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EL PATIO BUILDING  
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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

February 20, 1995

**HAND DELIVERED**

Mr. Michael E. Stogner  
Chief Hearing Examiner  
Oil Conservation Division  
P. O. Box  
Santa Fe, New Mexico 87504

**RECEIVED**  
FEB 20 1995  
Oil Conservation Division

11217

Re: *Application of Southland Royalty Company  
to Re-Instate Order R-10054 which Approved  
a Waterflood Project for the State "DS" Leasehold  
and Qualified Said Project for the Recovered Oil  
Tax Rate Pursuant to the "New Mexico Enhanced Oil  
Recovery Act," Lea County, New Mexico*

Dear Mr. Stogner:

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 March 16, 1995.

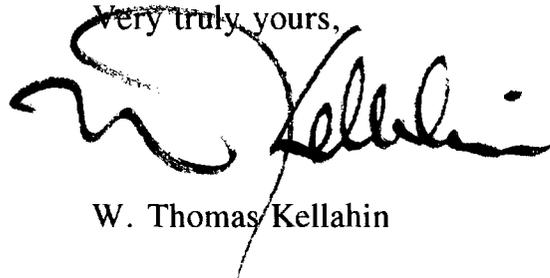
By copy of this letter and application, sent certified mail, we are notifying all interested parties within a 1/2 mile radius of the subject injection well of their right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition 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. Michael E. Stogner  
February 20, 1995  
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, March 10, 1995, 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 below.

W. Thomas Kellahin

WTK/mg  
Enclosure

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

**RECEIVED**

FEB 20 1995

Oil Conservation Division

**PROPOSED ADVERTISEMENT**

CASE 11217 Application of Southland Royalty Company to re-instate Division Order R-10054, Lea County, New Mexico. Applicant seeks to re-instate Order R-10054 which approved the 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, and qualified 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.

*IN THE ABSENCE OF OBJECTION*

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

**RECEIVED**

FEB 20 1995

Oil Conservation Division

IN THE MATTER OF THE APPLICATION OF  
SOUTHLAND ROYALTY COMPANY TO RE-INSTATE  
ORDER R-10054 WHICH APPROVED A WATERFLOOD  
PROJECT WITHIN ITS STATE "DS" LEASE AND  
QUALIFIED SAID PROJECT FOR THE RECOVERED  
OIL TAX RATE PURSUANT TO THE "NEW MEXICO  
ENHANCED OIL RECOVERY ACT,"  
LEA COUNTY, NEW MEXICO

CASE NO 11217

APPLICATION

Comes now SOUTHLAND ROYALTY COMPANY, by its attorneys, Kellahin & Kellahin, and seeks to re-instate Order R-10054 which authorized Southland Royalty Company (pursuant to the New Mexico " Enhanced Oil Recovery Act" and Division Rule 701) 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 qualified 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.

**Southland Royalty Company  
NMOCD Application  
Page 2**

**(2) On January 6, 1994, the Oil Conservation Division of New Mexico ("NMOCD") held an evidentiary hearing on Southland's application in Case 10891 which sought 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.**

**(3) At the hearing Southland presented evidence which, among other things, established that:**

**(a) 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.**

**(b) 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.**

**(c) to that date, cumulative primary oil recovery from the Project has been 778,718 barrels.**

**(d) 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.**

**(e) the project area will be developed on a peripheral injection pattern involving one injection well and 4 producers.**

**(7) On January 6, 1994, the NMOCD entered Order R-10891 which approved Southland's application. See Exhibit "B" attached.**

**(8) Order R-10054 also provided:**

**"(20) The injection authority granted herein for the proposed injection well should terminate one year after the date of this order if the operator has not commenced injection operation into the subject well by that date, provided however, the Division, upon written request by the operator, may grant an extension thereof for good cause shown."**

**(9) But as a result of reassigning budgeting priorities, Southland did not commence injection prior to January 6, 1995, and further, as a result of changes in personnel, failed to apply for an extension of the order prior to its termination.**

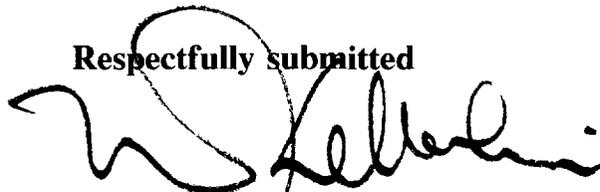
**(10) Therefore, Southland now seeks to have the expired order re-instated and a new one year commencement period adopted for this project.**

**(11) Southland has reviewed all of the past information filed with the Division upon which previous approval was obtained and states that there have been no material changes of facts which would now adversely affect approving this project or which would alter any of the basis for the Division's approval.**

**(12) Notification of this case has been sent to all those parties originally notified in the original proceedings.**

**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', written over a large, stylized circular flourish.

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

**State DS No. 4  
Unit L, Sec. 24, T17S, R36E  
Lea County, New Mexico  
Southland Royalty Company**

The following Offset Operators, Surface Owners and Mineral Interest Owners within open areas,  
within a one-half mile radius

Maralo, Inc.  
Five Post Oak Park  
Suite 1010  
Houston, TX 77027

Marshall & Winston, Inc.  
P. O. Box 50880  
Midland, TX 79710

Norma Barton  
P. O. Box 729  
Hobbs, NM 88240

Yates Petroleum Corp.  
105 South 4th Street  
Artesia, NM 88210

Oxy USA, Inc.  
P. O. Box 50250  
Midland, TX 79710

John T. Stallings  
P. O. Box 685  
Creedmor, NC

Ken McPeters  
P. O. Box 1860  
Hobbs, NM 88240

E. L. Latham Co.  
P. O. Box 1392  
Hobbs, NM 88241

The Moran Partnership  
1000 E. Walker Drive  
Hobbs, NM 88241

Howell Spears  
P. O. Box 4246  
Gulfport, MS 39501

Roy G. Barton & Opal  
Barton Revocable Trust  
Roy G. Barton, Jr, Trustee  
P. O. Box 978  
Hobbs, NM 88241,

Roy G. Barton, Jr.  
P. O. Box 978  
Hobbs, NM 88241

Eibert Damon Shipp  
& Suzy Laverne Shipp  
1104 Ave. J. West  
Lovington, NM 88260

Alan Jochimsen  
2402 Cimmaron  
Midland, TX 79705

Charles Doombas, Trustee  
Charles F. Doombas  
Revocable Trust  
P. O. Box 639  
Bartlesville, OK 74005

Cross Timbers Oil Co. L.P.  
810 Houston St., Ste. 2000  
Fort Worth, TX 76102

James Ronald Ewing  
700 East 9th St., Apt. 11K  
Little Rock, AR 72202

The Bevridge Co.  
P. O. Box 993  
Midland, TX 79702

Surface Owner

Dorothy T. Scharbauer  
P. O. Box 1471  
Midland, Texas 79702

Newspaper

Hobbs News Sun  
201 N. Thorp  
Hobbs, NM 88241  
(505) 393-2123