperation is appreciated.

Sincerely,

David M. Blandford
David M. Blandford
Petroleum Engineer

EXTEND TO
OCT 26

DMB/eg
Attachment

XC: Lizz Taylor-SRC-Denver,CO

RECEIVED
AUG 16 1985
OIL CON. DIV. 1
DIST. 3