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W. THOMAS KELLAHIN*

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RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

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September 19, 1994

HAND DELIVERED

Mr. Michael E. Stogner
Chief Hearing Examiner
Oil Conservation Division
310 Old Santa Fe Trail, Room 219
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Maddox Com Well No. 100
all of Irregular Section 10, T32N, R11W, NMPM
Application of Southland Royalty Company for
Compulsory Pooling and an Unorthodox Coal-Gas
Well Location, San Juan County, New Mexico

Dear Mr. Stogner:

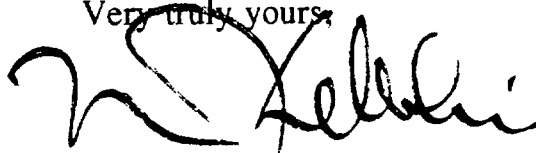
On behalf of Southland Royalty Company, please find enclosed our application for compulsory pooling and unorthodox coal gas well location which we request be set for hearing on the Examiner's docket now scheduled for October 13, 1994. Also enclosed is our proposed notice of publication for this case.

By copy of this letter, including the application, to all affected parties, we are notifying them by certified mail-return receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application.

Oil Conservation Division
September 19, 1994
Page 2.

Pursuant to the Division's Memorandum 2-90, all interested parties are hereby informed that if they appear in the case, then they are requested to file a Pre-Hearing Statement with the Division not later than 4:00 pm on Friday, October 7, 1994, with a copy delivered to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over the closing 'Very truly yours,'.

W. Thomas Kellahin

Enclosure

cc: Meridian Oil Inc.

BY CERTIFIED MAIL-RETURN RECEIPT REQUESTED

to: V. F. Neuhaus et al

PROPOSED ADVERTISEMENT FOR NMOCD DOCKET

CASE ____: Application of Southland Royalty Company for compulsory pooling and an unorthodox coal-gas well location, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests in the Basin Fruitland Coal Gas Pool underlying the all of irregular of Section 10, T32N, R11W, NMPM, San Juan County, New Mexico, forming a standard 355.60-acre coal-gas spacing and proration unit. Said unit is to be dedicated to Southland Royalty Company's Maddox Com Well No. 100 which is to be drilled at an unorthodox "off-pattern" coal gas well location 1905 feet FSL and 1210 feet FEL (Unit I) of said Section 10. Also to be considered will be the costs of participation in said well, including but not limited to the costs of drilling completing and operating the well, and the allocation of those costs and income therefor as well as actual operating costs and charges for supervision, and the designation of applicant as the operator of the well.

Said well is located approximately 6-1/2 miles northwest of Cedar Hills, New Mexico.

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

**IN THE MATTER OF THE APPLICATION
OF SOUTHLAND ROYALTY COMPANY
FOR COMPULSORY POOLING,
AND AN UNORTHODOX COAL-GAS WELL LOCATION
SAN JUAN COUNTY, NEW MEXICO.**

CASE NO. _____

A P P L I C A T I O N

Comes now SOUTHLAND ROYALTY COMPANY, by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests in the Basin Fruitland Coal Gas Pool underlying the all of irregular of Section 10, T32N, R11W, NMPM, San Juan County, New Mexico, forming a standard 355.60-acre coal-gas spacing and proration unit. Said unit is to be dedicated to Southland Royalty Company's Maddox Com Well No. 100 which is to be drilled at an unorthodox "off-pattern" coal gas well location 1905 feet FSL and 1210 feet FEL (Unit I) of said Section 10. Also to be considered will be the costs of participation in said well, including but not limited to the costs of drilling completing and operating the well, and the allocation of those costs and income therefor as well as actual operating costs and charges for supervision, and the designation of applicant as the operator of the well.

In support of its application, Southland Royalty Company ("Southland") states:

1. Southland has approximately a 39.1 % working interest ownership in the oil and gas minerals underlying all of irregular Section 10, T32N, R11W, NMPM, San Juan County, New Mexico.

2. For topographical reasons, Southland's Maddox Com Well No. 100 is to be drilled and completed at an unorthodox "off-pattern" coal-gas well location 1905 feet FSL and 1210 feet FEL (Unit I) of said Section 10 and is to be dedicated to a standard 355.60-acre coal-gas spacing and proration unit consisting of all of said Section for production from the Basin Fruitland Coal Gas Pool.
See Exhibit "A".

3. Southland has proposed to the other working interest owners that this well be drilled and completed as a potential production from the Basin Fruitland Coal Gas Pool.

4. Despite its good faith efforts, Southland has been unable to obtain a written voluntary agreement from the following working interest parties:

V. F. Neuhaus Properties, Inc.,
V. F. Neuhaus Martial Trust
Lee W. Kilgore Trust
Elsye Lee Kilgore Trust
Jewell M. Lanier

5. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of past and future production from the subject well and this spacing unit, Southland needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

6. In accordance with the Division's notice requirements, a copy of this application has been sent to those parties listed in Paragraph 4 above.


7. In accordance with the Division's notice requirements, a copy of this application has been sent to those offset operators listed on Exhibit "B" attached.

8. Southland requests that this matter be set for a hearing before the Division on the next available Examiner's docket now scheduled for October 13, 1994.

WHEREFORE, Southland, as applicant, requests that this application be set for hearing on October 13, 1994 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in this spacing unit for the recompletion and operations of the subject well at a standard gas well location upon terms and conditions which include:

- (1) Southland Royalty Company be named operator;
- (2) provisions for each working interest owner to participate in any Basin-Fruitland Coal Gas Pool production by reimbursing the applicant for the value of the costs of drilling completing and equipping and operating said well;
- (3) In the event a working interest owner fails to elect to participate, then provisions be made to recover out of production, reimbursement to the applicant for the value of the wellbore and for the costs of drilling, completing, equipping and operating the well, including a risk factor penalty of 200 %;
- (4) Provision for overhead rates of \$4,000 per month drilling and \$433 per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS; and
- (5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:


W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285

PROPOSED FRUITLAND COAL PRORATION UNIT

MERIDIAN OIL INC

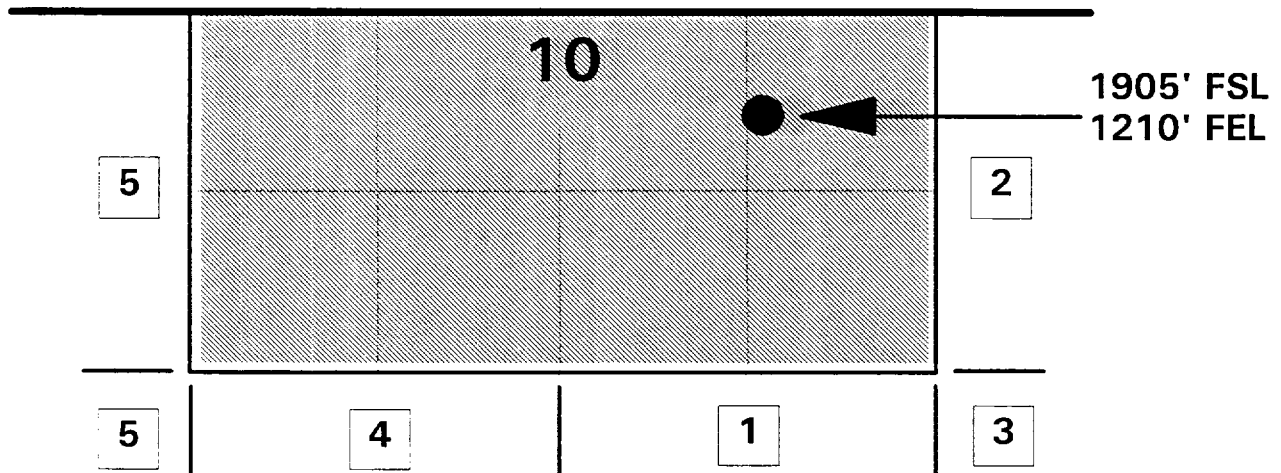
MADDOX COM #100

OFFSET OPERATOR \ OWNER PLAT

Off Pattern Fruitland Coal Well Location

Township 32 North, Range 11 West

COLORADO



1) Meridian Oil Inc

2) Southland Royalty Company

3) Southland Royalty Company &

Conoco, Inc. 10 Desta Drive, Suite 100W, Midland, TX 79705-4500

4) Conoco, Inc. 10 Desta Drive, Suite 100W, Midland, TX 79705-4500

5) Phillips Petroleum Company 5525 Highway 64, Farmington, NM 87401

**Maddox Com #100
Owner List**

V. F. Neuhas Properties, Inc. & Marital Trust
P. O. Drawer 1270
McAllen, TX 78505

Elyse Lee Kilgore Trust
Lee W. Kilgore Trust
c/o Ms. Donna Lisa Johnson, Trustee
1200 Melissa Court
Santa Rosa, CA 95409

Jewell M. Lanier Trust
c/o McAllen National Bank, Trustee
ATTN: Ms. H. Villarreal, Trust Ofcr.
P. O. Box 5555
McAllen, TX 78502-5555

Williams Production Company
Attn: Ms. Kris Russell
P.O. Box 58900
Salt Lake City, UT 84158-0900

Vastar Resources, Inc.
Attn: Ms. C. J. Shull
P. O. Box 1610
Midland, TX 79702-1610

Conoco Inc.
10 Desta Drive, Suite 100W
Midland, TX 79705-4500

Phillips Petroleum Company
5525 Hwy 64
Farmington, NM 87401

Robert L. & Maxine Maddox Rev. Trust
c/o Maxine Maddox, Trustee
224 Las Mananitas
Santa Fe, NM 87501

Piper Investments, Ltd.
7263 Pelona Ct. NE
Rio Rancho, NM 87124

Minerals Management Service
Royalty Management Program
P. O. Box 5810
Denver, CO 80217-5810

Bureau of Land Management
1235 La Plata Hwy
Farmington, NM 87401