

NEW MEXICO
OIL CONSERVATION DIVISION

December 6, 1995

HAND DELIVERED

New Mexico Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87501

* *Objectors'* EXHIBIT A
CASE NO. 11432

RE: CASE #11432
Application of Southland Royalty Company
For Compulsory Pooling
N/2 Section 25-T25N-R3W
Rio Arriba County, New Mexico

Ladies and Gentlemen:

The following minority and underproduced working interest owners in the Hill Federal #2Y Well respectfully request that this letter be placed of record in Southland Royalty Company's (hereinafter referred to as "Meridian") Application for Compulsory Pooling for all mineral interests in the Blanco Mesaverde Gas Pool underlying the N/2 of Section 25, Township 25 North, Range 2 West, forming a standard 320-acre gas and proration unit. The following summarizes the position of the minority and underproduced working interest owners concerning Meridian's proposal to plug and abandon the Gavilan-Mancos interval and recompleting the Hill Federal #2Y Well in the Mesaverde formation:

- The last gas sales from the Hill Federal #2Y Well were in July, 1990. It has taken over 5 years for Meridian, as operator, to prepare gas balancing and cash settlement proposals for the allocation of gas volumes due to the underproduced owners from the overproduced owners. Since Meridian's overproduced position represents 93.16% of the total overproduced owners (\$39,604.72 of \$42,511.40 owed pursuant to Meridian's records), we request that the NMOCD issue in its findings that the Hill Federal #2Y Well be cash settled with all working interest owners before recompleting and producing from the Mesaverde interval.
- Meridian has requested approval from the minority and underproduced working interest owners to amend the Operating Agreement governing the wells operations for the Basin Dakota and Gavilan-Mancos formations to cover the Mesaverde formation. The proposal is totally unacceptable to the undersigned minority and underproduced working interest owners due to Meridian's track record in operating in the Hill Federal #2Y Well. To protect the correlative rights of the parties now owning the Hill Federal #2 Well and equipment, we would encourage the use of the following language in the event the NMOCD issues a force pooling order for the Mesaverde interval:

Objectors: Those parties represented by Jim Bruce

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"In the case of reworking and plugging back in the Mesaverde interval, Meridian shall be permitted to use, free of cost, all casing, tubing and other equipment in the well and surface equipment located thereon, but the ownership of all such equipment shall remain unchanged; and upon abandonment of the Mesaverde interval Meridian shall account for all such equipment to the owners with each party receiving its proportionate part in kind or in value".

Thank you for you consideration.

Respectfully submitted,

WORKING INTEREST OWNER

Hooper, Kimball & Williams Inc.

By: Aneq Oatman, A-I-F

Carolyn Clark Oatman Agent for
Warren Clark

By: _____

Carolyn Clark Oatman

By: _____

Jill Green and W. W. Oatman,
Co-Trustee of the Warren Clark
Testamentary Trust

By: _____

Christopher L. Phillips

By: Christopher L. Phillips

Ramona Sweet, Trustee of the
Ramona Sweet Revocable Trust

By: Ramona Sweet, Trustee

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"In the case of reworking and plugging back in the Mesaverde interval, Meridian shall be permitted to use, free of cost, all casing, tubing and other equipment in the well and surface equipment located thereon, but the ownership of all such equipment shall remain unchanged; and upon abandonment of the Mesaverde interval Meridian shall account for all such equipment to the owners with each party receiving its proportionate part in kind or in value".

Thank you for your consideration.

Respectfully submitted,

WORKING INTEREST OWNER

Hooper, Kimball & Williams Inc.

By: Greg Shurt, A - T - F

Carolyn Clark Oatman Agent for
Warren Clark

By: Carolyn Clark Oatman

Carolyn Clark Oatman

By: Carolyn Clark Oatman

Jill Green and W. W. Oatman.
Co-Trustee of the Warren Clark
Testamentary Trust

By: Jill Green

Christopher L. Phillips

By: _____

Ramona Sweet, Trustee of the
Ramona Sweet Revocable Trust

By: Ramona Sweet