

STATE 'DS' LEASE
SPENCER SAN ANDRES FIELD
LEA COUNTY, NEW MEXICO

LEASE PRODUCTION

<u>DATE</u>	<u>OIL (BBLs)</u>	<u>CUM OIL (BBLs)</u>	<u>GAS (MCF)</u>	<u>CUM GAS (MCF)</u>	<u>WATER (BBLs)</u>	<u>CUM WATER (BBLs)</u>
PRIOR CUM'S:		745539		219614		1780003
1989						
JAN	942	746481	1294	220908	5270	1785273
FEB	480	746961	213	221121	3890	1789163
MAR	887	747848	245	221366	5270	1794433
APR	616	748464	194	221560	4290	1798723
MAY	606	749070	280	221840	5270	1803993
JUN	415	749485	181	222021	4080	1808073
JUL	707	750192	266	222287	5270	1813343
AUG	681	750873	257	222544	5005	1818348
SEPT	683	751556	220	222764	4930	1823278
OCT	745	752301	246	223010	5270	1828548
NOV	479	752780	164	223174	4469	1833017
DEC	648	753428	174	223348	5270	1838287
TOTAL '89	7889		3734		58284	
1990						
JAN	722	754150	176	223524	5270	1843557
FEB	631	754781	208	223732	4760	1848317
MAR	691	755472	208	223940	5270	1853587
APR	663	756135	175	224115	4900	1858487
MAY	678	756813	164	224279	5270	1863757
JUN	602	757415	170	224449	4860	1868617
JUL	659	758074	214	224663	4170	1872787
AUG	643	758717	210	224873	4000	1876787
SEPT	652	759369	274	225147	4930	1881717
OCT	668	760037	228	225375	4250	1885967
NOV	645	760682	213	225588	5100	1891067
DEC	666	761348	196	225784	5270	1896337
TOTAL '90	7920		2436		58050	

STATE 'DS' LEASE

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LEASE PRODUCTION

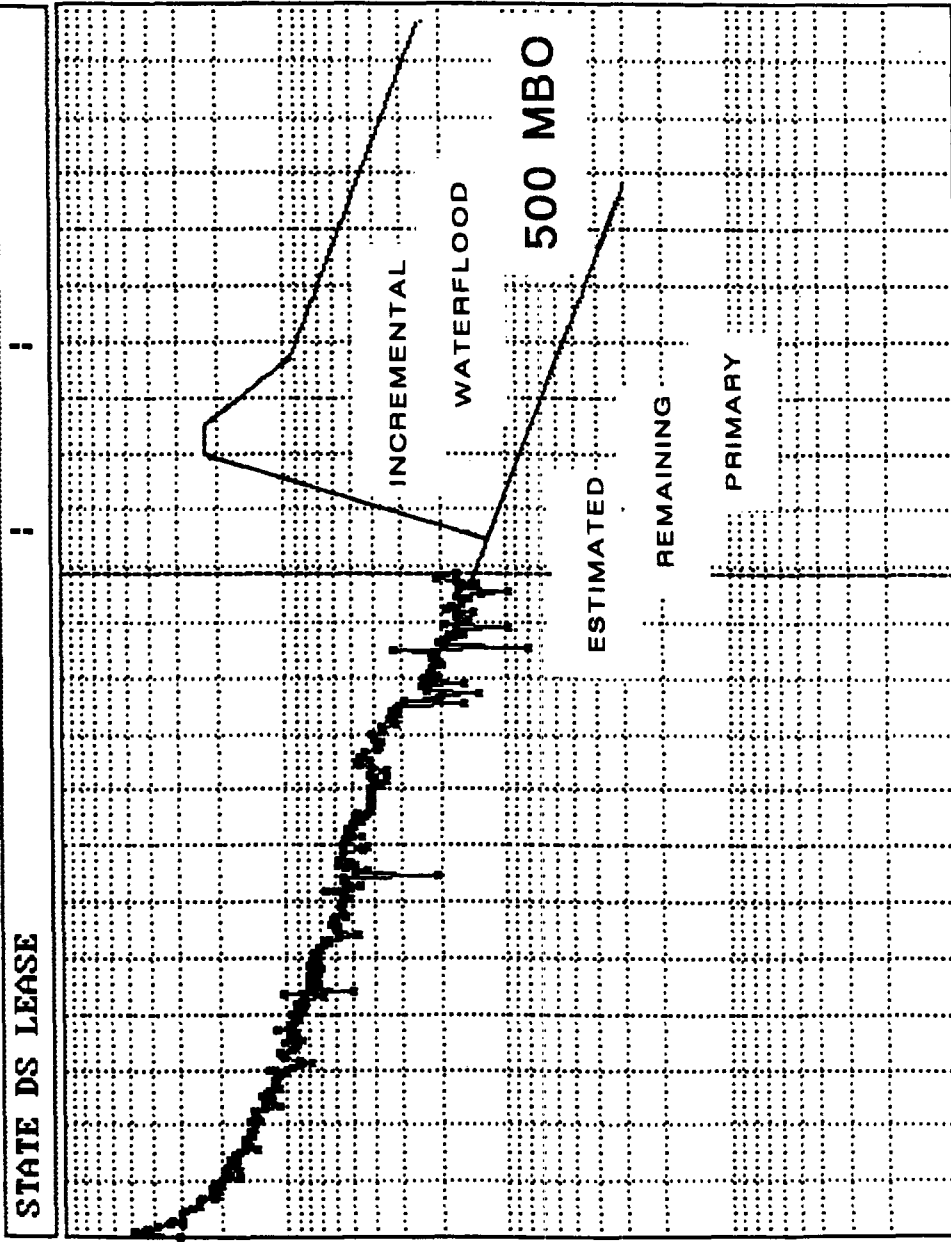
<u>DATE</u>	<u>OIL (BBLs)</u>	<u>CUM OIL (BBLs)</u>	<u>GAS (MCF)</u>	<u>CUM GAS (MCF)</u>	<u>WATER (BBLs)</u>	<u>CUM WATER (BBLs)</u>
1991						
JAN	1003	762351	205	225989	0	1896337
FEB	241	762592	237	226226	4707	1901044
MAR	594	763186	227	226453	340	1901384
APR	628	763814	283	226736	2210	1903594
MAY	568	764382	288	227024	3230	1906824
JUN	534	764916	283	227307	4250	1911074
JUL	475	765391	255	227562	2890	1913964
AUG	558	765949	285	227847	4760	1918724
SEPT	496	766445	284	228131	3060	1921784
OCT	515	766960	292	228423	3230	1925014
NOV	301	767261	130	228553	3570	1928584
DEC	590	767851	187	228740	4420	1933004
TOTAL '91	6503		2956		36667	
1992						
JAN	458	768309	217	228957	4060	1937064
FEB	458	768767	438	229395	3740	1940804
MAR	518	769285	300	229695	4930	1945734
APR	522	769807	227	229922	4434	1950168
MAY	431	770238	183	230105	4105	1954273
JUN	579	770817	244	230349	5100	1959373
JUL	572	771389	267	230616	5100	1964473
AUG	544	771933	296	230912	4930	1969403
SEPT	488	772421	436	231348	5100	1974503
OCT	491	772912	702	232050	5270	1979773
NOV	455	773367	233	232283	5100	1984873
DEC	522	773889	295	232578	5270	1990143
TOTAL '92	6038		3838		57139	

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1993						
JAN	397	774286	254	232832	5270	1995413
FEB	303	774589	100	232932	4607	2000020
MAR	498	775087	246	233178	5114	2005134
APR	495	775582	293	233471	4947	2010081
MAY	445	776027	281	233752	5270	2015351
JUN	422	776449	244	233996	3400	2018751
JUL	516	776965	255	234251	5270	2024021
AUG	631	777596	317	234568	5060	2029081
SEPT	598	778194	320	234888	5400	2034481
OCT	524	778718	221	235109	6497	2040978
NOV						
DEC						
TOTAL '93	4829		2531		50835	

PRIMARY PLUS



STATE DS LEASE

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PRIMARY

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710 x 00T
710 x 00T

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72 74 76 78 80 82 84 86 88 90 92 94 96 98 00 02 04 06 08 10 12 14

Major=OIL

WATERFLOOD

OIL /d
EUR= 1314323
Ref= 11/93
Cum= 778718
Q = 13.88
n = .0000
De= 10.600
Qab= 24.66
Rem= 535605
Yrs= 19.583
Qmo= 420.1
Act= .0

OIL /d
EUR= 814323
Ref= 11/93
Cum= 778718
Q = 13.87
n = .0000
De= 10.600
Qab= 2.96
Rem= 35605
Yrs= 13.833
Qmo= 420.1
Act= .0

STATE "DS" Lease
Lea County, New Mexico
EXHIBIT H

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

December 14, 1993

DEC 17 1993

Mr. William J. LeMay
Oil Conservation Division
State Land Office Building
310 Old Santa Fe Trail, 2nd Floor
Santa Fe, New Mexico 87501

HAND DELIVERED

Case 10891

Re: Application of Southland Royalty Company
for Approval of a Waterflood Project for
its State "DS" Leasehold and to Qualify
Said Project for the Recovered Oil Tax Rate
Pursuant to the "New Mexico Enhanced Oil Recovery
Act," Lea County, New Mexico

Dear Mr. LeMay:

On behalf of Southland Royalty Company, please find enclosed our referenced application which we request be set for hearing on the next available Examiner's docket now scheduled for January 6, 1994.

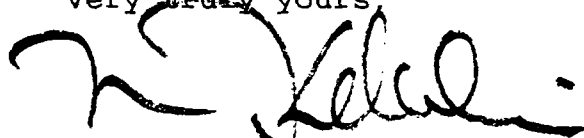
By copy of this letter and application, sent certified mail, we are notifying all interested parties within a 1/2 mile radius of the subject injection well of their right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application and that failure to appear at the hearing may preclude them from any involvement in this case at a later date.

Mr. William J. LeMay
December 14, 1993
Page Two

Pursuant to the Division's Memorandum 2-90, all parties are hereby informed that if they appear in this case, then they are requested to file a Pre-Hearing Statement with the Division not later than 4:00 PM on Friday, December 31, 1993, with a copy delivered to the undersigned.

Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over the typed name.

W. Thomas Kellahin

WTK/mg
Enclosure

cc: Southland Royalty Company and
By Certified Mail - Return Receipt
All Parties Listed on Form C-108

PROPOSED ADVERTISEMENT

CASE '089 Application of Southland Royalty Company for approval of a waterflood project and to qualify said project for the recovered oil tax rate pursuant to the Enhanced Oil Recovery Act, Lea County, New Mexico. Applicant seeks approval of its State "DS" Leasehold Waterflood Project by injection of water into the San Andres formation, Spencer-San Andres Pool, in a new project area consisting of 280 acres, more or less and being SW/4, W/2SE/4 and SE/4SE/4 of Section 24, T17S, R36E. Applicant further seeks to qualify this project for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Law 1992, Chapter 38, Sections 1 through 5). Said project is located approximately 6 miles west-northwest from Humble City, 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 APPROVAL OF A
WATERFLOOD PROJECT WITHIN ITS STATE "DS" LEASE
AND TO QUALIFY SAID PROJECT FOR THE RECOVERED
OIL TAX RATE PURSUANT TO THE "NEW MEXICO
ENHANCED OIL RECOVERY ACT,"
LEA COUNTY, NEW MEXICO

CASE NO 10891

A P P L I C A T I O N

Comes now SOUTHLAND ROYALTY COMPANY, by its attorneys, Kellahin & Kellahin, and pursuant to the New Mexico "Enhanced Oil Recovery Act" and Division Rule 701 applies to the New Mexico Oil Conservation Division for authority to institute a waterflood project within its State "DS" Lease by the injection of water into the San Andres formation of the Spencer San Andres Pool, Lea County, New Mexico and to qualify said project for the recovered oil tax rate for enhanced oil recovery and in support states:

(1) Southland Royalty Company ("Southland") is the current operator of the State "DS" Leasehold Waterflood Project, Spencer-San Andres Pool, Lea County, New Mexico ("proposed EOR Project") which is a new project consisting of SW/4, W/2SE/4 and SE/4SE/4 Section 24 of T17S, R36E, NMPM and described on Exhibit "A" attached.

Application of Meridian Oil Inc.
NMOCD
Page 2

(2) Within the project area, the working interests and royalty owners have voluntarily agreed upon a waterflood plan the objective of which is to successfully recover an estimated additional 500,000 barrels of oil from the Spencer-San Andres Pool.

(3) The remaining oil potential from the pool within the Project area will not be recovered in the absence of waterflood operations on a project basis.

(4) To date, cumulative primary oil recovery from the Project has been 778,718 barrels.

(5) The Project is currently producing at a rate of 20 BOPD and 215 BWPD from 1 active producer. Approximately 36,000 barrels of recoverable reserves remain under the current primary mode of operations.

(6) The project area will be developed on a peripheral injection pattern involving one injection well and 4 producers.

(7) Enclosed with this application is the completed Division Form C-108 with attachments for this project.

(8) In accordance with Division Order R-9708, the following is submitted:

a. Operator's name and address:

Southland Royalty Company
P. O. Box 51810
Midland, Texas 79710

b. Description of the Project Area:

(1) Plat outlining project area:

See Exhibit "A"

(2) Description of the Project Area:

T17S, R36E, NMPM
Section 24: SW/4
W/2SE/4
SE/4SE/4

(3) Total acres in Project Area:

280 acres, more or less

(4) Name of the subject Pool and formation:

San Andres formation of the
Spencer-San Andres Pool

c. Status of operations in the project area:

(1) unit name: N/A

[If unitized, the name of the unit, and
the date and number of the Division Order
approving the unit plan of operation.]

(2) N/A [If an application for approval of a
unit plan has been made, the date the
application was filed with the Division;
and

n of Meridian Oil Inc.

(3) if not unitized, identify each lease in the project area by lessor, lessee and legal description.

Lease: State of Mexico Oil & Gas Lease
No. L-200-NM
Lessor: State of New Mexico
Lessee: Southland Royalty Company
Description:
SW/4, W/2SE/4 & SE/4SE/4 of
Section 24, T17S, R36E, NMPM,
Lea County, N.M.

lditional
ered as a

barrels
discounted
ars

ement of

ethod of recovery to be used:

(1) injected fluids: water.

ected and

(2) N/A [If the Division has approved the project, provide the date and number of the Division Order]; and

ated
aximum

(3) November 24, 1993 [if the project has not been approved by the Division, provide the date the application for approval was filed with the Division on Form C-108]

Description of the Project:

(1) a list of producing wells:
See Exhibit "B"

s, charts
story and
and water

(2) a list of injection well:
See Exhibit "B"

(3) Capital cost of additional facilities:

\$120,000.

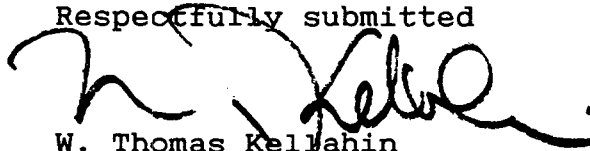
(4) Total Project Costs:

\$509,725.

Application of Meridian Oil Inc.
NMOCD
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Wherefore, Applicant requests that this application be set for hearing and that after said hearing, the Division enter its order approving this application.

Respectfully submitted

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over the typed name and address.

W. Thomas Kellahin
KELLAHIN & KELLAHIN
P.O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285
Attorneys for Applicant

CERTIFICATION

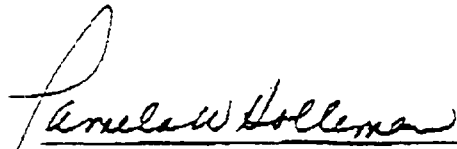
STATE OF TEXAS)
) SS.
COUNTY OF MIDLAND)

I, M.P. Gaddis, having been first duly sworn, state that I am a petroleum engineer, a duly authorized representative of Meridian Oil Inc., have knowledge of the facts herein and therefore certify that the facts set forth in this Application are true and accurate to the best of my own knowledge and belief.



M. P. Gaddis

The foregoing certificate was acknowledged before me this 13th day of December, 1993, by M. P. Gaddis.



Notary Public PAMELA W. HOLLEMAN

My Commission Expires:
9/3/97

SEAL