

STATE OF NEW MEXICO

ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

GARREY CARRUTHERS  
GOVERNOR

February 23, 1989

POST OFFICE BOX 2038  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87501  
(505) 827-5800

Mr. Thomas Kellahin  
Kellahin, Kellahin & Aubrey  
Attorneys at Law  
Post Office Box 2265  
Santa Fe, New Mexico

Re: CASE NO. 8340  
ORDER NO. R-8366

Applicant:

Southland Royalty Company

Dear Sir:

Enclosed herewith are two copies of the above-referenced  
Division order recently entered in the subject case.

Sincerely,

*Florene Davidson*

FLORENE DAVIDSON  
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD x  
Artesia OCD x  
Aztec OCD       

Other William F. Carr

KELLAHIN and KELLAHIN

*Attorneys at Law*

El Patio - 117 North Guadalupe

Post Office Box 2265

Santa Fe, New Mexico 87504-2265

Telephone 982-4285

Area Code 505

W. Thomas Kellahin

Karen Aubrey

Jason Kellahin

Of Counsel

December 22, 1986

Mr. Michael E. Stogner  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87504

Re: Meridian Oil Inc.  
NMOCD Case 8849  
Application of Southland Royalty  
Section 102 NGPA

Dear Mr. Stogner:

I wish to follow up on our meeting of December 3, 1986 and complete the processing of Meridian Oil Inc's application (formerly Southland Royalty Company OCD Case 8849) for approval of a new onshore reservoir under Section 102 of the NGPA for certain wells as set forth in the application.

Meridian's application is based upon having certain of its wells included within a new Elkan Reservoir as established by Amoco Production Company in Case 8848 and as approved by the Division in Order R-8329 (copy enclosed). I am returning to you along with this letter the Division's set of Amoco exhibits from that case from which you located the Meridian's Scharb "9" Well No. 4 (Amoco Exhibit 9, Cross Section A-A').

As we discussed, only the Scharb 9 Well No. 4 is clearly within the Elkan reservoir as defined by Amoco. Accordingly, we would request that the Division administratively approve the Scharb 9 Well No. 4 as meeting the NGPA well category criteria for New Onshore Reservoir under Section 102, Category 4, of the Natural Gas Policy Act of 1978. I have enclosed a copy of Mr. Gene Carlson's letter to me dated December 11, 1986 which has an enclosure showing the location of the well along with additional supporting data.

As to the other three wells discussed in the application in Case 8849, you requested the preparation of additional cross-sections to demonstrate whether those three wells properly belong in the Elkan reservoir or

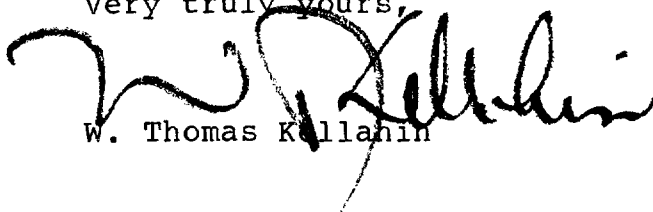
KELLAHIN and KELLAHIN

Mr. Michael E. Stogner  
December 22, 1986  
Page 2

whether they should be part of the Ora Jackson reservoir as found in the Big 6 Drilling Company or the O'Neill wells in W/2 of Section 5. Because of the low producing rates of those three wells, Meridian requests that they be allowed to withdraw those three wells from consideration and that case 8849 be dismissed at such time as the Scharb 9 Well No. 4 is approved administratively.

Should you have any questions, please call me or Mr. Gene Carlson of Meridian Oil Inc.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'W. Thomas Kellahin', is written over the typed name. The signature is stylized with a large, sweeping initial 'W' and a cursive 'Kellahin'.

W. Thomas Kellahin

WTK:ca  
Enc.

cc: Mr. Gene Carlson  
Meridian Oil Inc.  
21 Desta Drive  
Midland, Texas 79705

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 8848  
Order No. R-8329

APPLICATION OF AMOCO PRODUCTION  
COMPANY FOR NGPA WELLHEAD PRICE  
CEILING CATEGORY DETERMINATIONS,  
LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 12, 1986, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 29th day of October, 1986, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Amoco Production Company, seeks a determination by the Division that the following three wells in Township 19 South, Range 35 East, NMPM, Scharb-Bone Spring Pool, Lea County, New Mexico, meet the NGPA well category criteria for New Onshore Reservoir under Section 102, Category 4, of the Natural Gas Policy Act of 1978 and the applicable rules of the Federal Energy Regulatory Commission:

- A) Elkan Well No. 3 located 1980 feet from the South and East lines (Unit J) of Section 9;
- B) Elkan Well No. 4 located 519 feet from the South line and 2121 feet from the West line (Unit N) of Section 9; and,
- C) State "MX" Well No. 1 located 660 feet from the North line and 710 feet from the West line (Unit D) of Section 15.

(3) The Scharb-Bone Spring Pool was created by Division Order No. R-2201, effective April 1, 1962, with the vertical limits to include all of the Bone Spring formation.

(4) Between the time this pool was created and July, 1980, all of the wells designated to this pool were producing from the lower portion of the formation known as the Scharb zone.

(5) In July, 1980, the Southland Scharb 4 Well No. 1, located in the SW/4 SW/4 of Section 4, Township 19 South, Range 35 East, NMPM, Lea County, New Mexico, was completed in the upper portion of the Bone Spring formation known as the Elkan zone.

(6) The combined geological and engineering data presented at the time of the hearing indicates that the upper portion of the Bone Spring formation underlying said pool is isolated from the lower portion of said formation and should therefore be considered a new reservoir for NGPA purposes only.

(7) The subject wells in this case are each completed in the Elkan zone of the Scharb-Bone Spring Pool and the completed intervals correspond to the completed interval of the Southland Scharb 4 Well No. 1 as described in Finding Paragraph No. (5) above.

(8) The subject wells should therefore be approved for NGPA Section 102 Wellhead Pricing.

IT IS THEREFORE ORDERED THAT:

(1) The following three Amoco Production Company wells in Township 19 South, Range 35 East, NMPM, Scharb-Bone Spring Pool, Lea County, New Mexico, are completed in a new onshore reservoir as defined by the Natural Gas Pricing Act of 1978 and the applicable rules of the Federal Energy Regulatory Commission:


- A) Elkan Well No. 3 located 1980 feet from the South and East lines (Unit J) of Section 9;
- B) Elkan Well No. 4 located 519 feet from the South line and 2121 feet from the West line (Unit N) of Section 9; and,

C) State "MX" Well No. 1 located 660 feet from the North line and 710 feet from the West line (Unit D) of Section 15.

(2) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
R. L. STAMETS  
Director

S E A L

fd/

# MERIDIAN OIL

December 11, 1986

Kellahin and Kellahin  
Attorneys at Law  
El Patio - 117 North Guadalupe  
P. O. Box 2265  
Santa Fe, New Mexico 87504-2265

Re: New Mexico Oil Conservation Division Case No. 8849

Dear Mr. Kellahin:

As per our discussion concerning the Scharb Area NGPA 102 application, it is our belief that this matter can be handled administratively. This letter is intended to outline the available data necessary to familiarize you for an informal presentation to the NMOCD commissioners.

## Brief History

- \* Thru 1983, Southland Royalty Company took a conservative approach and applied for 103 pricing even though Amoco had sought and received 102 pricing on two of its wells.
- \* In 1984, SRC applied for 102 pricing on 4 wells: Scharb "8" No. 1, Scharb "9" No. 4, Smith "5" No. 2 & Smith "5" No. 4. SRC actually received 102 prices for only two of these wells for approximately 12 months. (Scharb "9" No. 4 and Smith "5" No. 4).
- \* The NMOCD then requested that Amoco and SRC present a case justifying 102 pricing on the above 4 wells.
- \* On June 12, 1986, a hearing was held by the NMOCD in which Amoco presented substantial geologic and engineering data in support of the formation of a new pool, the Elkan reservoir (Case No. 8848).
- \* The subsequent order stated that for purposes of NGPA classification only, the Elkan Pool is recognized as a separate reservoir and shall receive 102 pricing. It specifically granted 102 pricing to the Amoco-Elkan No. 3, No. 4 and State MX No. 1 wells and mentioned the SRC-Scharb "4" No. 1 as the discovery well for the reservoir.


Discussion:

Cumulative Production, ultimate recovery and indicated drainage area data are presented on the attached table. As shown, of the four wells which are the subject of this NGPA 102 application, only one well, the Scharb "9" No. 4, is a major gas producer with a current daily average of 76 MCFPD. This well accounts for 87.4% of current production and 96.0% of the remaining reserves from the four subject wells. The Scharb "9" No. 4 is a southeast offset to the Scharb "9" No. 1 which was the discovery well for the newly recognized Elkans reservoir. The Scharb "9" No. 4 lies within the heart of the Elkans reservoir as presented by Amoco in their hearing with the NMOCD. The remaining three wells for which NGPA 102 designations were sought lie in the fringe area of the Elkans reservoir. As indicated by the very small drainage area associated with these wells, production has come from very small lenses of the Elkans reservoir which have limited areal extent and only matrix porosity. The wells located in the heart of the Elkans reservoir exhibit indications of vugular and fracture porosity.

Again, it appears that the primary argument for obtaining these 102 designations is that Amoco has successfully proven the existence of the Elkan reservoir and it is being recognized as a separate reservoir for purposes of NGPA classification. Also, one of our wells lies within this reservoir and the other three wells are fringe producers from lenses with very limited areal extent. Remaining gas reserves from these four wells are 14.9 MMCF with 96% of these reserves associated with the Scharb "9" No. 4. All of these wells are very near their economic limit.

From the data presented herein, it appears that a reasonable argument exists for obtaining the 102 designations without a formal hearing. Please attempt an administrative solution to this case at your earliest convenience. If you have questions concerning any of the above, please advise.

Very truly yours,



G. R. Carlson

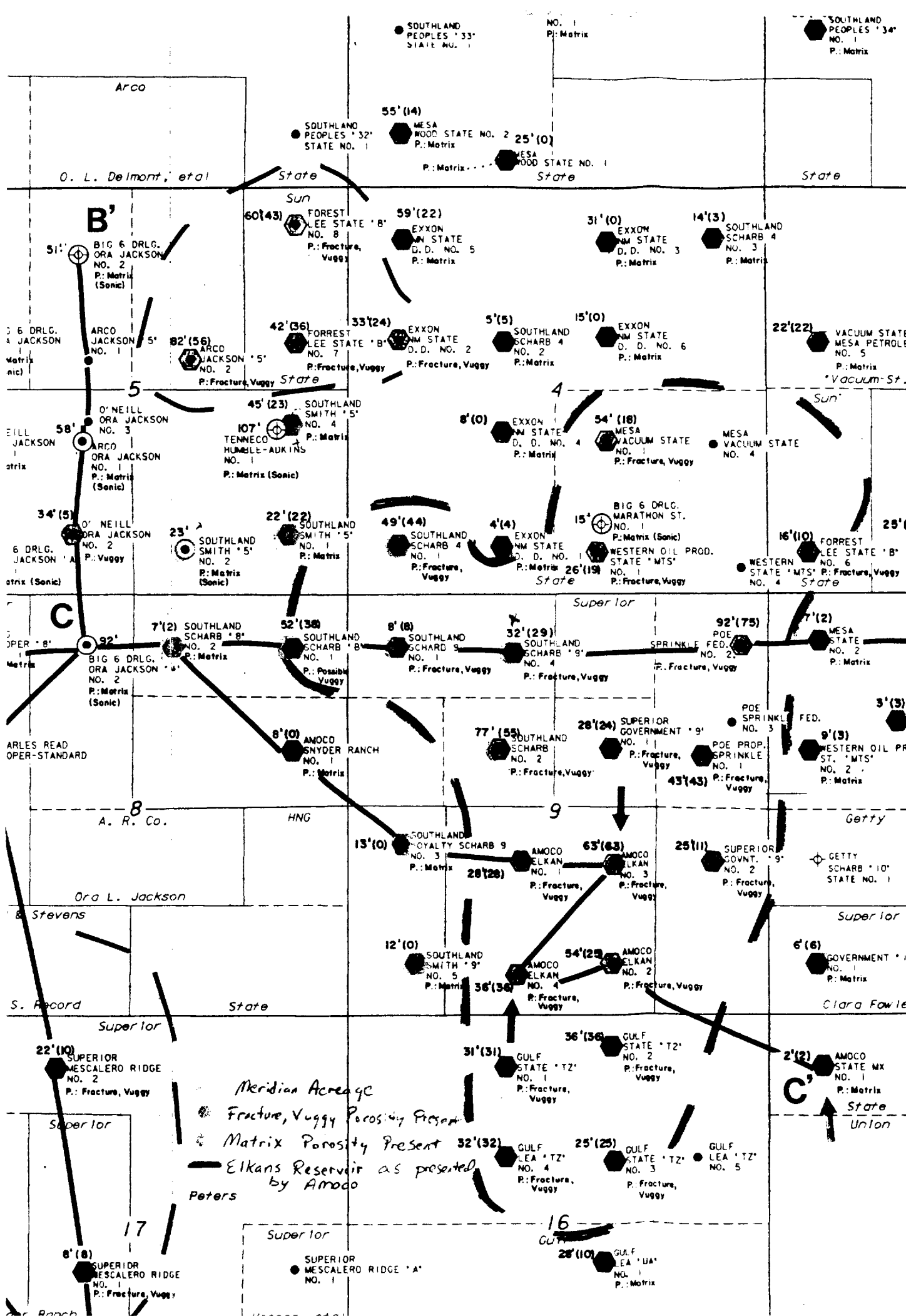
ALW/btt  
1595R:120986



Table I

Well Name	Current Production (BOPD + MCFPD)	Cumulative Production (MBO + MMCF)	Remaining Reserves (MBO + MMCF)	EUR (MBO + MMCF)	Indicated Drainage Area (Acres)
Scharb "8" No. 1	1 + 3	9.6 + 14.6	0.4 + 0.4	10.0 + 15.0	9.7
Scharb "9" No. 4*	8 + 76	57.4 + 292.5	1.5 + 14.3	58.9 + 306.8	66.5
Smith "5" No. 2	4 + 0	7.9 + 6.1	2.2 + 0	10.1 + 6.1	16.2
Smith "5" No. 4	2 + 8	1.8 + 1.9	0.2 + 0.2	2.0 + 2.1	3.2
Total (4 wells)	15 + 87	76.7 + 315.1	4.3 + 14.9	81.0 + 330.0	
Scharb "4" No. 1*	57 + 64	228.2 + 195.0	41.1 + 41.1	269.3 + 236.1	257.6
Scharb "8" No. 2	SI since 7/85	0.3 + 0.4	-0-	0.3 + 0.4	5.5
Scharb "9" No. 1*	SI since 4/84	28.9 + 44.8	-0-	28.9 + 44.8	106.4
Scharb "9" No. 2*	43 + 35	210.9 + 217.9	28.6 + 28.6	239.5 + 246.5	142.5
Scharb "9" No. 3	SI since 11/84	1.7 + 0	-0-	1.7 + 0	N/A
Smith "5" No. 1	3 + 2	12.3 + 4.5	0.2 + 0.2	12.5 + 4.7	20.9
Scharb "9" No. 5	SI since 4/85	0.1 + 0	-0-	0.1 + 0	N/A
Total (All SRC Wells)	118 + 188	559.1 + 777.7	74.2 + 84.8	633.3 + 862.5	

\* wells which lie within the boundary of the Elkans Reservoir as presented by Amoco



Discussion:

Cumulative Production, ultimate recovery and indicated drainage area data are presented on the attached table. As shown, of the four wells which are the subject of this NGPA 102 application, only one well, the Scharb "9" No. 4, is a major gas producer with a current daily average of 76 MCFPD. This well accounts for 87.4% of current production and 96.0% of the remaining reserves from the four subject wells. The Scharb "9" No. 4 is a southeast offset to the Scharb "9" No. 1 which was the discovery well for the newly recognized Elkans reservoir. The Scharb "9" No. 4 lies within the heart of the Elkans reservoir as presented by Amoco in their hearing with the NMOCDD. The remaining three wells for which NGPA 102 designations were sought lie in the fringe area of the Elkans reservoir. As indicated by the very small drainage area associated with these wells, production has come from very small lenses of the Elkans reservoir which have limited areal extent and only matrix porosity. The wells located in the heart of the Elkans reservoir exhibit indications of vugular and fracture porosity.

Again, it appears that the primary argument for obtaining these 102 designations is that Amoco has successfully proven the existence of the Elkans reservoir and it is being recognized as a separate reservoir for purposes of NGPA classification. Also, one of our wells lies within this reservoir and the other three wells are fringe producers from lenses with very limited areal extent. Remaining gas reserves from these four wells are 14.9 MMCF with 96% of these reserves associated with the Scharb "9" No. 4. All of these wells are very near their economic limit.

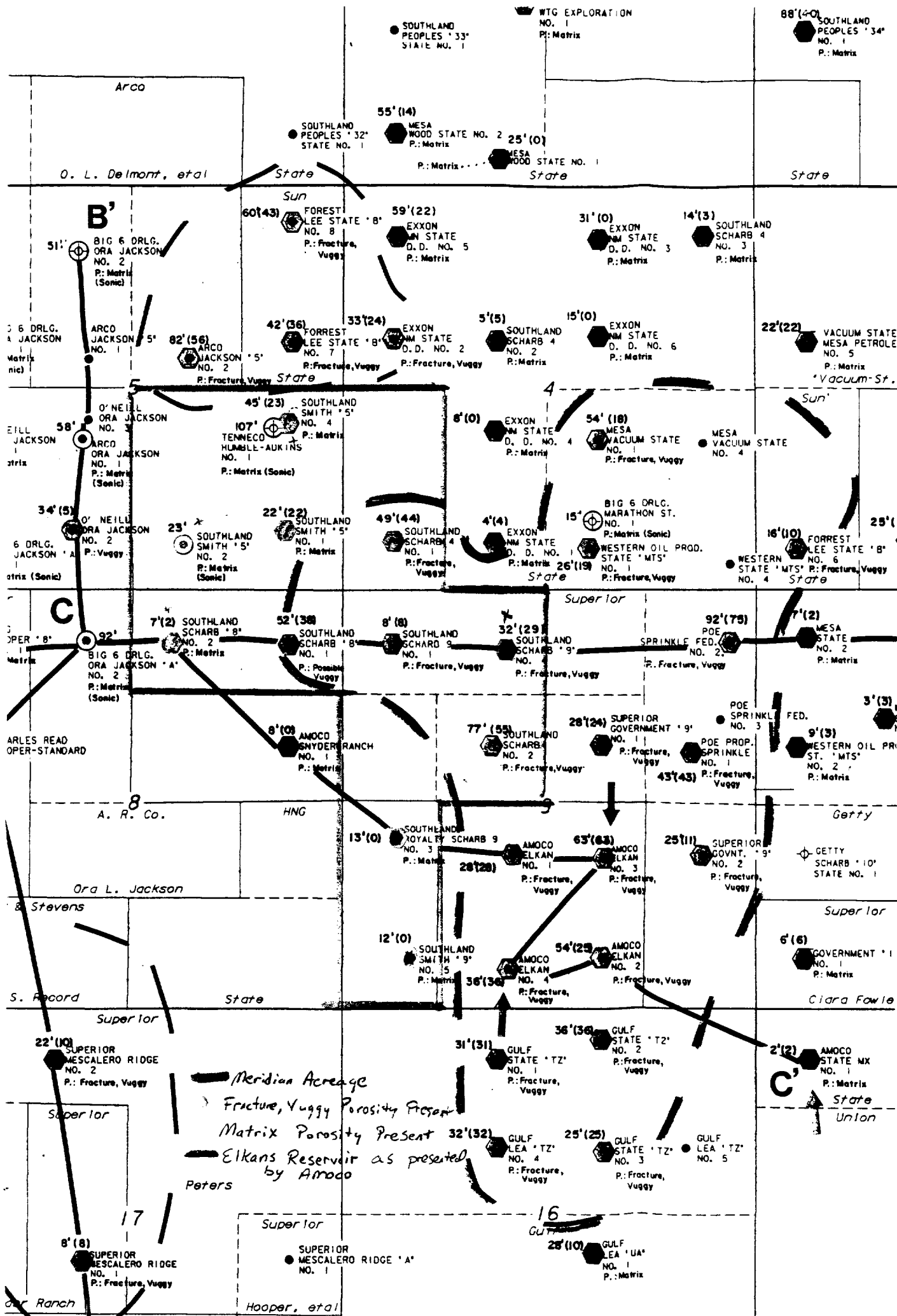
From the data presented herein, it appears that a reasonable argument exists for obtaining the 102 designations without a formal hearing. Please attempt an administrative solution to this case at your earliest convenience. If you have questions concerning any of the above, please advise.

Very truly yours,



G. R. Carlson

ALW/btt  
1595R:120986



December 11, 1986

Kellahin and Kellahin  
Attorneys at Law  
El Patio - 117 North Guadalupe  
P. O. Box 2265  
Santa Fe, New Mexico 87504-2265

Re: New Mexico Oil Conservation Division Case No. 8849

Dear Mr. Kellahin:

As per our discussion concerning the Scharb Area NGPA 102 application, it is our belief that this matter can be handled administratively. This letter is intended to outline the available data necessary to familiarize you for an informal presentation to the NMOCD commissioners.

Brief History

- \* Thru 1983, Southland Royalty Company took a conservative approach and applied for 103 pricing even though Amoco had sought and received 102 pricing on two of its wells.
- \* In 1984, SRC applied for 102 pricing on 4 wells: Scharb "8" No. 1, Scharb "9" No. 4, Smith "5" No. 2 & Smith "5" No. 4. SRC actually received 102 prices for only two of these wells for approximately 12 months. (Scharb "9" No. 4 and Smith "5" No. 4).
- \* The NMOCD then requested that Amoco and SRC present a case justifying 102 pricing on the above 4 wells.
- \* On June 12, 1986, a hearing was held by the NMOCD in which Amoco presented substantial geologic and engineering data in support of the formation of a new pool, the Elkans reservoir (Case No. 8848).
- \* The subsequent order stated that for purposes of NGPA classification only, the Elkans Pool is recognized as a separate reservoir and shall receive 102 pricing. It specifically granted 102 pricing to the Amoco-Elkan No. 3, No. 4 and State MX No. 1 wells and mentioned the SRC-Scharb "4" No. 1 as the discovery well for the reservoir.

Table I

Well Name	Current Production (BOPD + MCFPD)	Cumulative Production (MBO + MMCF)	Remaining Reserves (MBO + MMCF)	EUR (MBO + MMCF)	Indicated Drainage Area (Acres)
Scharb "8" No. 1	1 + 3	9.6 + 14.6	0.4 + 0.4	10.0 + 15.0	9.7
Scharb "9" No. 4*	8 + 76	57.4 + 292.5	1.5 + 14.3	58.9 + 306.8	66.5
Smith "5" No. 2	4 + 0	7.9 + 6.1	2.2 + 0	10.1 + 6.1	16.2
Smith "5" No. 4	2 + 8	1.8 + 1.9	0.2 + 0.2	2.0 + 2.1	3.2
Total (4 wells)	15 + 87	76.7 + 315.1	4.3 + 14.9	81.0 + 330.0	
Scharb "4" No. 1*	57 + 64	228.2 + 195.0	41.1 + 41.1	269.3 + 236.1	257.6
Scharb "8" No. 2	SI since 7/85	0.3 + 0.4	-0-	0.3 + 0.4	5.5
Scharb "9" No. 1*	SI since 4/84	28.9 + 44.8	-0-	28.9 + 44.8	106.4
Scharb "9" No. 2*	43 + 35	210.9 + 217.9	28.6 + 28.6	239.5 + 246.5	142.5
Scharb "9" No. 3	SI since 11/84	1.7 + 0	-0-	1.7 + 0	N/A
Smith "5" No. 1	3 + 2	12.3 + 4.5	0.2 + 0.2	12.5 + 4.7	20.9
Scharb "9" No. 5	SI since 4/85	0.1 + 0	-0-	0.1 + 0	N/A
Total (All SRC Wells)	118 + 188	559.1 + 777.7	74.2 + 84.8	633.3 + 862.5	

\* wells which lie within the boundary of the Elkans Reservoir as presented by Amoco

RECEIVED  
DEC - 2 1986

W. Thomas Kellahin  
Karen Aubrey

Jason Kellahin  
Of Counsel

KELLAHIN and KELLAHIN  
Attorneys at Law  
El Patio - 117 North Guadalupe  
Post Office Box 2265  
Santa Fe, New Mexico 87504-2265

Telephone 982-4285  
Area Code 505

December 1, 1986

Mr. Richard L. Stamets  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87504

*M.S.*

Re: Southland Royalty Company  
NMOCD Case 8849

Dear Mr. Stamets:

Please enter our appearance on behalf of Meridian Oil Inc., which is the successor to the application Southland Royalty Company, in this application.

On behalf of Meridian Oil Inc., we would appreciate you continuing this case to the examiner docket now set for December 17, 1986 in order to give us an opportunity to prepare this case.

Very truly yours,

  
W. Thomas Kellahin

WTK:ca

cc: Mr. Gene R. Carlson  
Regional Reservoir Engineer  
Meridian Oil Inc.  
21 Desta Drive  
Midland, Texas 79705

CAMPBELL & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
J. SCOTT HALL  
PETER N. IVES  
JOHN H. BEMIS

GUADALUPE PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87504-2208  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

June 10, 1986

RECEIVED

JUN 10 1986

OIL CONSERVATION DIVISION

HAND DELIVERED

R. L. Stamets, Director  
Oil Conservation Division  
New Mexico Department of  
Energy and Minerals  
State Land Office Building  
Santa Fe, New Mexico 87501

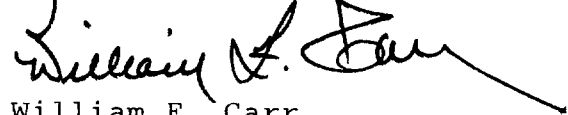
Re: Case 8849: Application of Southland Royalty Company  
for NGPA Wellhead Price Ceiling Category Determinations,  
Lea County, New Mexico.

Dear Mr. Stamets:

Southland Royalty Company hereby requests that the above-referenced case scheduled for hearing on June 12, 1986, be continued to the first set of Examiner hearings to be scheduled in August, 1986.

Thank you for your attention to this request.

Very truly yours,



William F. Carr

WFC/cv



CAMPBELL & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
J. SCOTT HALL  
PETER N. IVES  
JOHN H. BEMIS

GUADALUPE PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87504-2208  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

May 13, 1986

HAND DELIVERED

Richard L. Stamets, Director  
Oil Conservation Division  
New Mexico Department of  
Energy and Minerals  
Post Office Box 2088  
Santa Fe, New Mexico 87501

RECEIVED

MAY 13 1986

OIL CONSERVATION DIVISION

Re: Oil Conservation Division Case 8849: Application of  
Southland Royalty Company for NGPA Wellhead Price  
Ceiling Category Determinations, Lea County, New  
Mexico.

Dear Mr. Stamets:

Southland Royalty Company hereby requests that the above-  
referenced case scheduled for hearing on May 14, be continued to  
the Examiner hearings scheduled for June 12, 1986.

Your attention to this request is appreciated.

Very truly yours,

*William F. Carr*  
William F. Carr @

WFC/cv

cc: Mr. David Miller

CAMPBELL & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
BRUCE D. BLACK  
MICHAEL D. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
J. SCOTT HALL  
PETER N. IVES  
JOHN H. BEMIS

RECEIVED  
OIL CONSERVATION DIVISION

GUADALUPE PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87504-2208  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

March 31, 1986

*M. S.*

Mr. R. L. Stamets, Director  
Oil Conservation Division  
New Mexico Department of  
Energy and Minerals  
Post Office Box 2088  
Santa Fe, New Mexico 87504-2088

Re: Case 8849: Application of Southland Royalty Company  
for NGPA Wellhead Price Ceiling Category Determinations,  
Lea County, New Mexico.

Dear Mr. Stamets:

Pursuant to our prior conversations, this letter is to confirm that the above-referenced case scheduled for hearing before the Division on April 2, 1986, be continued to the Examiner hearings scheduled for Wednesday, May 14, 1986. I have enclosed my Entry of Appearance on behalf of Southland Royalty Company for filing in Case 8849.

Very truly yours,

*W. F. Carr*  
William F. Carr

WFC/cv  
enclosure

cc: Ms. Phyllis Kellim  
Southland Royalty Company

BEFORE THE  
OIL CONSERVATION DIVISION  
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION  
OF SOUTHLAND ROYALTY COMPANY FOR  
NGPA WELLHEAD PRICE CEILING CATEGORY  
DETERMINATIONS, LEA COUNTY, NEW  
MEXICO.

Case No. 8849

ENTRY OF APPEARANCE

Comes now, CAMPBELL & BLACK, P.A., and hereby enters its  
appearance in the above-referenced cause for Southland Royalty  
Company.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By



William F. Carr  
Post Office Box 2208  
Santa Fe, New Mexico 87501  
(505) 988-4421

ATTORNEYS FOR SOUTHLAND  
ROYALTY COMPANY



STATE OF NEW MEXICO  
**ENERGY AND MINERALS DEPARTMENT**  
OIL CONSERVATION DIVISION  
HOBBS DISTRICT OFFICE

TONY ANAYA  
GOVERNOR

February 21, 1986

POST OFFICE BOX 1320  
HOBBS, NEW MEXICO 88240  
(505) 393-6161

MEMO: To: Jerry Sexton

From: Paul Kautz *Kz*

SUBJECT: Case No. 8849, Application of Southland Royalty Co.  
for NGPA Wellhead Price Ceiling Category  
Determination, Lea County, New Mexico.

This case is similar to Case #7849. Case 7849 was the application of Joseph I O'Neill, Jr. for discovery designation of a new discovery producing horizon in the Scharb-Bone Spring Pool for its Ora Jackson Well #2 in Unit N, 5-19-35. This case was dismissed after I pointed out that O'Neill, Ora Jackson well #2 was producing from the same zone that Big 6 Drilling, Ora Jackson A #2 located in Unit C of Section 8, T19S, R35E. Big 6 Drilling well was completed in 1964.

Southland Royalty Company seeks a new reservoir designation for the following wells:

Smith 5	#2-O	5-19-35
Smith 5	#4-I	5-19-35
Scharb 8	#2-B	8-19-35
Scharb 9	#4-C	9-19-35

The attached cross-section shows that Southland Royalty's 4 wells are producing from what is called the Elkins Pay Zone in the second lime member of the Bone Spring formation.

The cross-section also shows that 6 other adjacent wells are also completed in the same Elkins pay zone between 1964 and 1983. Southland Royalty's 4 wells were all completed in 1984 or 1985. The 6 adjacent wells and completion dates are as follows:

Well	Location	Completion Date
Big 6 Drlg. Ora Jackson A #2	C-8-19-35	1/29/64
Southland Roy. Scharb 4 #1	M-4-19-35	9/13/80
Southland Rou. Scharb 9 #1	O-9-19-35	9/9/81
Exxon New Mexico ST "DD" #1	N-4-19-35	9/14/82
O'Neill Jr Ora Jackson #2	N-5-19-35	2/21/83
Superior Government 9 #2	I-9-19-35	5/30/83

Based on the cross-section and the fact that these wells are all in close proximity to each other, I do not believe that these wells are a new reservoir.

Paul Kautz, Geologist

cc: R. L. Stamets

Mike Stogner