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ATTORNEYS AT LAW

EL PATIO BUILDING

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JASON KELLAHIN (RETIRED 1991)

July 13, 1992

Mr. William J. LeMay
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

Re: Application of Southland
Royalty Company For an
Unorthodox Gas Well Location
For its South Corbin Federal #3 Well
Lea County, New Mexico

RECEIVED
JUL 13 1992
OIL CONSERVATION DIVISION

10522

Dear Mr. LeMay:

On behalf of Southland Royalty Company, please find enclosed our application for an unorthodox gas well location for the referenced well which we request be set for hearing on the next available Examiner's docket now scheduled for August 6, 1992.

By copy of this letter, including the application, to all affected parties, we are notifying them by certified mail, return-receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application.

Very truly yours,



W. Thomas Kellahin

appt713.330

cc: David Parkhurst (Meridian-Midland)
Don Davis (Meridian-Midland)

cc: **BY CERTIFIED MAIL**
See Exhibit C to application

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

CASE NO. 10522

IN THE MATTER OF THE APPLICATION OF
SOUTHLAND ROYALTY COMPANY FOR APPROVAL
OF AN UNORTHODOX WELL LOCATION, SOUTH
CORBIN MORROW GAS POOL, LEA COUNTY,
NEW MEXICO

RECEIVED

JUL 13 1992

OIL CONSERVATION DIVISION

A P P L I C A T I O N

COMES NOW SOUTHLAND ROYALTY COMPANY by and through its attorneys, Kellahin, Kellahin & Aubrey, and applies to the New Mexico Oil Conservation Division for approval of an unorthodox gas well location in the South Corbin Morrow Gas Pool for its South Corbin Federal #3 Well, located 554 feet FSL and 554 feet FEL (Unit P) Section 20, T18S, R33E, NMPM, Lea County, New Mexico, with the dedication of a spacing and proration unit consisting of the E/2 of said Section, and in support thereof states:

(1) Applicant is the operator of its South Corbin Federal #3 Well located 554 feet FSL and FEL of Section 20, T18S, R33E, NMPM, Lea County, New Mexico.

(2) The well was commenced on February 14, 1992, and on March 29, 1992 was temporarily abandoned as a dry hole in the South Corbin Wolfcamp Pool.

(3) Applicant proposes to re-enter the well and deepen it to the South Corbin Morrow Gas Pool with the E/2 of Section 20 being dedicated to the well.

(4) The unorthodox well location is sought to provide the most economical method to test the Morrow formation for production in this spacing unit and thereby:

1. protect against uncompensated drainage by offsetting existing wells;

2. reduce the risk and expense involved in drilling a new well from the surface at a standard location; and

3. affording the owners of this spacing unit the opportunity to share in possible production which otherwise may be drained by offsetting wells.

(5) In accordance with Division Rule 1207, the offset operators and affected owners who are entitled to notice, have been identified and set forth on Exhibit C, attached. Those parties have been set notice of this application by certified mail-return receipt advising each of their right to appear at the hearing requested by the applicant before the Division on August 6, 1992.

(6) Approval of the application, without a production penalty, will afford the operator and the other mineral interest owners for this spacing unit the opportunity to recover their proportionate share of the gas from the pool thereby preventing waste and protecting correlative rights.

WHEREFORE, Applicant requests that, after notice and hearing, this Application be approved as requested.

KELLAHIN, KELLAHIN & AUBREY

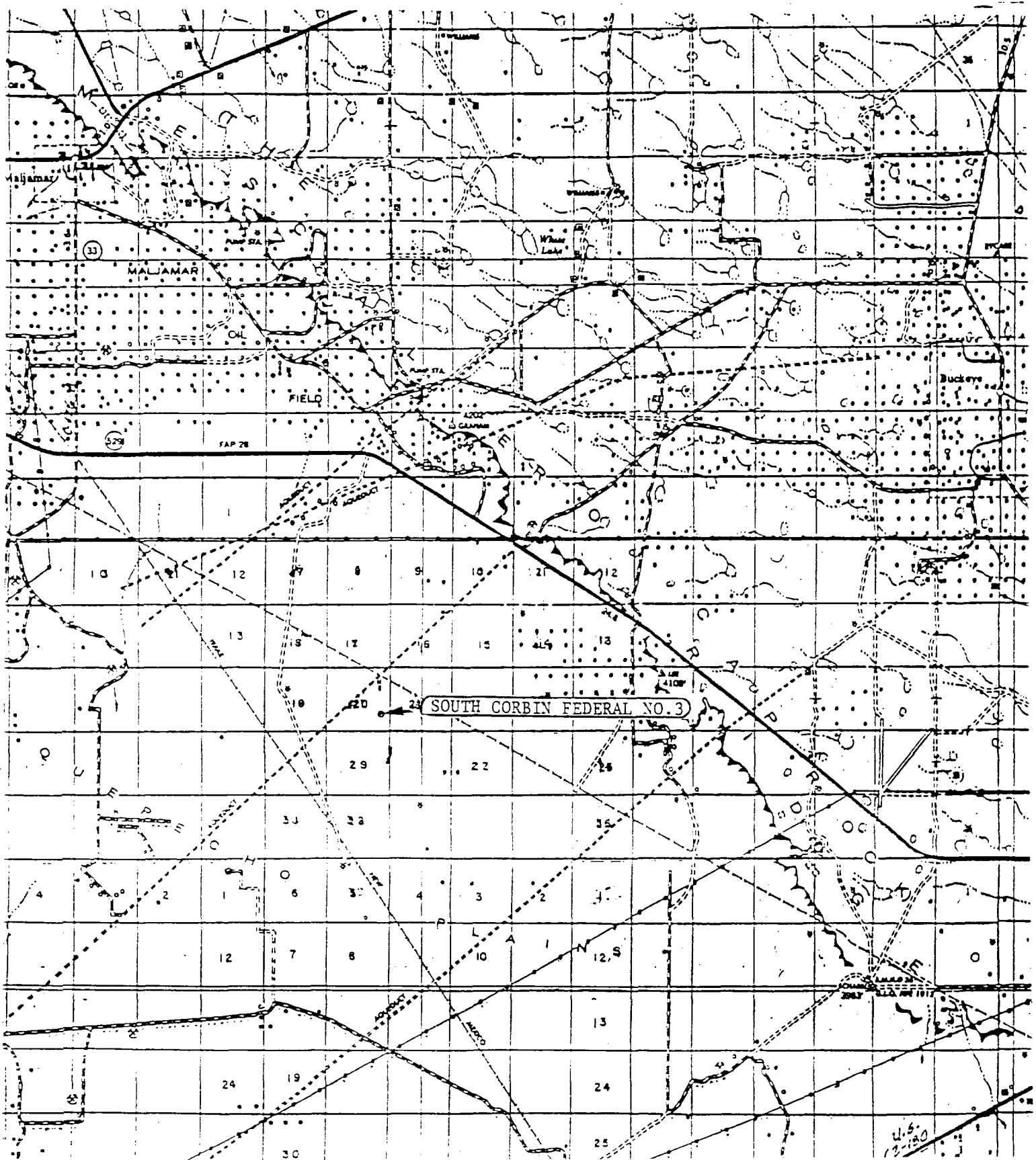
A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over a horizontal line.

BY
W. THOMAS KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

Meridian Oil Inc.

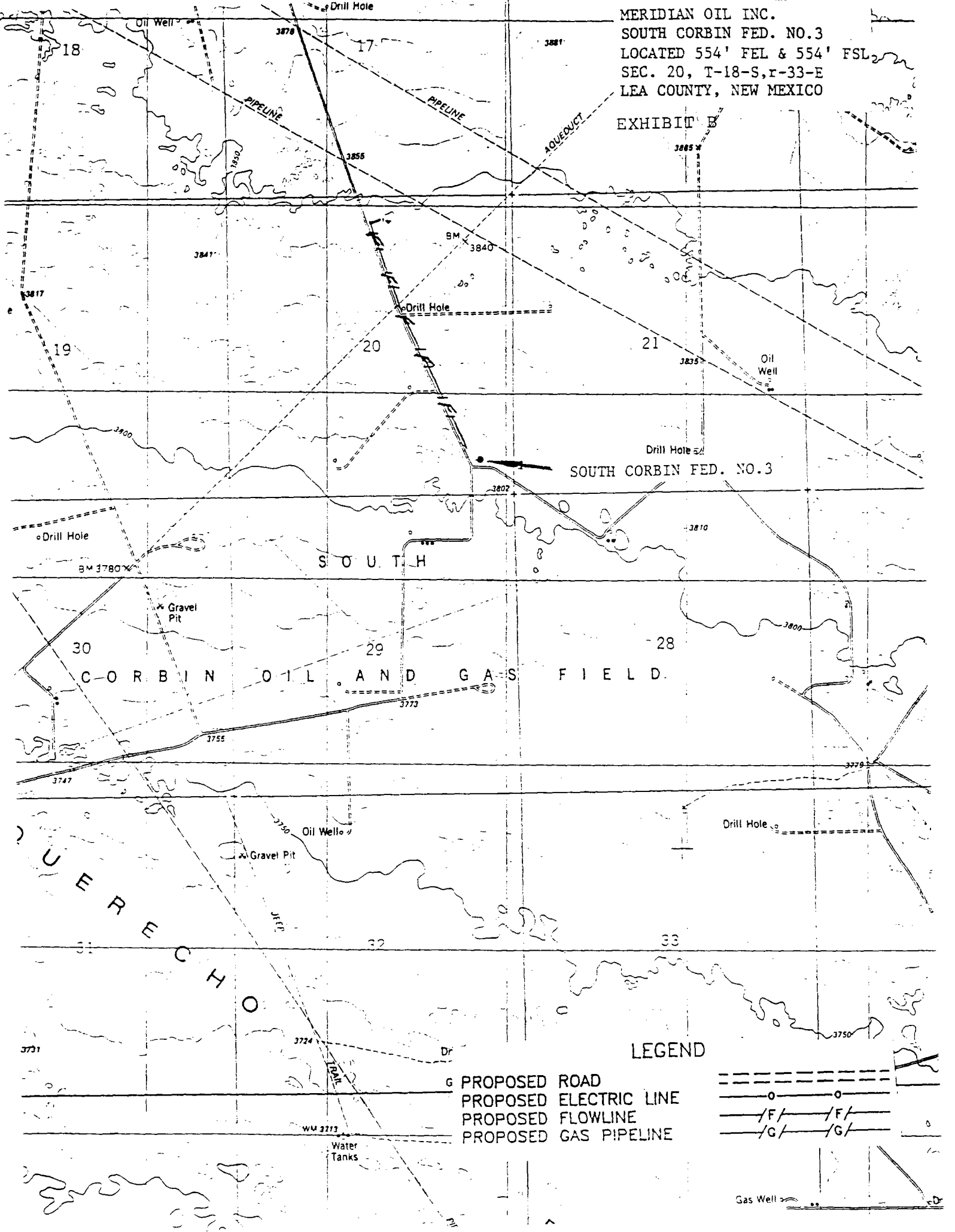
EXHIBIT A

Well Name: SOUTH CORBIN FEDERAL NO. 3
 Location: 554' FEL AND 554' FSL, SEC. 20, T-18-S, R-33-E, LEA CO. N.M.
 Directions: FROM MALJAMAR GO SOUTH ON COUNTY ROAD C-125-A 4 1/2 MILES
TO STATE HIGHWAY #529, 4 1/2 MILES TO CALICHE ROAD C-125-A
SOUTH ON C-125-A, 6 MILES TO LOCATION.



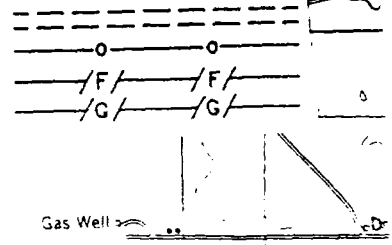
MERIDIAN OIL INC.
SOUTH CORBIN FED. NO.3
LOCATED 554' FEL & 554' FSL
SEC. 20, T-18-S, R-33-E
LEA COUNTY, NEW MEXICO

EXHIBIT B



LEGEND

- PROPOSED ROAD
- PROPOSED ELECTRIC LINE
- PROPOSED FLOWLINE
- PROPOSED GAS PIPELINE



AMOCO PRODUCTION COMPANY
BOX 3092
HOUSTON, TX 77253

PENNZOIL EXPLORATION & PRODUCTION CO.
P.O. DRAWER 1828
MIDLAND, TEXAS 79702-1828

HARVEY E. YATES COMPANY
BOX 1933
ROSWELL, NEW MEXICO 88202

EXPLORERS PETROLEUM CORP.
(NO ADDRESS AVAILABLE)

SPIRAL, INC.
P.O. BOX 1933
ROSWELL, NEW MEXICO 88202

JAMES H. YATES, INC.
P. O. BOX 2323
ROSWELL, NEW MEXICO 88202-2323

COLKELAN CORP.
(NO ADDRESS AVAILABLE)

HEYCO EMPLOYEES, LTD.
P.O. BOX 1933
ROSWELL, NEW MEXICO 88202

READ & STEVENS, INC.
BOX 1518
ROSWELL, NEW MEXICO 88202

MATADOR OPERATING CO.
400 W. TEXAS AVE.
SUITE 1100-A
MIDLAND, TEXAS 79101