



Southland Royalty Company

November 29, 1989

CERTIFIED - RETURN RECEIPT REQUESTED

CHICOSA CANYON WORKING
INTEREST OWNERS

Re: Chicosa Canyon #1 Well
SW/4 SW/4 Section 35, T-31-N, R-4-W
Rio Arriba County, New Mexico

Dear Interest Owner:

By letter dated October 3, 1989, Southland Royalty Company requested your election to participate in the recompletion of the referenced well into the Fruitland Coal formation. As of this date, only Southland and Thorofare Resources have elected to participate. The remaining parties will be carried non-consent in accordance with appropriate operating agreements and the procedures outlined in the October 3, 1989 letter. We wish to remind all parties that they need to execute and return the signature/acknowledgement pages to the Communitization Agreement immediately so that this well can be produced subsequent to recompletion, thereby protecting the leaseholds. The Bureau of Land Management will not allow production from the well (Fruitland formation) without an approved Communitization Agreement. Thorofare is the only party that has returned the executed Communitization Agreement to date. Southland will commence rework operations within the next two weeks. Please contact the undersigned if you have any questions about your participation in this project or the status of the Communitization Agreement.

Very truly yours,

Alan Alexander
Senior Land Advisor

AA:gm

SRC 102845

35+

Examiner	_____
Case No.	9974
EXHIBIT NO.	3

CHICOSA CANYON WORKING INTEREST OWNERS
ATTACHMENT TO NOVEMBER 29, 1989 LETTER

<u>INTEREST OWNER</u>	<u>CERTIFIED NO.</u>
Thorofare Resources	P 950 790 856
Mr. Clifford Cone	P 950 790 857
Mr. Douglas L. Cone	P 950 790 858
Ms. Kathleen Cone	P 950 790 859
Mr. Kenneth G. Cone	P 950 790 860
Mr. Tom R. Cone	P 950 790 861



Southland Royalty Company

October 3, 1989

Mr. Kenneth G. Cone
Post Office Box 11310
Midland, Texas 79702

Re: Chicosa Canyon #1 Well
SW/4 SW/4 Section 35, T-31-N, R-4-W
Rio Arriba County, New Mexico

Dear Mr. Cone:

The Chicosa Canyon #1 well is presently completed in the Gallup formation and is producing an average of 3 MCF/day. Southland proposes that this well be plugged in the Gallup formation and recompleted in the Fruitland Coal formation. This well has not achieved payout under the terms of the farmout agreements dated 6-23-81 (Thorofare) and 1-15-81 (Cone). It is proposed that the portion of costs attributable to the farmout acreage (Lots 1 thru 4) for the recompletion attempt be charged against the current payout account and that the remaining unrecovered cost plus the applicable portion of the recompletion costs be recovered from Fruitland Coal gas production. The proposed spacing unit for Fruitland Coal consists of the S/2 of Section 35, which contains 316.27 acres. The farmout acreage (Lots 1 thru 4) contain 81.21 acres or 25.677428% of the proposed unit. Since the proposed operation results in a spacing change from 156.77 acres (SW/4) to 316.27 acres (S/2) all of the parties will have a cost bearing interest subject to operating agreements dated 10-09-81 (Thorofare) and 1-16-81 (Cone). The working interest of all parties in the proposed recompletion attempt are calculated as follows:

<u>WORKING INTEREST OWNER</u>	<u>BEFORE PAYOUT</u> *	<u>AFTER PAYOUT</u>
Southland Royalty Company	79.827363%	69.556391%
Thorofare Resources	2.017264%	3.044361%
Kathleen Cone	10.086319%	15.221804%
Douglas Cone	2.017264%	3.044361%
Clifford Cone	2.017264%	3.044361%
Tom R. Cone	2.017264%	3.044361%
Kenneth G. Cone	2.017264%	3.044361%

* Each parties share of the cost is based on the before payout percentages



Southland Royalty Company

October 3, 1989

Ms. Kathleen Cone
Post Office Drawer 1509
Lovington, New Mexico 88260

Re: Chicosa Canyon #1 Well
SW/4 SW/4 Section 35, T-31-N, R-4-W
Rio Arriba County, New Mexico

Dear Ms. Cone:

The Chicosa Canyon #1 well is presently completed in the Gallup formation and is producing an average of 3 MCF/day. Southland proposes that this well be plugged in the Gallup formation and recompleted in the Fruitland Coal formation. This well has not achieved payout under the terms of the farmout agreements dated 6-23-81 (Thorofare) and 1-15-81 (Cone). It is proposed that the portion of costs attributable to the farmout acreage (Lots 1 thru 4) for the recompletion attempt be charged against the current payout account and that the remaining unrecovered cost plus the applicable portion of the recompletion costs be recovered from Fruitland Coal gas production. The proposed spacing unit for Fruitland Coal consists of the S/2 of Section 35, which contains 316.27 acres. The farmout acreage (Lots 1 thru 4) contain 81.21 acres or 25.677428% of the proposed unit. Since the proposed operation results in a spacing change from 156.77 acres (SW/4) to 316.27 acres (S/2) all of the parties will have a cost bearing interest subject to operating agreements dated 10-09-81 (Thorofare) and 1-16-81 (Cone). The working interest of all parties in the proposed recompletion attempt are calculated as follows:

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Kathleen Cone

-2-

October 3, 1989

Attached for your execution and approval are copies of our Authority for Expenditure and a Communitization Agreement covering the S/2 of Section 35. Please indicate your election to join or go non-consent in the space provided below. If you have any questions please don't hesitate to contact the undersigned. The Chicosa Canyon #1 well appears to be the only well holding the leases in question and we should attempt recompletion as soon as possible.

Very truly yours,



Alan Alexander
Senior Land Advisor

AA:gm
Enclosure

SRC 102845

Agreed this ___ day of _____, 1989 to participate to the full extent of the undersigned's interest in the drilling, testing, completing and equipping of the above-described well and to pay said undersigned's proportionate share of all actual expenditures therefor.

BY: _____

TITLE: _____
COMPANY: _____



Southland Royalty Company

October 3, 1989

Mr. Clifford Cone
Post Office Box 6010
Lubbock, Texas 79493

Re: Chicosa Canyon #1 Well
SW/4 SW/4 Section 35, T-31-N, R-4-W
Rio Arriba County, New Mexico

Dear Mr. Cone:

The Chicosa Canyon #1 well is presently completed in the Gallup formation and is producing an average of 3 MCF/day. Southland proposes that this well be plugged in the Gallup formation and recompleted in the Fruitland Coal formation. This well has not achieved payout under the terms of the farmout agreements dated 6-23-81 (Thorofare) and 1-15-81 (Cone). It is proposed that the portion of costs attributable to the farmout acreage (Lots 1 thru 4) for the recompletion attempt be charged against the current payout account and that the remaining unrecovered cost plus the applicable portion of the recompletion costs be recovered from Fruitland Coal gas production. The proposed spacing unit for Fruitland Coal consists of the S/2 of Section 35, which contains 316.27 acres. The farmout acreage (Lots 1 thru 4) contain 81.21 acres or 25.677428% of the proposed unit. Since the proposed operation results in a spacing change from 156.77 acres (SW/4) to 316.27 acres (S/2) all of the parties will have a cost bearing interest subject to operating agreements dated 10-09-81 (Thorofare) and 1-16-81 (Cone). The working interest of all parties in the proposed recompletion attempt are calculated as follows:

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Kenneth G. Cone	2.017264%	3.044361%

* Each parties share of the cost is based on the before payout percentages

MERIDIAN OIL

April 5, 1990

CERTIFIED - RETURN RECEIPT REQUESTED
#P 950 791 093

Mr. Clifford Cone
Post Office Box 6010
Lubbock, Texas 79493

Re: Communitization Agreement
Dated 10-01-89
Chicosa Canyon #1
S/2 Section 35, T-31-N, R-4-W
Rio Arriba County, New Mexico

Dear Mr. Cone:

We are again requesting your execution of the enclosed three (3) signature pages to the referenced Communitization Agreement on the Chicosa Canyon #1 well. I have also enclosed a copy of a letter from the Bureau of Land Management (BLM) dated March 30, 1990, depicting the expiration of the old Communitization Agreement for this well as of December 10, 1989. In order for Meridian to file the new Fruitland Formation Communitization Agreement with the BLM for their approval, we need the enclosed three (3) signature pages executed, notarized and returned to the undersigned as soon as possible. We have previously received signature pages from Tom Cone and Thorofare Resources. I have included for your information an extra copy of the complete Communitization Agreement in the chance you have lost or misplaced the previous copy.

If you have any questions, or need further information on this matter, please feel free to contact me at (505) 326-9757.

Very truly yours,



Alan Alexander
Senior Land Advisor

AA:gm
Enclosure

SRC 102845

MERIDIAN OIL

April 5, 1990

CERTIFIED - RETURN RECEIPT REQUESTED
#P 950 791 095

Ms. Kathleen Cone
Post Office Drawer 1509
Lovington, New Mexico 88260

Re: Communitization Agreement
Dated 10-01-89
Chicosa Canyon #1
S/2 Section 35, T-31-N, R-4-W
Rio Arriba County, New Mexico

Dear Ms. Cone:

We are again requesting your execution of the enclosed three (3) signature pages to the referenced Communitization Agreement on the Chicosa Canyon #1 well. I have also enclosed a copy of a letter from the Bureau of Land Management (BLM) dated March 30, 1990, depicting the expiration of the old Communitization Agreement for this well as of December 10, 1989. In order for Meridian to file the new Fruitland Formation Communitization Agreement with the BLM for their approval, we need the enclosed three (3) signature pages executed, notarized and returned to the undersigned as soon as possible. We have previously received signature pages from Tom Cone and Thorofare Resources. I have included for your information an extra copy of the complete Communitization Agreement in the chance you have lost or misplaced the previous copy.

If you have any questions, or need further information on this matter, please feel free to contact me at (505) 326-9757.

Very truly yours,



Alan Alexander
Senior Land Advisor

AA:gm
Enclosure

SRC 102845

71+

MERIDIAN OIL

April 5, 1990

CERTIFIED - RETURN RECEIPT REQUESTED
#P 950 791 096

Mr. Kenneth G. Cone
Post Office Box 11310
Midland, Texas 79702

Re: Communitization Agreement
Dated 10-01-89
Chicosa Canyon #1
S/2 Section 35, T-31-N, R-4-W
Rio Arriba County, New Mexico

Dear Mr. Cone:

We are again requesting your execution of the enclosed three (3) signature pages to the referenced Communitization Agreement on the Chicosa Canyon #1 well. I have also enclosed a copy of a letter from the Bureau of Land Management (BLM) dated March 30, 1990, depicting the expiration of the old Communitization Agreement for this well as of December 10, 1989. In order for Meridian to file the new Fruitland Formation Communitization Agreement with the BLM for their approval, we need the enclosed three (3) signature pages executed, notarized and returned to the undersigned as soon as possible. We have previously received signature pages from Tom Cone and Thorofare Resources. I have included for your information an extra copy of the complete Communitization Agreement in the chance you have lost or misplaced the previous copy.

If you have any questions, or need further information on this matter, please feel free to contact me at (505) 326-9757.

Very truly yours,



Alan Alexander
Senior Land Advisor

AA:gm
Enclosure

SRC 102845

71+

Examiner _____

Case No. 9974

EXHIBIT NO. 4

SRC 102845

Submit to Appropriate District Office
State Leases - 6 copies
Fee Leases - 5 copies
DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer 00, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-106
Revised 1-1-89

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

WELL API NO. _____
5. Indicate Type of Lease: STATE FEDERAL
6. State Oil & Gas Lease No. _____

WELL COMPLETION OR RECOMPLETION REPORT AND LOG

1a. Type of Well: OIL WELL GAS WELL DRY OTHER _____
b. Type of Completion: NEW WELL WORK OVER DUMP PLUG BACK DEEP RESERVE OTHER _____
7. Lease Name or Unit Agreement Name: Chicosa Canyon

2. Name of Operator: Southland Royalty Company
8. Well No.: 1

3. Address of Operator: P.O. Box 4230, Farmington, New Mexico 87409
9. Pool name or Wildcat: Basin Fruitland Coal

4. Well Location: Unit Letter 11; 330 Feet From The South Line and 1100 Feet From The West Lt
Section 35 Township 31N Range 4W NMPM Rio Arriba County

10. Date Spudded: 8-10-81
11. Date T.D. Reached: 9-2-81
12. Date Compl. (Ready to Prod.): 12-16-89
13. Elevations (DF&R, RT, GR, etc.): 6874' GR
14. Elev. Casingshead: _____

15. Total Depth: 8718'
16. Plug Back T.D.: 3728'
17. If Multiple Compl. How Many Zones? _____
18. Intervals Drilled By: Rotary Tools _____ Cable Tools _____

19. Producing interval(s), of this completion - Top, Bottom, Name: 3564-3639' Fruitland Coal
20. Was Directional Survey Made: _____

21. Type Electric and Other Logs Run: _____
22. Was Well Cored: _____

23. CASING RECORD (Report all strings set in well)

CASING SIZE	WEIGHT LB./FT.	DEPTH SET	HOLE SIZE	CEMENTING RECORD	AMOUNT PULLED
5 7/8"	32.30#	257'	12 1/4"	130 SXS	
5 1/2"	15.50#	7055'	7 7/8"	260 SXS	

24. LINER RECORD

SIZE	TOP	BOTTOM	SACKS CEMENT	SCREEN

25. TUBING RECORD

SIZE	DEPTH SET	PACKER SET
2 3/8"	3634.20'	

26. Perforation record (interval, size, and number): 3564-66', 3582-84', 3588-94', 3608-39' (4 SPF)

27. ACID, SHOT, FRACTURE, CEMENT, SQUEEZE, ETC.

DEPTH INTERVAL	AMOUNT AND KIND MATERIAL USED
3564-3639'	20/40 sand 115,000#, 64,848 gals 30% borate xl

28. PRODUCTION

Date First Production	Production Method (Flowing, gas lift, pumping - Size and type pump)	Well Status (Prod. or Shut-in)					
	flowing	shut in					
Date of Test	Hours Tested	Choke Size	Prof'n For Test Period	Oil - Bbl.	Gas - MCF	Water - Bbl.	Gas - Oil Ratio
Flow Tubing Press. SI 1130	Casing Pressure SI 1130	Calculated 24-Hour Rate	Oil - Bbl.	Gas - MCF	Water - Bbl.	Oil Gravity - API - (Corr.)	

29. Disposition of Gas (Sold, used for fuel, vented, etc.): to be sold
Test Witnessed By: _____

30. List Attachments: none

31. I hereby certify that the information shown on both sides of this form is true and complete to the best of my knowledge and belief.

Submit to Appropriate District Office
 State Leases - 4 copies
 Fee Leases - 3 copies

State of New Mexico
 Energy, Minerals and Natural Resources Department

Form C-102
 Revised 1-1-89

OIL CONSERVATION DIVISION

DISTRICT I
 P.O. Box 1980, Hobbs, NM 88240

P.O. Box 2088
 Santa Fe, New Mexico 87504-2088

DISTRICT II
 P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
 1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

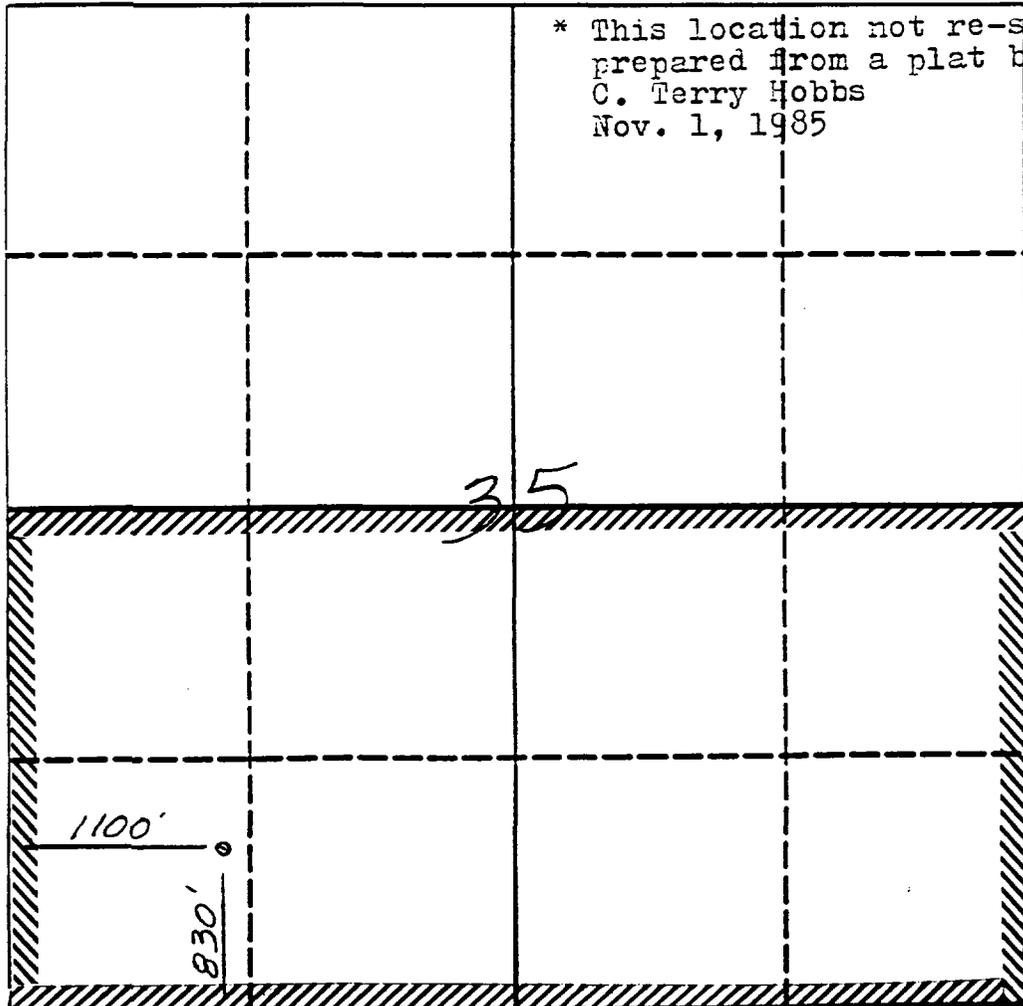
All Distances must be from the outer boundaries of the section

Operator Southland Royalty Company		Lease Chicosa Canyon		Well No. 1
Unit Letter M	Section 35	Township 31 North	Range 4 West	County Rio Arriba
Actual Footage Location of Well: 830 feet from the South line and 1100 feet from the West line				
Ground level Elev. 6874'	Producing Formation Fruitland Coal	Pool Basin	Dedicated Acreage: 316.27 Acres	

- Outline the acreage dedicated to the subject well by colored pencil or ballpoint marker on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?
 - Yes No If answer is "yes" type of consolidation _____

If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



* This location not re-surveyed prepared from a plat by C. Terry Hobbs Nov. 1, 1985

OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Peggy A. Bradfield
 Signature

Peggy A. Bradfield
 Printed Name

Regulatory Affairs
 Position

Meridian Oil Inc.
 Company

1-15-90
 Date

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Neale C. Edwards
 Date Surveyed

857
 Signature of Seeker
 Professional Surveyor



857
 Certificate No.