

February 6, 1985

Donald R. Link
445 Petroleum Bldg.
Denver, CO 80202

BEFORE EXAMINER (MAY 1985)
Oil & Gas Division (MAY 1985)
SRC EXHIBIT NO. 3
CASE NO. 8557

RE: SRC-Duffield Federal "21" Com. #1
W/2 of Section 21, T16S, R27E,
Eddy County, New Mexico
Duffield Prospect #1864
Fed. Lse. #54850
Section 21: N/2 N/2, SE/4 NE/4 &
NE/4 SE/4
Section 22: NW/4 & N/2 SW/4
Section 15: W/2 SW/4

Dear Mr. Link,

Reference is made to our recent telephone conversation concerning the captioned well. Southland Royalty Company is preparing to drill an approximate 8,800' Morrow well in the W/2 of Section 21, T16S, R27E. The footage location for this well will be 1980'FWL and 660'FWL of Section 21. Southland requests that you support this well under one of the following proposals:

- 1) Donald R. Link join as working interest owner in the SRC-Duffield Federal "21" Com. #1, paying your proportionate part of the cost to drill and complete this well. Attached is an AFE which reflects the estimated cost to drill this well. According to my calculations you would own a 25% WI in the well.
- 2) Donald R. Link farmout your interest in Federal Lease #54850. Under this Farmout you would retain a 1/16th of 8/8ths overriding royalty interest in the initial well, while retaining the option to convert this override to a 25% WI after payout (proportionately reduced). By completing this well as a commercial producer, Southland would earn 100% of your interest in the drilled proration unit, subject to your retained override and back-in, and also earn 50% of your interest in the balance of the farmout lands.

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- 3) Subject to our Managements final approval, Southland Royalty Company will purchase your interest in Federal Lease #54850 paying you a total bonus of \$199,920.00 (560 acres x \$357.00 per acre). Under this purchase you will reserve a 6.25% override in the lease, and be entitled to a forty (40) day reassignment provision prior to expiration of the lease. Southland would purchase a 100% working interest and 81.25% net revenue interest in the lease for the balance of its term.

If you choose to join in the proposed well, please review the AFE, and upon approval, execute all originals returning two (2) executed originals to Southland's Midland Office. An Operating Agreement will be forwarded to you shortly. If you choose to either farmout or sell Federal Lease #54850 to Southland, please contact me and I will prepare the appropriate papers.

If you have any questions or comments concerning this proposal please contact me.

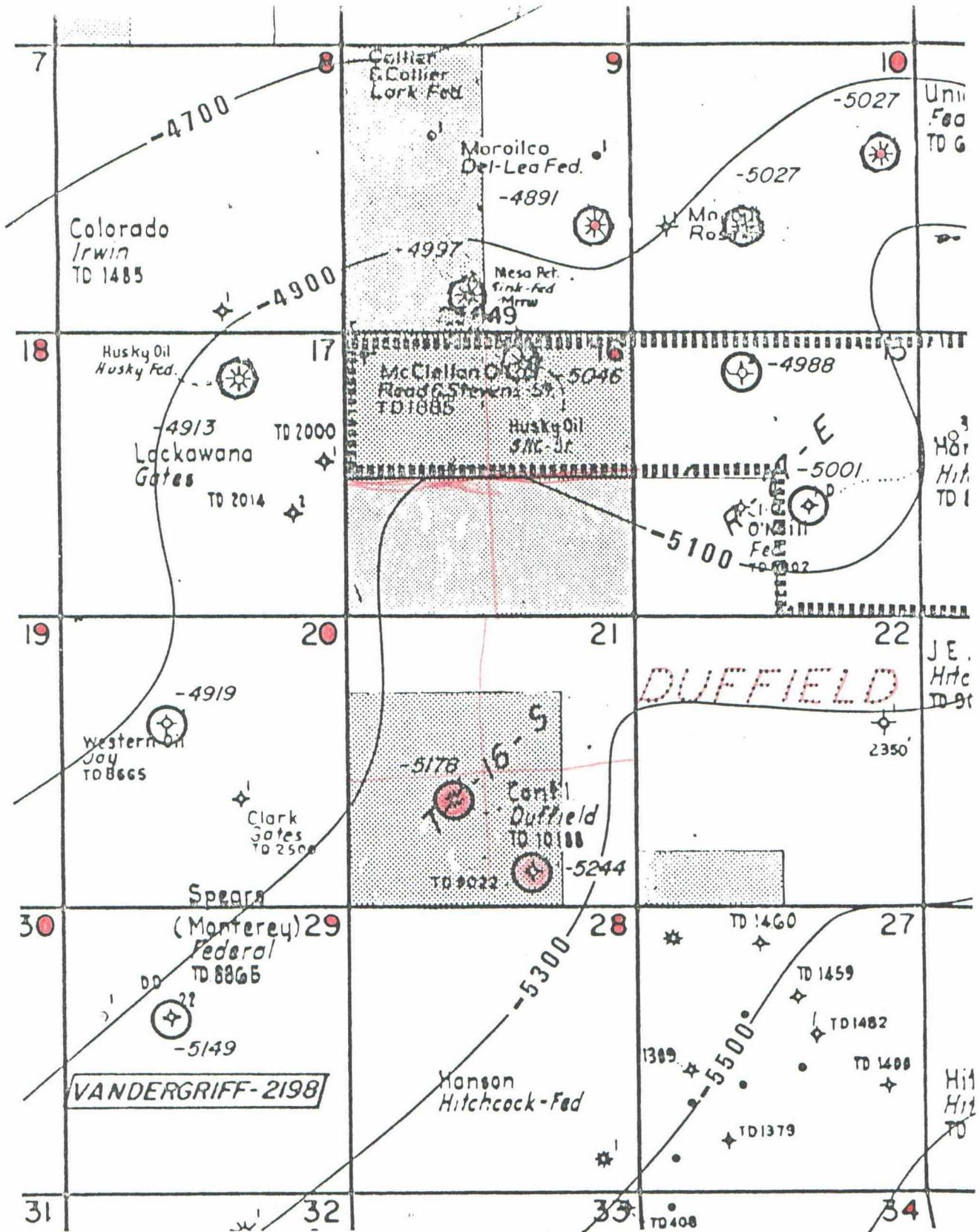
Yours very truly,

SOUTHLAND ROYALTY COMPANY


Don W. Davis
Landman

DWD:pjs

Attachments



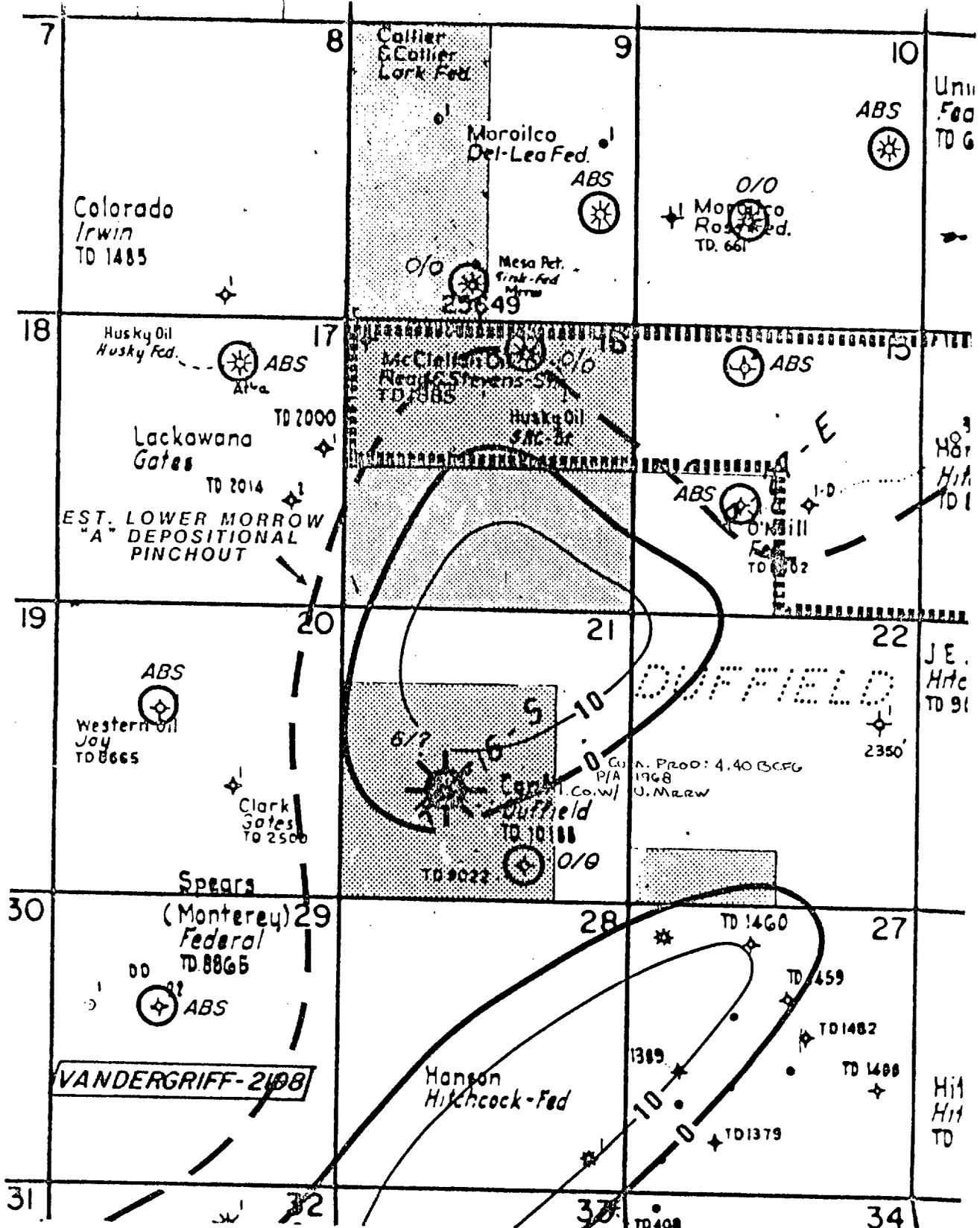
BEFORE EXAMINER QUINTANA
 OIL CONSERVATION DIVISION
 sec EXHIBIT NO. 4
 CASE NO. 8557


Southland Royalty Company
 SOUTHWESTERN DISTRICT
MIDLAND TEXAS

EDDY COUNTY, NEW MEXICO
DUFFIELD AREA
B/PENNSYLVANIAN
-T/CHESTER STRUCTURE

C.I.-200' 0 2000' 4000'

GEOLOGIST	DATE	REVISED BY	DATE	FILE NO.
P. WEBER	3/84	P. WEBER	5/84	
GEOPHYSICIST	DATE			DRAFTED BY



BEFORE EXAMINER QUINTANA
 OIL CONSERVATION DIVISION
 SRC EXHIBIT NO. 5
 CASE NO. 8557


Southland Royalty Company
 SOUTHWESTERN DISTRICT
IRVING, TEXAS

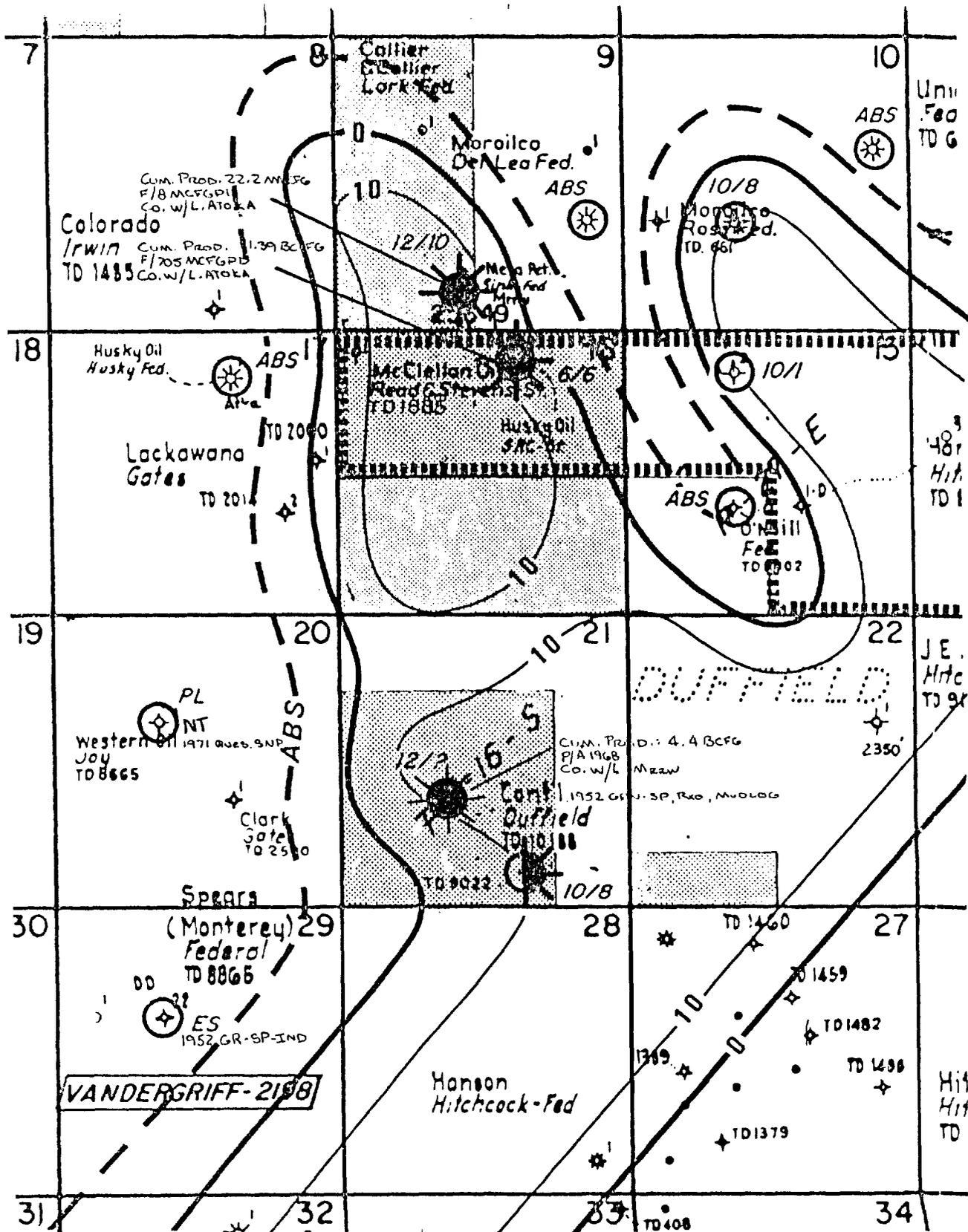
EDDY COUNTY, NEW MEXICO
DUFFIELD AREA

LOWER MORROW "A" GROSS SD ISOPACH
 GROSS SAND/NET SAND (≥ 6% φ)

C.I.-10' 0 2000' 4000'

GEOLOGIST	DATE	REVISED BY	DATE	FILE NO.
J. BECHER	11/82	J. BECHER	2/83	
GEOPHYSICIST	DATE			DRAFTED BY

Cum. Prod. to 1-1-85
 F/2 FLOWRATE AVER. PER-DAY FOR 12-84
 C.D. = COMINGLED



BEFORE EXAMINER QUINTANA
 OIL CONSERVATION DIVISION
 EXHIBIT NO. 6
 CASE NO. 8557


Southland Royalty Company
 SOUTHWESTERN DISTRICT
MIDLAND TEXAS

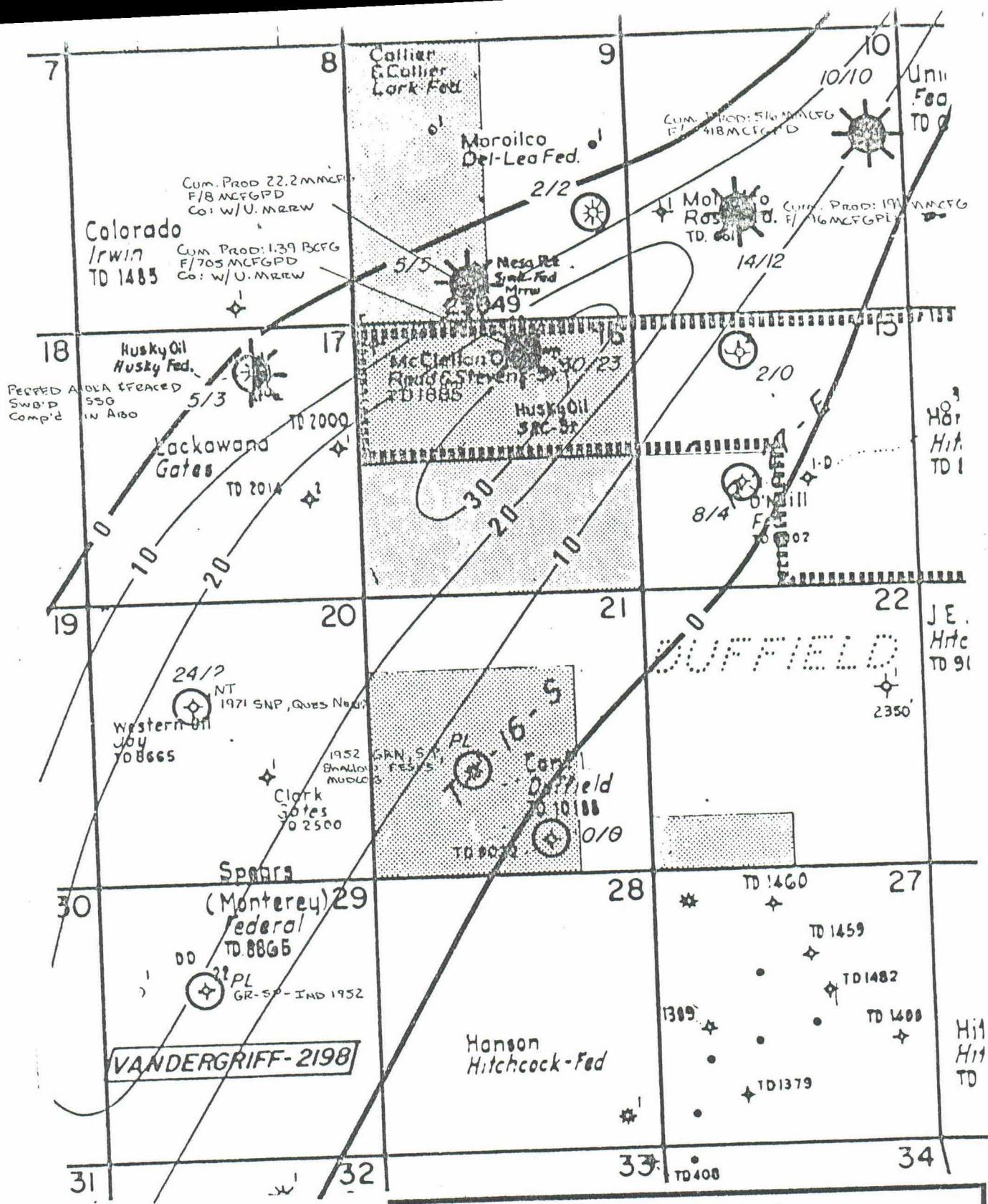
EDDY COUNTY, NEW MEXICO
DUFFIELD AREA

UPPER MORROW "A" GROSS SD ISOPACH
 GROSS SAND/NET SAND ($\geq 6\% \phi$)

C.I.-10' 0 2000' 4000'

GEOLOGIST	DATE	REVISED BY	DATE	FILE NO.
J. BECHER	11/82	J. BECHER	2/83	
		P. WEBER	5/84	
GEOPHYSICIST	DATE	J. BECHER	8/84	DRAFTED BY
		D. PILKINGTON	9/84	

Cum. Prod. to 1-1-85. F/2 Flowrate Aver.
 Per Day For 12-84. Co. 3 COMINGLED



BEFORE EXAMINER QUINTANA
 OIL CONSERVATION DIVISION
 SRC EXHIBIT NO. 7
 CASE NO. 8557

Cum. Prod. to 1-1-85
 F/ = FLOWRATE AVER. PER DAY FOR 12-84
 Co. = COMINGLED


Southland Royalty Company
 SOUTHWESTERN DISTRICT
MIDLAND TEXAS

EDDY COUNTY, NEW MEXICO
DUFFIELD AREA
LOWER ATOKA GROSS SD ISOPACH
GROSS SAND/NET SAND (≥ 6% Ø)

0 2000' 4000'
 C.I. - 10'

GEOLOGIST	DATE	REVISED BY	DATE	FILE NO.
J. BECHER	11/82	J. BECHER	2/83	
		P. WEBER	5/84	
GEOPHYSICIST	DATE	J. BECHER	7/84	DRAFTED BY
		J. BECHER	8/84	