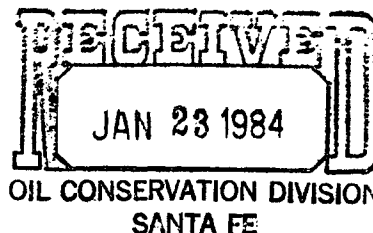




Southland Royalty Company

January 18, 1984

Mr. Joe Ramey
New Mexico Dept. of Energy &
Minerals, Oil & Gas Division
P.O. Box 2088
Santa Fe, New Mexico



Re: SRC-Reid #19

Dear Mr. Ramey,

Southland Royalty Co. hereby requests administrative approval of downhole commingling of the Basin Dakota and Blanco Mesaverde zones in the subject well which is located in the NW/NE of Section 18, T28N, R9W, San Juan County, New Mexico.

A workover to correct a packer leak after the well failed the 1983 packer leakage test found a casing leak. The lower zone is currently logged off with drilling mud and will not produce. In a separate sundry, we have proposed remedial work to return the two zones to production.

The necessary costs of the required repairs will make the Mesaverde uneconomical to produce based on Southland's economic parameters. Although the casing leak is above the Mesaverde and separated from the Dakota by a permanent packer, a liberal allocation of only fifty percent of the workover cost was used in the economic evaluation of the Mesaverde. This estimated \$24,000 would payout in 2.1 years with full-time production, but the income is \$8,000 below our return goal and does not meet the corporate rate of return objective. Without commingling, the Mesaverde will be uneconomical to produce and would have to be plugged. The projected recovery of 14500 MCF and 700 BO would be lost.

The fluids from the zones are compatible. The oil from each zone is a light, high API gravity (DK=56.6, MV=46.6 degree API as reported by Plateau Refinery). Gas analyses are attached and show the Mesaverde to have a specific gravity of .7530 and BTU content of 1317 with the Dakota having a specific gravity of .7171 and BTU content of 1239. Water samples are not available because water production has been negligible. Recent water production is assumed to be from the casing leak.

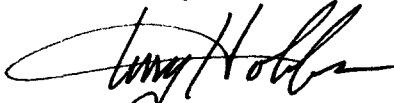
A proposed allocation formula is shown in Exhibit No. 4. Additional supporting data (production decline curves and production histories) are also attached.

The calculated BHP's for each zone are shown in Exhibit No. 5 and indicate the lower pressured Mesaverde to be eighty-four per cent of the Dakota. Therefore, there should be no cross flow between zones and the zones should produce together. As mentioned earlier, it is anticipated the additional pressure and volume from the Dakota should assist in maintaining increased production from the Mesaverde by removing the Mesaverde oil.

Southland's land department has verified that all ownership and royalty interests are equal in the Dakota and Mesaverde intervals.

The BLM and all offset operators have been notified by copy of this letter.

Sincerely,

A handwritten signature in black ink, appearing to read "Terry Hobbs", with a stylized, flowing script.

Terry Hobbs

XC: Frank Chavez
BLM
Offset Opr.

CTH:bgw

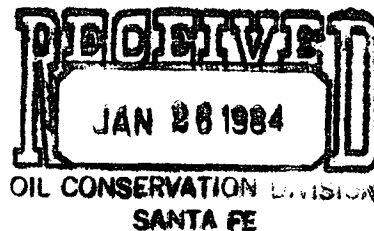
CERTIFIED MAIL



Southland Royalty Company

January 18, 1984

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New Mexico Dept. of Energy &
Minerals, Oil & Gas Division
P.O. Box 2088
Santa Fe, New Mexico



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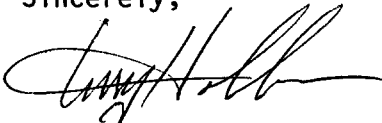
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Sincerely,



Terry Hobbs

XC: Frank Chavez
BLM
Offset Opr.

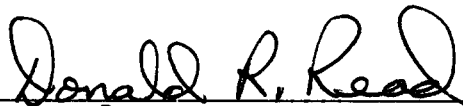
CTH:bgw

WAIVER

El Paso Natural Gas Co. hereby waives objection to Southland Royalty Company's application for downhole commingle for their Reid #19 as proposed above.

1-23-84

Date

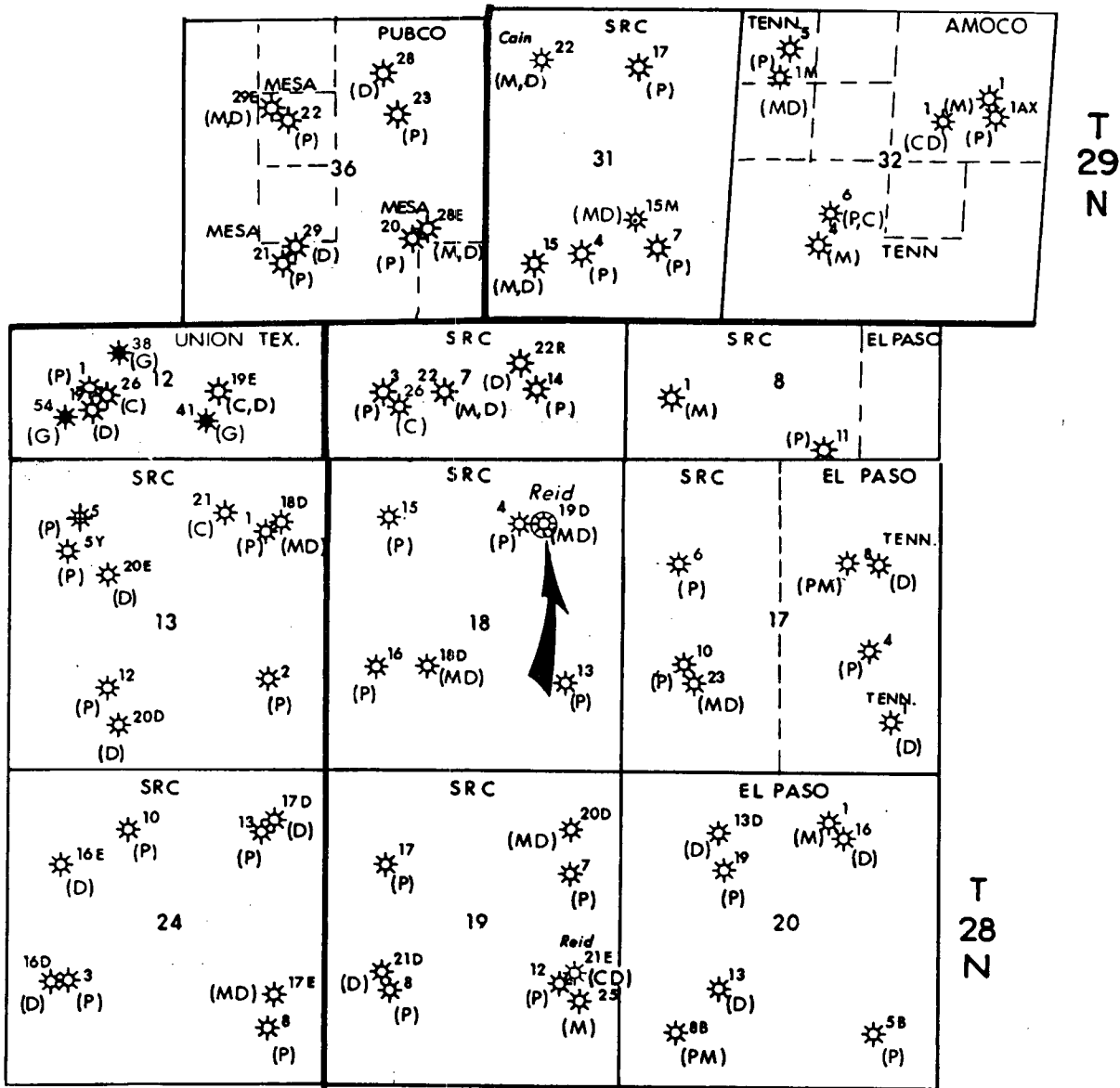


By

EXHIBIT No. 1

R 10W

R 9 W



Southland Royalty Company

FARMINGTON DISTRICT

FARMINGTON, NEW MEXICO

REQUEST FOR
DOWNHOLE COMMINGLING

S.R.C.
Reid #19
1030' FNL & 1470' FEL
SEC. 18 - T28N - R 9 W
SAN JUAN COUNTY NEW MEXICO

BY: Terry Hobbs

$$1'' = 3000'$$

Jan. 15, 1984

NEW MEXICO OIL CONSERVATION COMMISSION

Well Location and Acreage Dedication Plat

Section A.

Date August 23, 1960

Operator Astec Oil and Gas Company Lease Reid
Well No. 19-D Unit Letter B Section 18 Township 28N Range 9N NMPN
Located 1030 Feet From North Line, 1470 Feet From East Line
County San Juan G. L. Elevation 5790 Dedicated Acreage 300.99 Acres
Name of Producing Formation Dakota Pool Angel Peak Extension

1. Is the Operator the only owner* in the dedicated acreage outlined on the plat below?
Yes XX No _____.
2. If the answer to question one is "no," have the interests of all the owners been consolidated by communitization agreement or otherwise? Yes _____ No _____. If answer is "yes,"
Type of Consolidation _____
3. If the answer to question two is "no," list all the owners and their respective interests below:

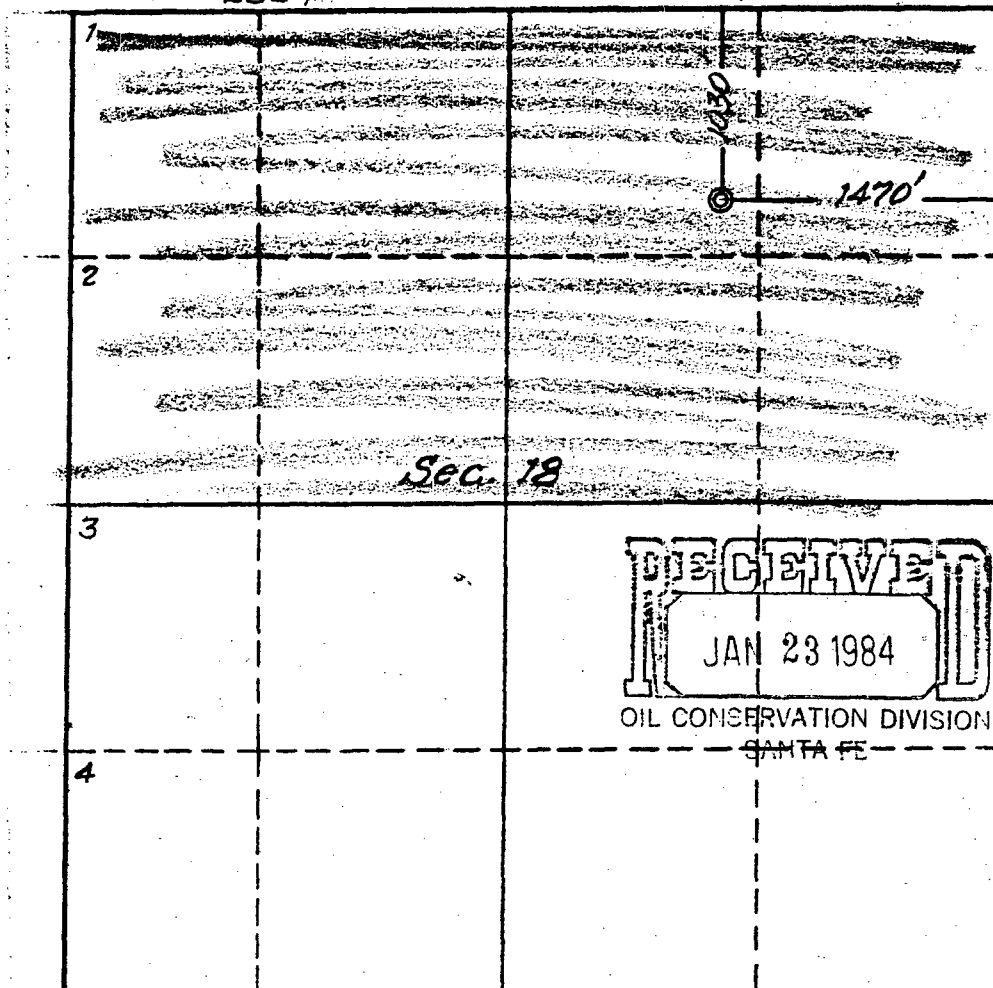
Owner

Land Description

Section. B

2324'

2640'



This is to certify that the information in Section A above is true and complete to the best of my knowledge and belief.

Astec Oil and Gas Company
(Operator)

ORIGINAL SIGNED BY JOHN A. SALMON
(Representative)

Drawer 570, Farmington, N.M.

This is to certify that the well location shown on the plat in Section B was verified from the records of official surveys and that under my supervision that the same is true and correct to the best of my knowledge and belief.

Date Surveyed Aug. 24, 1960

Ernest V. Echshaw
Ernest V. Echshaw
Registered Land Surveyor.

Certificate No. 1545

44571
(NAVAJO DAM)

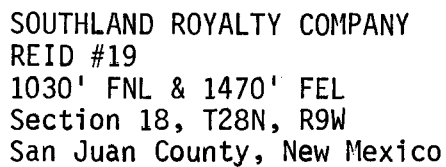


EXHIBIT No. 2

GAS ANALYSIS: TRANSCRIPTION OF TAPE FROM AUTOMATIC CHROMATOGRAPH

NAME/LOCATION: *Reid #19 mV* : 3 10 81
 STREAM NO. 10 *826*

STATION NO. 293221.

SPECIFIC GRAVITY 0.7530 BTU/CF 14.73/60F/DRY: 1317.3✓

COMPONENT	MOL %	G.P.M.
CARBON DIOXIDE	0.438	0.0000
NITROGEN	0.267	0.0000
METHANE	76.060	0.0000
ETHANE	12.500	3.3450
PROPANE	6.519	1.7940
ISOBUTANE	0.955	0.3120
N-BUTANE	1.521	0.4730
ISOPENTANE	0.491	0.1790
N-PENTANE	0.406	0.1470
HEXANE +	0.763	0.3360
TOTAL	100.020	5.5920

(ECBTU/074)

EXHIBIT No. 3

GAS ANALYSIS: TRANSCRIPTION OF TAPE FROM AUTOMATIC CHROMATOGRAPH

NAME/LOCATION: *Raid #19 DK* TS: 3 10 31
STREAM NO. *9 (826)*

STATION NO. 258430.

SPECIFIC GRAVITY 0.7171 BTU/CF 14.73/60F/DRY: 1239.0 ✓

COMPONENT	WGL %	G.P.M.
CARBON DIOXIDE	1.002	0.0000
NITROGEN	0.362	0.0000
METHANE	79.700	0.0000
ETHANE	11.730	3.1330
PROPANE	4.141	1.1390
ISOBUTANE	0.828	0.2710
N-BUTANE	1.007	0.3170
ISOPENTANE	0.471	0.1720
N-PENTANE	0.269	0.0970
HEXANE +	0.507	0.2230
TOTAL	100.017	5.3570

(ECBTU/074)

EXHIBIT No. 4

ALLOCATION OF PRODUCTION

A. Cumulative production through 1982:

	Gas	%	Oil	%
Mesaverde	292628 MCF	19.3	11745 BO	41.6
Dakota	1220190 MCF	80.7	16496 BO	58.4

B. Cumulative production since Mesaverde completed (1972):

Mesaverde	292628 MCF	38.9	11745 BO	59.0
Dakota	460179 MCF	61.1	8159 BO	41.0

C. Projected production rates from decline curve:

Mesaverde	545 MCFM	19.2	18 BOPM	56.0
Dakota	2300 MCFM	80.8	14 BOPM	44.0

D. Recommended production allocation:

Mesaverde	20%	55%
Dakota	80%	45%

EXHIBIT No. 5

CALCULATED BOTTOMHOLE PRESSURES

A. Formula:

$$\text{BHP} = \text{SIWHP} \times e^{.0000347 \text{ G L}}$$

Where:

G = gas gravity

L = depth to formation

SIWHP = shut in wellhead pressure from latest packer leakage test.

B. Dakota

$$\begin{aligned}\text{BHP} &= 585 \times e^{.0000347 \times .7171 \times 6513} \\ &= 688 \text{ psi}\end{aligned}$$

C. Mesaverde

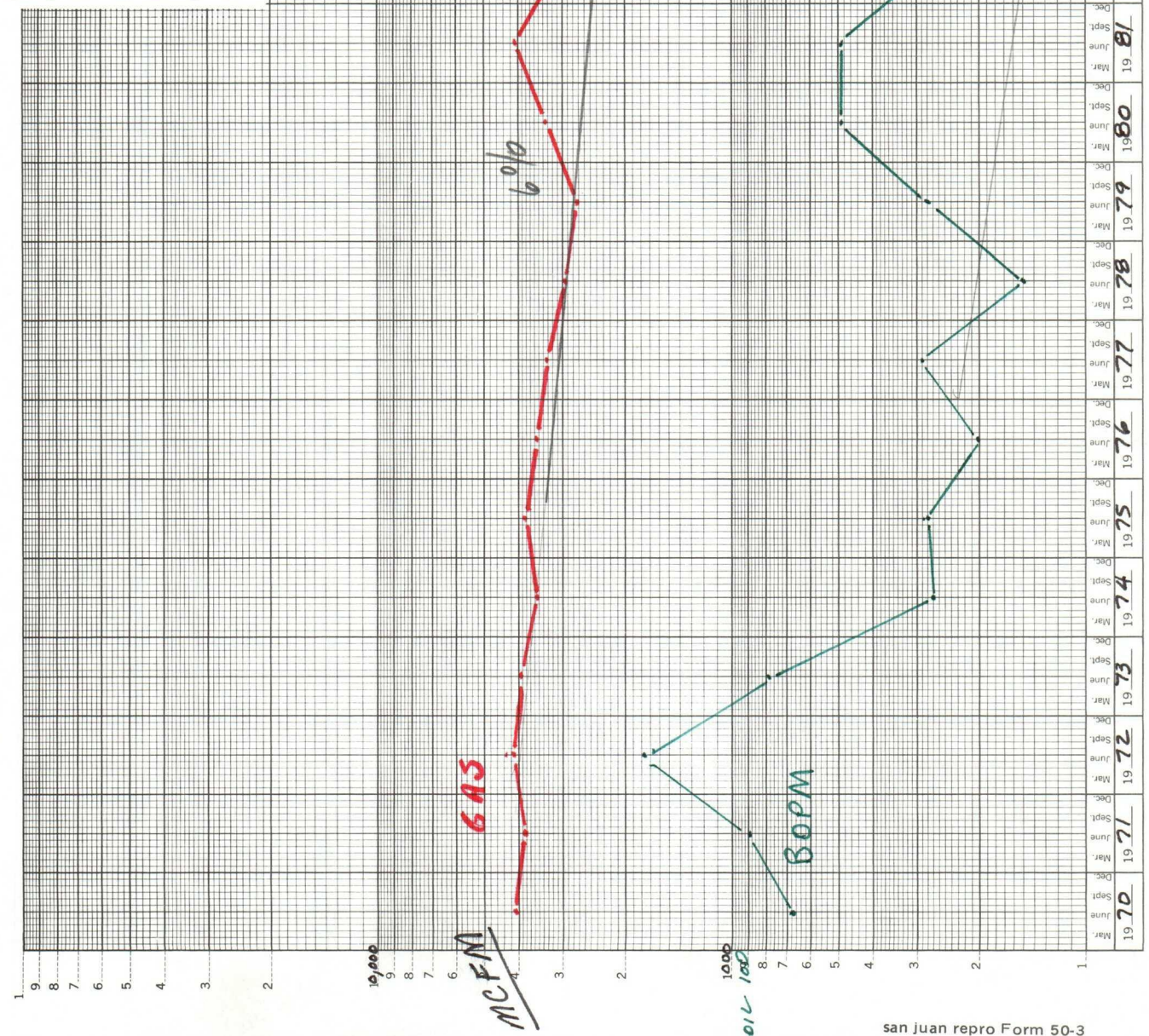
$$\begin{aligned}\text{BHP} &= 515 \times e^{.0000347 \times .7530 \times 4377} \\ &= 577 \text{ psi}\end{aligned}$$



Southland Royalty Company

EXHIBIT No. 6

Project Name Southland Royalty Co
Operator REID #19
Lease-Well DAKOTA
Zone BASIN
Field SAN JUAN State NM
County B 18 28N 9W
Location 1st Production - 1961

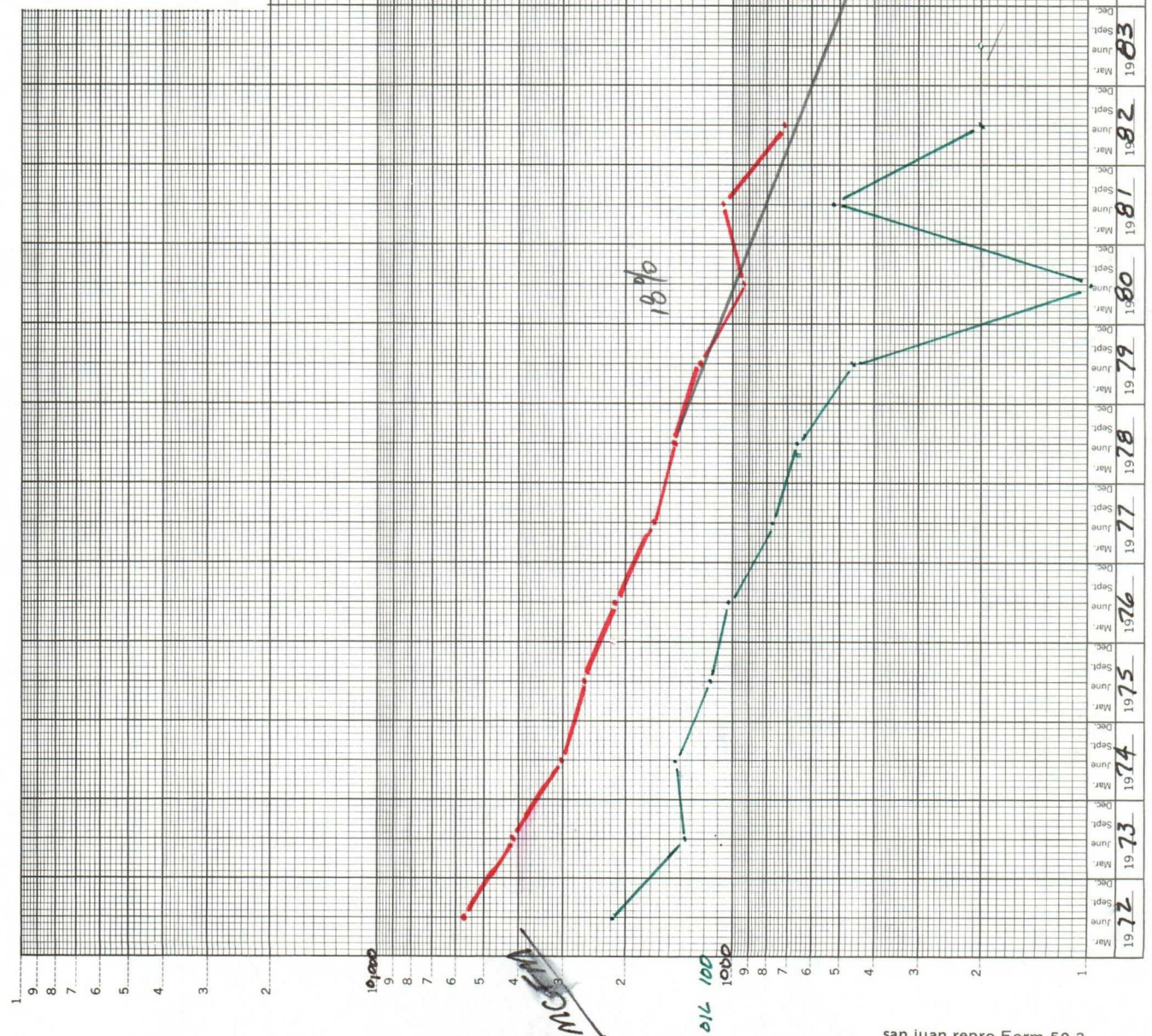




Southland Royalty Company

EXHIBIT No. 7

Project Name Southland Royalty Co
Operator REID #19
Lease-Well MESAVERDE
Zone BLANCO
Field SAN JUAN State NM
County B 18 28N 9W
Location 1st Production - 1972



RUN 01/16/84 TIME 08:43

SOUTHLAND ROYALTY COMPANY
DWIGHT'S PRODUCTION HISTORY REPORT

PAGE 3
DWI170AP-A

	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	ANNUAL
1978													
OIL	35	34	29	37	27	30	32	30	31	28	17	32	358
GAS	3507	3459	2972	2981	2901	3044	3022	3016	3117	2837	1716	3286	35858
WATER	1	1	1	1	1	1	1	1	1	1	1	1	1
OIL WELLS	1	1	1	1	1	1	1	1	1	1	1	1	1
1979													
OIL	15	29	23	58	35	41	33	35	28	13	13	8	331
GAS	3099	2800	3104	3391	3068	2636	2570	2516	3265	2650	717	3658	33474
WATER	1	1	1	1	1	1	1	1	1	1	1	1	1
OIL WELLS	1	1	1	1	1	1	1	1	1	1	1	1	1
1980													
OIL	60	71	50	100	73	39	14	3	0	11	91	70	582
GAS	4444	3677	3375	3929	3465	3677	3178	2505	0	279	5977	5773	40296
WATER	1	1	1	1	1	1	1	1	1	1	1	1	1
OIL WELLS	1	1	1	1	1	1	1	1	1	1	1	1	1
1981													
OIL	108	87	62	35	9	4	10	4	124	32	74	32	581
GAS	5057	4870	3835	3893	3016	2067	4435	4851	3252	3534	4737	4733	48307
WATER	1	1	1	1	1	1	1	1	1	1	1	1	43
OIL WELLS	1	1	1	1	1	1	1	1	1	1	1	1	1
1982													
OIL	72	21	17	10	15	0	0	12	7	27	60	47	295
GAS	5340	2908	1630	2620	3727	1375	0	2092	2503	2404	4385	4253	33248
WATER	1	1	1	1	1	1	1	1	1	1	1	1	37
OIL WELLS	1	1	1	1	1	1	1	1	1	1	1	1	1
1983													
OIL	38	22	35	20	3	1	0	14	4	38	0	0	175
GAS	4537	3910	3203	3298	1568	1582	1542	2374	1966	3775	0	0	27757
WATER	1	1	1	1	1	1	1	1	1	1	0	0	149
OIL WELLS	1	1	1	1	1	1	1	1	1	1	0	0	1
TOTAL OIL PRODUCTION TO DATE :			16,671										
TOTAL GAS PRODUCTION TO DATE :										1,247,947			

DWIGHTS IDENT. # 30428NOCU

SOUTHLAND ROYALTY COMPANY
DWIGHTS PRODUCTION HISTORY REPORT

FAST TEST INFORMATION

WHS 101

BHF
2392

BHP/Z
2840

BAJ:

POTENTIAL
4390

WM FLOW

BBL'S/DAY COND

RBLS/DAY WATER

TEST	TEST	DATE	INFORMATION
101	18-60	690877	0
071	18-70	787558	0
061	18-73	830601	0
051	18-75	016360	0
041	18-77	003360	0
031	18-79	066791	0
021	18-81	108617	0
011	18-81	173170	0

WHSIP
1987
72227
72227
72227
72227

BHF
2392
855
855
694
640
591
611
666

BHP/Z
2840
93-7-0007

NNNNNNNN

POTENTIAL
4399
169
1220
130
98
66

WH FLOW
07-0-150N
55N44N
55N44N

BBLS/DAY COND

BBLS/DAY WATER

RUN 01/16/84 TIME 08:43

EXHIBIT No. 8
SOUTHLAND ROYALTY COMPANY
DWIGHT'S PRODUCTION HISTORY REPORT

PAGE 1
DWI170AP-A

DWIGHTS IDENT. #	30428N09W18B00DK	STATUS	ACT
WELL NAME	REID	STATUS DATE	00-00-00
WELL #	19	LIQ GATHERER	PLA
OPERATOR NAME	SOUTHLAND ROYALTY CO	GAS GATHERER	SUG
OPERATOR #	683355	COMPLETION DATE	10-18-60
FIELD NAME	BASIN DAKOTA (PRORATED GAS)	1ST GAS PROD	02-61
FLD #	008004974	TOTAL DEPTH	6652
FIELD DISCOVERY DT	00-00-00	UPPER PERF	6432
LOCATION	18B28N 09W	LOWER PERF	6598
STATE ABBREVIATION	NM	LIQ GRAVITY	.0
STATE LSE CTRL #	12150	GAS GRAVITY	1.00
STATE DISTRICT #	4	GAS-LIQ RATIO	0
COUNTY NAME	SAN JUAN	TEMP GRADIENT	.000
COUNTY #	045	N-FACTOR	50.000
API #	0750200	TC	
LEASE TYPE	GAS	PC	

RUN 01/16/84 TIME 08:43

SOUTHLAND ROYALTY COMPANY
DWIGHTS PRODUCTION HISTORY REPORT

PAGE 2
DW1170AP-A

DWIGHTS IDENT. # 30428N09W1B000K

PRODUCTION HISTORY
OIL CUM THRU 12-31-83 GAS CUM THRU 12-31-83
8,337 664,685

	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	ANNUAL
1970 OIL GAS WATER OIL WELLS	108 564 1 1	112 464 1 1	387 387 1 1	375 375 1 1	367 367 1 1	262 262 1 1	331 331 1 1	432 432 1 1	515 515 1 1	450 450 1 1	400 400 1 1	330 330 1 1	816 4880 0
1971 OIL GAS WATER OIL WELLS	356 356 1 1	429 429 1 1	313 313 1 1	482 482 1 1	487 487 1 1	404 404 1 1	473 473 1 1	470 470 1 1	367 367 1 1	98 98 1 1	111 111 1 1	425 425 1 1	1070 46526 0
1972 OIL GAS WATER OIL WELLS	894 311 1 1	492 492 1 1	431 431 1 1	81 398 1 1	324 324 1 1	428 428 1 1	480 480 1 1	397 463 1 1	105 481 1 1	402 402 1 1	294 294 1 1	152 414 1 1	2108 49914 0
1973 OIL GAS WATER OIL WELLS	378 378 1 1	206 206 1 1	334 334 1 1	405 405 1 1	226 386 1 1	325 325 1 1	483 483 1 1	32 516 1 1	31 446 1 1	60 393 1 1	394 394 1 1	35 385 1 1	948 47623 0
1974 OIL GAS WATER OIL WELLS	403 403 1 1	363 363 1 1	337 337 1 1	332 332 1 1	324 324 1 1	412 412 1 1	319 319 1 1	339 339 1 1	37 348 1 1	16 353 1 1	36 349 1 1	37 319 1 1	329 42161 0
1975 OIL GAS WATER OIL WELLS	402 402 1 1	443 443 1 1	409 409 1 1	373 373 1 1	327 327 1 1	417 417 1 1	387 387 1 1	412 412 1 1	21 329 1 1	97 309 1 1	413 413 1 1	34 352 1 1	334 45540 0
1976 OIL GAS WATER OIL WELLS	392 392 1 1	413 413 1 1	385 385 1 1	407 407 1 1	401 401 1 1	397 397 1 1	341 341 1 1	351 351 1 1	45 263 1 1	22 352 1 1	37 348 1 1	40 344 1 1	234 44003 0
1977 OIL GAS WATER OIL WELLS	345 345 1 1	297 297 1 1	327 327 1 1	20 367 1 1	220 220 1 1	403 403 1 1	357 357 1 1	326 326 1 1	73 297 1 1	21 326 1 1	30 350 1 1	33 335 1 1	353 39753 0

RUN 01/16/84 TIME 08:43

EXHIBIT No. 9
SOUTHLAND ROYALTY COMPANY
DWIGHT'S PRODUCTION HISTORY REPORT

PAGE 5
DWI170AF--A

DWIGHT'S IDENT. #	30428N09W18B00MV	STATUS	ACT
WELL NAME	REID	STATUS DATE	00-00-00
WELL #	19	LIQ GATHERER	PLA
OPERATOR NAME	SOUTHLAND ROYALTY CO	GAS GATHERER	SUG
OPERATOR #	683355	COMPLETION DATE	10-18-71
FIELD NAME	BLANCO MESAVERDE (PRORATED GAS)	1ST GAS PROD	01-72
FLD #	008007074	TOTAL DEPTH	0
FIELD DISCOVERY DT	00-00-00	UPPER PERF	4338
LOCATION	18B28N 09W	LOWER PERF	4415
STATE ABBREVIATION	NM	LIQ GRAVITY	.0
STATE LSE CTRL #	12150	GAS GRAVITY	5.00
STATE DISTRICT #	4	GAS-LIQ RATIO	0
COUNTY NAME	SAN JUAN	TEMP GRADIENT	.000
COUNTY #	045	N-FACTOR	50.000
API #	0750200	TC	
LEASE TYPE	GAS	PC	

RUN 01/16/84 TIME 08:43

SOUTHLAND ROYALTY COMPANY
DWIGHTS PRODUCTION HISTORY REPORT

DWIGHTS IDENT. # 30428N09W18B00M

PRODUCTION HISTORY
OIL CUM THRU 00-00 GAS CUM THRU 00-00

	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	ANNUAL
1972 OIL GAS WATER OIL WELLS	8830 1 1	7552 1 1	6119 1 1	6139 1 1	4424 1 1	5726 1 1	6268 1 1	5243 1 1	3790 1 1	4791 1 1	4890 1 1	4313 1 1	61985 1 1
1973 OIL GAS WATER OIL WELLS	4428 1 1	4514 1 1	3967 1 1	4425 1 1	4040 1 1	4135 1 1	3300 1 1	3417 1 1	4450 1 1	3314 1 1	3944 1 1	3485 1 1	48207 1 1
1974 OIL GAS WATER OIL WELLS	3111 1 1	3221 1 1	3288 1 1	3480 1 1	3080 1 1	2231 1 1	2632 1 1	2558 1 1	2569 1 1	2793 1 1	3139 1 1	3019 1 1	1733 1 1
1975 OIL GAS WATER OIL WELLS	1255 1 1	85 1 1	192 1 1	105 1 1	89 1 1	173 1 1	186 1 1	2513 1 1	109 1 1	117 1 1	3000 1 1	180 1 1	1363 1 1
1976 OIL GAS WATER OIL WELLS	2155 1 1	2479 1 1	221 1 1	232 1 1	1915 1 1	212 1 1	2278 1 1	1382 1 1	1815 1 1	2135 1 1	2335 1 1	2251 1 1	1233 1 1
1977 OIL GAS WATER OIL WELLS	1685 1 1	989 1 1	198 1 1	104 1 1	1931 1 1	1885 1 1	1646 1 1	1707 1 1	1163 1 1	1108 1 1	1105 1 1	1604 1 1	926 1 1
1978 OIL GAS WATER OIL WELLS	191 1 1	1652 1 1	1383 1 1	152 1 1	142 1 1	1548 1 1	168 1 1	1559 1 1	1511 1 1	1149 1 1	1518 1 1	1315 1 1	792 1 1
1979 OIL GAS WATER OIL WELLS	1230 1 1	1078 1 1	1503 1 1	1519 1 1	1227 1 1	1211 1 1	1103 1 1	1365 1 1	1145 1 1	1028 1 1	1013 1 1	1065 1 1	14531 1 1

[illegible]

SOUTHLAND ROYALTY COMPANY
DWIGHTS PRODUCTION HISTORY REPORT

RUN 01/16/84 TIME 08.43

DWIGHTS IDENT. # 30428N09W18B00MV

GAS TEST INFORMATION		BHP/Z		T		POTENTIAL		WH FLOW		BBLs/DAY		COND		BBLs/DAY		WATER	
TEST DATE	CUM TO TEST	WHSIP	BHP														
10-18-71	0	893	1912			916		0		0		0		0		0	
09-25-72	53147	658	742			100		181		0		0		0		0	
08-17-73	98941	638	719			120		193		0		0		0		0	
08-01-74	138247	593	668			87		175		0		0		0		0	
07-16-78	239334	502	554			53		172		0		0		0		0	
		492						174		0		0		0		0	