



Southland Royalty Company

March 28, 1978

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O. O. O.
ARTESIA, OFFICE

Glen Plemons Drilling Company, Inc.
P. O. Box 1448
Carlsbad, New Mexico 88220

4309 59th Street
Lubbock, Texas 79412

Re: SW/4 SE/4 Section 18,
T-19-S, R-28-E
Eddy County, New Mexico
SRC 14584

Gentlemen:

On May 14, 1975, Southland Royalty Company acquired title to State of New Mexico Oil & Gas Lease LG-2724 dated April 1, 1975 covering the exact captioned lands. In the course of recently having title examined we have discovered that in 1974 you re-entered the Featherstone State #2 well located on the subject property and completed the well as a producer. Your C-105 form purports to show the re-entry as having been made under authority of State Oil & Gas Lease E-874. However, the records of the State Land Office reflect that Lease E-874 expired by its own terms on November 9, 1972, and that you had no title to the oil, gas and other minerals at the time of your re-entry operations or at any time since that date. The Land Office records further reflect that you were notified of this trespass on March 6, 1974, but apparently you have elected to disregard the notice and to continue to produce the well.

By reason of the foregoing you are advised that your re-entry on this property and production from the recompleted well has been an direct derogation of our title and our predecessor in interest, Mark D. Wilson under Lease LG-2724, as a consequence of which, this will serve as our demand for an immediate accounting for 7/8 of the production from the Featherstone State #2 well for the period April 1, 1975 to date. In addition we will expect an accounting on a monthly basis for 7/8 of all future production.