

JAMES R. McCrory

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August 26, 1985

Southland Royalty Company
David M. Blandford
P. O. Drawer 570
Farmington, NM 87401

Well File

Re: SRC-Federal PRI #1
○ Section 11, T29N, R12W
San Juan County, New Mexico

Dear Mr. Blandford:

I represent Producing Royalties, Inc., regarding the above.

Producing Royalties received your letter of August 15, 1985, with enclosures including the photocopy of the letter of August 12, 1985, from Mr. Charles Gholson of the New Mexico Oil Conservation Division.

Prior to deciding on your recommendation to plug and redrill, Producing Royalties requests the following:

1) An AFE as soon as possible as cost of plugging and redrilling is a major consideration.

2) An estimate of the cost of plugging, a list and value of salvage to be sold, and a list and value of salvage to be used on the new well.

3) The time schedule to redrill as Producing Royalties desires that the new well be completed well before cold weather begins to avoid unnecessary cost and uncertainty. If a new well is drilled, Producing Royalties requests that it be commenced before October 15, 1985.

4) The exact location of the proposed well as Producing Royalties feels that the success of the new well is dependent on the location within the proration unit. Producing Royalties requests the agreement of all parties as to the location.

5) A firm understanding that the plugging of the PRI #1 will be followed by the redrilling of a new well.

RECEIVED

AUG 27 1985

OIL CON. DIV.
DIST. 3

I have requested on behalf of Producing Royalties a postponement of the deadline (August 26, 1985) in the letter from Mr. Gholson. He indicated he would extend the deadline provided that you agree. Please indicate your concurrence to him so that the owners of the well will not be out of compliance with Mr. Gholson's letter of August 12, 1985, and in order to allow Producing Royalties to properly evaluate your recommendation.

Producing Royalties may have other points to discuss with you prior to acting on your recommendation. Because of the very short time frame, your prompt response will be appreciated.

Yours truly,

/s/ James R. McCrory

James R. McCrory
JRM/agh

cc: P. L. Payne, Jr.
Steve Payne
Producing Royalties, Inc.
P. O. Box 1071
Lubbock, TX 79408

✓ Mr. Charles Gholson
Oil Conservation Division
1000 Rio Brazos Road
Aztec, NM 87410