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CASE 6793: MEADCO PROPERTIES, LTD. FOR AN EXCEPTION TO ORDER NO. R-111-A, EDDY COUNTY, NEW MEXICO

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CASE NO.

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APPlication, Transcripts, Small Exhibits,

ETC.



STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION

BRUCE KING LOVERNOR LARRY KEHOE SECRETARY

POST OFFICE BOX 2008 STATE LAND OFFICE BUILDING SANTA FE NEW MEYICO 87501 (505) 827-2434

February 12, 1980

Mr. Thomas Kellahin Kellahin & Kellahin Attorneys at Law Post Office Box 1769 Santa Je, New Mexico Re: CASE NO. 6793 ORDER NO. R=5253

Applicant:

Meadco Properties, Ltd.

Dear Sir:

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

Pours very truly, 6 JOE D. RAMEY Director

JDR/fd

Copy of order also sent to:

Hobbs OCD	x
Artesia OCD	X
Aztec OCD	

Other_

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. 6793 Order No. R-6263

APPLICATION OF MEADCO PROPERTIES, LTD. FOR AN EXCEPTION TO ORDER NO. R-111-A, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on January 16, 1980, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 7+b day of February, 1980, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Meadeo Properties, Ltd., seeks an exception to the casing-cementing rules for the Oil-Potash Area as promulgated by Order No. R-111-A, to permit a proposed well located in Unit E of Section 4, Township 21 South, Range 29 East, Eddy County, New Mexico, to be completed by setting Surface casing at 550 feet and production casing at a total depth of approximately 4500 feet and cementing both casing strings to the surface.

(3) That no potash operator objected to the proposed casing-cementing program for the subject well and it is assumed that the proposed method of completion will not result in endangerment of potash resources nor operations.

(4) That the applicant should report the following both to the district office of the Division and the U.S.G.S.:

-2-Case No. 6793 Order No. R-6263

- (a) Any water flows encountered; and
- (b) The top of the cement around the production casing as determined by temperature survey if such cement does not circulate.

(5) That the applicant may be required to re-cement the production casing if the cement on said string fails to circulate to the surface.

(6) That approval of the subject application will protect correlative rights, will prevent waste and will not cause the waste of potash.

(7) The application should be approved.

IT IS THEREFORE ORDERED:

(1) That the applicant, Meadco Properties, Ltd., is hereby authorized an exception to the casing-cementing rules for the Oil-Potash Area as promulgated by Order No. R-111-A to permit a proposed well in Unit E of Section 4, Township 21 South, Range 29 East, to be completed by setting surface casing at 550 feet and production casing at a total depth of approximately 4500 feet and cementing both casing strings to the surface.

PROVIDED HOWEVER, that the applicant shall report the following, both to the district office of the Division and the U.S.G.S.:

- (a) Any water flows encountered; and
- (b) The top of the cement around the production casing as determined by temperature survey if such cement does not circulate.

PROVIDED FURTHER, that the applicant may be required to re-cement the production casing to the surface if cement on said casing did not circulate to the surface.

(2) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary. -3-Case No. 6793 Order No. R-6263

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



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STATE OF NEW MEXICO OIL CONSERVATION DIVISION TOE D. RAMEY Emer

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	6 7	IN THE MATTER OF:)) adco Properties, Ltd.,) CASE
	8		to Order No. R-111-A,) 6793
SALLY W. BOYD, C.S.R. Rt. 1 Box 193-F: Santa Fe, New Mexico 87361 Phone (805) 455-7409	10 11 12	BEFORE: Daniel S. Nutter	
RLLY W. BI Rt. 1 Bo Santa Fc, New Phone (303	12 13 14	TRANSCRI	PT OF HEARING
	15	АРРЕД	ARANCES
	16 17 18	For the Oil Conservation Division:	Ernest L. Padilla, Esq. Legal Counsel for the Division State Land Office Bldg. Santa Fe, New Mexico 87501
	19 20 21	For the Applicant:	W. Thomas Kellahin, Esq. KELLAHIN & KELLAHIN 500 Don Gaspar Santa Fe, New Mexico 87501
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SAL	14 Applicant Exhibit One, Pla	at 4
	15 Applicant Exhibit Two, Doc	
	16 Applicant Exhibit Three, (
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1 MR. NUTTER: We'll call Case Number 6793 2 MR. PADILLA: Application of Meadco 3 Petroleu, Ltd., -- correction, Meadco Properties, Ltd., for 4 an exception to order No. R-111-A, Eddy County, New Mexico. 5 MR. KELLAHIN: I'm Tom Kellahin of Santa 6 Fe, New Mexico, appearing on behalf of the applicant, and ? I have one witness. 8 9 (Witness sworn.) SALLY W. BOYD, C.S.R. îÛ 11 WILLIAM J. HENRY 12 being called as a witness and having been duly sworn upon 13 his oath, testified as follows, to-wit: 14 15 DIRECT EXAMINATION 16 BY MR. KELLAHIN: 17 Would you please state your name and Q. 18 occupation? 19 7 My name is William J. "Bill" Henry and 20 . I'm a consulting petroleum geologist from Midland, Texas. 21 Mr. Henry, have you been employed by Q. 22 Meadco Properties, Limited, as a consulting geologist for 23 presentation of this particular case? 24 Yes, I have. A. 25 And have you previously testified before Q.

the Division as a geologist and had your qualifications accepted and made a matter of record?

A. Yes, I have.

MR. KELLAHIN: We tender Mr. Henry as an expert geologist.

MR. NUTTER: Mr. Henry is qualified.

Q Mr. Henry, would you turn to what we've marked as Applicant Exhibit Number One and identify the proposed location of the Meadco Well and summarize what you're seeking to accomplish by this application?

A. Okay. This is a land plat showing the ownership for oil and gas exploration that is controlled by Meadco Properties, which is outlined in yellow, which is Section 5, 4, and 6, with the exception of Lot 12 in Township 21 South, Range 29 East, Eddy County.

And coming down through the center you will notice I have R-111-A in a black line that jaggers down through Section 31 to the north, comes down and takes in the Lot 1 of Section 5, and then moves to the east and comes down to the southwest quarter of Section 4, and you see the jagged line there, it moves on out. The R-111-A is to the right or to the east of this line.

And our location that we've proposed is in Lot 5, which is approximately 1930 from the north and 660 from the west of Section 4. This will be a second well,

SALLY W. BOYD, C.S.R. Rt. 1 Box 193-8 Santa Fc, New Mexico 87501 Phon. (305) 455-74.09 1

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1 or a development well to the formerly Stoltz Pennzoil No. 1 2 Hudson Federal, which was formerly a Strawn gas producer, 3 which was depleted, and we have plugged back this well and 4 are producing it; started out about 35 barrels; it settled 5 at about 25 barrels a day from the uppermost Delaware Sands 6 right beneath the Capitan Reef. 7 This would be a new discovery in this 8 particular area right here. There's other Yates production, 9 some Wolfcamp, and then Morrow and Strawn in this general 1Û area, but this is the first Delaware that we're aware of 11 from this particular zone in the section. 12 The proposed well is a Delaware test? Q. 13 A. Yes, 14 What is the approximate total depth of Q. 15 the proposed well? 16 A. Approximate 4500 feet to the Delaware. 17 And what acreage would you dedicate to 0. 18 the well? 19 We would probably -- we're going to A. 20 start out and dedicate 80 acres until we see what size the 21 pool is and until we can get a little information on the 22 reservoir data. We have no --23 Which 80 acres? **Q**. 24 Laying down, east and west, would be A. 25 Lots 5 and 6 at the present time.

SALLY W. BOYD, C.S.R.

Mr. Henry, do you the potash lessee is for this acreage?

A. I think I do. I wrote -- I contacted John Burleson with the USGS when we knew we were in R-111-A and talked to him about this matter and he asked us to address our correspondence to, I believe it was PCA, I'm not real sure, and then to Mississippi Chemical, and the only answer we got back was from Mississippi Chemical, who stated that they had no objections to drilling wells in this area under R-111-A rules, and so -- and we haven't gone any further. We are waiting to see if we can get our exception approved before we proceed to drill.

Q. Would you turn to Exhibit Two and identify for the Examiner the specific exception to the R-111-A rule that you propose to apply to this well?

A. Well, would you like for me to just roughly outline what the R-111-A -- well, it's a string of casing in anhydrite, a string of casing -- I mean up above the top of the anhydrite, a string of casing through the salt, and then your production string.

Now, if this were to be a deep well here, you would have to cement this third string here because of the Capitan Reef, whereas we propose for the exception of setting 8-5/8ths casing to about 550 feet, which will be about 50 feet above the salt, and circulating the

SALLY W. BOYD, C.S.IA. Rt. 1 Box 193-B Santa Fe, New Mexico 37201 Phone (203) 455-7409 1

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1 cement back to the surface and then drilling a 7-7/8ths hole to 4500 and cementing our 4-1/2 productive casing all the 2 3 way back to the surface, using a DV tool to insure that we cover the salt section with cement at 1650 back to the sur-4 5 face. Q. Would you summarize for us what the

costs involved in compliance with the R-111-A order would be, as opposed to the anticipated costs if the exception is granted?

A. Yes. I'll refer to Case Two as R-111-A rules and regulations because we have a cementing program that is in an exhibit that I will present later, along with this as Case Two.

To set 5-1/2 -- I mean 550 feet of 11-3/4 casing it's \$12.50 a foot. That is \$6600 for the surface casing.

To set and drill and cement 1650 feet of 8-5/8ths 32-pound casing is \$15.00 a foot; that's \$44,750. And then to run our 4-1/2 casing to 4500is \$4.50 a foot; that's \$20,250, which gives a total of \$51,600 for casing and, as I'll present later from Halliburton, Case Two cementing costs are about \$10,510, which

is a total cost of about \$62,000.

Now, referring back to the exception as Case One, that we are asking the Commission to consider, is

SALLY W. BOYD, C.S.R.

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running the 8-5/8ths, which will be 24 pounds, 550 foot and at a cost of \$7.50 a foot, which is \$4125.

And then running our 4500 foot of 4-1/2, and 4-1/2 is \$20,250.

Adding a cost of a DV tool of \$1000, plus cementing, which is \$14,455, that is a total cost of \$39,830 as compared to \$62,110 in Case Two. In other words, then, our casing program, our savings would be \$22,280, and we contacted Hondo Drilling Company with both cases with drilling the well under R-111-A rules and under our exception, and the best estimate they gave us, there was about six days of rig time that we could save by σ -ing the Case One, our exception route, which would save out \$30,000, they estimated.

In other words, if we could drill and protect the potash with our exception rules, we could possibly save as much as \$52,280. Now that's just rough figures.

Q. Would you refer to Exhibit Number Three and identify it?

A. Exhibit Number Three is a program of cementing by Halliburton, using the type of cement that they would recommend for potash for both cases.

Q. In your opinion, Mr. Henry, will the proposed application for exception, if granted, avoid undue

SALLY W. BOYD, C.S.R. Rt. 1 Box 193-B Santa Fe, New Mexico 87301 Phone (305) 455-7439 1

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	1	waste of potash deposits, would not constitute a hazard to,
	2	or interfere unduly with potash deposits?
	3	A. Well, I don't believe it would. We're
	4	going to do our best to protect it. Of course, we if we
	5	can drill under R-111-A the same amount of potash would be
	6	wasted in either case, but doing this cementing back, and
	7	of course, we're looking at an oil zone, which is not very
	8	high pressure, it has to be pumped, and we feel like that
	9	we are satisfactorily protecting the potash, as such.
102	10	Q. Were Exhibits One and Two compiled by
Santa Fe, New Mexico 87301 Phone (503) 455-7409	11	you or compiled under your direction and supervision?
r, New M ne (505) 4	12	A. Yes, they were.
Santa Fo Phoi	13	0. In your opinion, Mr. Henry, will appro-
	14	val of the application be in the best interest of conser-
	15	vation, the prevention of waste, and the protection of cor-
	16	relative rights?
	17	A I think so, yes, sir.
	18	MR, KELLAHIN: We move the introduction
	19	of Exhibits One, Two, and Three.
	20	MR. NUTTER: Exhibits One through Three
	21	will be admitted in evidence.
	22	A. Sir, I'd like to point out if this re-
	23	quest is approved, that we would like all of our acreage
	24	in 4 and 5 be could be handled administratively, because
	25	we

SALLY W. BOYD, C.S.R.

MR. NUTTER: There's no way to do that.

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3 Oh, it wasn't. A. 4 MR. KELLAHIN: I'm sorry. 5 6 CROSS EXAMINATION 7 BY MR. NUTTER: 8 Q. Mr. Henry, now you mentioned that you 9 were developing this on 80-acre spacing, that you were going 10 to dedicate the south half of the northwest quarter there 11 to this well. You haven't obtained any pool rules, have 12 you? 13 A. No. No, sir, I didn't say that. We're 14 going to start out in Lots 5 and 6, which is 80 acres there 15 presently developing. We haven't asked for any pool rules 16 at all yet, no, sir. 17 **Q**. Well, you can only dedicate 40 acres 18 to this well. 19 Yeah, that's right, we'll dedicate 40 Α. 20 acres but we're going to use the 80-acre deal as we deve-21 lop until we see what we have. 22 But you understand it's on 40-acre 0. 23 spacing? 24 Yeah, I understand it's on 40-acre. A. 25 Yes, sir, I understand that.

It wasn't advertised, Mr. Henry.

SALLY W. BOYD, C.S.IR. Rt. 1 Box 193-E Santa Fe. New Mexico 87501

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11 1 Q. I see. Now you mentioned also that when 2 you talked to Mr. Burleson he suggested you contact PCA and 3 Mississippi Chemical. We wrote letters to them, yes, to see 4 A. 5 if they objected to drilling in the potash area. 6 Q. And you said you hadn't had any response 7 from PCA but that Mississippi Chemical had said they had 8 no objection to you drilling under R-111-A. 9 A Right. 10 Now did you tell them that you were Q. 11 proposing a casing and cementing exception to R-111-A? 12 Δ. No. No, sir, we haven't been in contact 13 with them. 14 Sc you have not --Q. 15 No. A. 16 -- of what you were proposing --Q. 17 Α. No. 18 -- as far as casing this well is con-Q. 19 cerned? 20 No. I wasn't advised to. I talked to A. 21 the USGS and State people over in Artesia and they suggested 22 we could have a hearing, and nobody told us to go back and 23 talk to PCA or Mississippi River and ask them. 24 So you didn't specifically tell them <u>Q</u>. 25 that you were going --

BOYD, C.S.R.

SALLY

12 1 No. A. 2 -- to seek an exception to it, then. Ŋ. A. 3 No. But both of these strings of casing which Q. 5 you're proposing would be cemented to the surface, and --6 A. Right. -- you would accomplish this on the long 7 Q. 8 string by use of a DV tool at about 1650. 9 Yes, sir, we -- Halliburton thought we A. îÛ could cement it back but we thought to insure that it was 11 covered we'd use a DV tool. 12 I notice in Halliburton's estimate of Q. 13 costs they don't mention any DV tool. 14 A. No, like I say, they thought they could 15 pump it back, but we had -- see, Meadco has drilled some 16 wells down there in the Golden Lane-Strawn, which is just to 17 the west, which is not in R-111-A, and we had a little prob-18 lem of circulating the cement on the 8-5/8ths from 4000 feet 19 back to the surface. We had to 1-inch it, so we felt like --20 had to use 1-inch tubing to pump down outside the casing and 21 annulus, and so we felt like for a \$1000 it was -- and not 22 have to 1-inch it --- that we could do better, and maybe 23 setting a basket below it and insure we could get cement back 24 to the surface and not have any question there. 25 So it's your intent fully at this time to Q.

SALLY W. BOYD, C.S.R New Mexico 87 e (305) 455-7409

	1	use the DV tool?
	2	A Right, yes, sir.
	3	ND. MUTCHR: Are there further questions
	4	of Mr. Henry? He may be excused.
	5	Do you have anything further, Mr. Kellahin?
	6	MR. KDLLAHIN: No, sir.
	7	MR. NUTTER: Does anyone have anything
	8	they wish to offer in Case Number 5793?
	9	We'll take the case under advisement.
C.S.R.	10	
	11	(Nearing concluded.)
X. BO X. BO New M.	12	
SALLY W. BOYD, C.S. Rt. J Box 193-B Santa Fc, New Mexico 87501 Phone (503) 455-7409	13	
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REPORTER'S CERTIFICATE

I, SALLY W. BOYD, a Certified Shorthand Reporter, DO HEREBY CERTIFY that the foregoing and attached Transcript of Hearing before the Oil Conservation Divison was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd, C.S.R.

I do hereby certify that the foregoing is a complete record of the proceedings in the Exercisiner hearing of Case (10, 0197) heard by me on ______ 16____ 19.80___ heard by me on_ _, Examiner Oil Conservation Division

SALLY W. BOYD, C.S.R. Rt. I Box 1/3-B Santa Fe, New Munico 87501 Phone (505) 455-7409 1

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	ENERGY AND MIN OIL CONSERVA STATE LAND SANTA FE, 16 Janu EXAMINER IN THE MATTER OF: Application of Meador for an exception to Eddy County, New Mex	ary 1980 HEARING)) o Properties, Ltd.,) CASE Order No. R-111-A,) 6793
SALLY W. BOYD, C.S.R. Rt. 1 Box 193-B Santa Fe. Yew Mexico 37301 Phone (505) 455-7409	BEFORE: Daniel S. Nutter	F HEARING
	APPEAR	ANCES
17 18 19		Ernest L. Padilla, Esq. Legal Counsel for the Division State Land Office Bldg. Santa Fe, New Mexico 87501
20		W. Thomas Kellahin, Esq. KELLAHIN & KELLAHIN 500 Don Gaspar Santa Fe, New Mexico 87501
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OYD, (x 193-B Mexico 8) 455-740	11		
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	14 15	Applicant Exhibit One, Plat	
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MR. MUTTER: We'll call Case Number 6793. 2 MR. PADILLA: Application of Meadco 3 Petroleu, Ltd., -- correction, Meadco Properties, Ltd., for an exception to order No. R-111-A, Eddy County, New Mexico. MR. KELLAHIN: I'm Tom Kellahin of Santa Fe, New Mexico, appearing on behalf of the applicant, and I have one witness.

(Witness sworn.)

WILLIAM J. HENRY

being called as a witness and having been duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Would you please state your name and Q. occupation?

ħ. My name is William J. "Bill" Henry and I'm a consulting petroleum geologist from Midland, Texas. Mr. Henry, have you been employed by ç Meadco Properties, Limited, as a consulting geologist for presentation of this particular case?

> Yes, I have. Α.

Q.

And have you previously testified before

SALLY W. BOYD, C.S.R. Rt. 1 Box 193-B Santa Fc, New Mexico 87501 Phore (505) 455-7409

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an expert geologist.

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A. Okay. This is a land plat showing the ownership for oil and gas exploration that is controlled by Meadco Properties, which is outlined in yellow, which is Section 5, 4, and 6, with the exception of Lot 12 in Township 21 South, Range 29 East, Eddy County.

And coming down through the center you will notice I have R-111-A in a black line that jaggers down through Section 31 to the north, comes down and takes in the Lot 1 of Section 5, and then moves to the east and comes down to the southwest quarter of Section 4, and you see the jagged line there, it moves on out. The R-111-A is to the right or to the east of this line.

And our location that we've proposed is in Lot 5, which is approximately 1980 from the north and 660 from the west of Section 4. This will be a second well,

SALLY W. BOYD, C.S.Fl. Rt. 1 Box 193-B Santa Fe, N:w Mexico 17501 Phone (503) 455-7469 1

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1 or a development well to the formerly Stoltz Pennzoil No. 1 ? Hudson Federal, which was formerly a Strawn gas producer, 3 which was depleted, and we have plugged back this well and 4 are producing it; started out about 35 barrels; it settled 5 at about 25 barrels a day from the uppermost Delaware Sands 6 right beneath the Capitan Reef. 7 This would be a new discovery in this 8 particular area right here. There's other Yates production, 9 some Wolfcamp, and then Morrow and Strawn in this general 10 area, but this is the first Delaware that we're aware of 11 from this particular zone in the section. 12 The proposed well is a Delaware test? 0 13 Yes. Ā. 14 What is the approximate total depth of Q. 15 the proposed well? 16 λ Approximate 4500 feet to the Delaware. 17 And what acreage would you dedicate to 0 18 the well? 19 We would probably -- we're going to 20 start out and dedicate 30 acres until we see what size the 21 pool is and until we can get a little information on the 22 reservoir data. We have no ---23 Which 80 acres? 0, 24 Laying down, east and west, would be A. 25 Lots 5 and 6 at the present time.

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SALLY W. BOYD, C.S.FI. Rt. 1 Box 193-B Santa Fc, New Mexico 87501 Phone (303) 435-7409

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A Mr. Menry, do you the potash lessee is for this acreage?

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Now, if this were to be a deep well here, you would have to cement this third string here because of the Capitan Reef, whereas we propose for the exception of setting 8-5/8ths casing to about 550 feet, which will be about 50 feet above the salt, and circulating the

SALLY W. BOYD, C.S.Fl. Rt. 1 Box : 39-B Sante Fe. New Mexico 87501 Phone (305) 455-7409 1

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cement back to the surface and then drilling a 7-7/8ths hole to 4500 and cementing our 4-1/2 productive casing all the way back to the surface, using a DV tool to insure that we cover the salt section with cement at 1650 back to the surface.

6 Would you summarize for us what the costs involved in compliance with the R-111-A order would be, as opposed to the anticipated costs if the exception is granted?

A Yes. I'll refer to Case Two as R-111-A rules and regulations because we have a cementing program that is in an exhibit that I will present later, along with this as Case Two.

To set 5-1/2 -- I mean 550 feet of 11-3/4 casing it's \$12.50 a foot. That is \$6600 for the surface casing.

To set and drill and cement 1650 feet of 8-5/8ths 32-pound casing is \$15.00 a foot; that's \$44,750. And then to run our 4-1/2 casing to 4500 is \$4.50 a foot; that's \$20,250, which gives a total of \$51,600 for casing and, as I'll present later from Halliburton, Case Two cementing costs are about \$10,510, which is a total cost of about \$62,000.

Now, referring back to the exception as Case One, that we are asking the Commission to consider, is

SALLY W. BOYD, C.S.R. Rt. I Box 193-B Santa Fe, New Mexico 87501 Phone (502) 455-7409 1

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running the 0-5/8ths, which will be 24 pounds, 550 foot and at a cost of \$7.50 a loot, which is \$4125.

2nd then running our 4500 foot of 4-1/2; and 4-1/2 is \$20,250.

Adding a cost of a DV tool of \$1000, plus cementing, which is \$14,455, that is a total cost of \$39,830 as compared to \$62,110 in Case Two. In other words, then, our casing program, our savings would be \$22,280, and we contacted Hondo Drilling Company with both cases with drilling the well under R-111-A rules and under our exception, and the best estimate they gave us, there was about six days of rig time that we could save by going the Case One, our exception route, which would save about \$30,000, they estimated.

In other words, if we could drill and protect the potash with our exception rules, we could possibly save as much as \$52,280. Now that's just rough figures.

and identify it?

A. Exhibit Number Three is a program of cementing by Halliburton, using the type of cement that they would recommend for potash for both cases.

Q. In your opinion, Mr. Henry, will the proposed application for exception, if granted, avoid undue

) SALLY W. BOYD, C.S.R. Rt. ∴ Box 193-B Santa Fe, New Mexico 87301 Phone (505) 455-7409 1

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Page _____ 1 waste of potash deposits, would not constitute a hazard to, 2 or interfere unduly with potash deposits? 3 ۹. Moll, T don't believe it would. We're 4 going to do our best to protect it. Of course, we --- if we 5 can drill under R-111-A the same amount of potash would be 6 wasted in either case, but doing this cementing back, and 7 of course, we're looking at an oil zone, which is not very 8 high pressure, it has to be pumped, and we feel like that 9 we are satisfactorily protecting the potash, as such. 10 0 Were Exhibits One and Two compiled by 11 you or compiled under your direction and supervision? 12 А. Yes, they were. 13 In your opinion, Mr Henry, will appron 14 val of the application be in the best interest of conser-15 vation, the prevention of waste, and the protection of cor-16 relative rights? 17 I think so, yes, sir. Α. 18 MR. KELLAHIN: We move the introduction 19 of Exhibits One, Two, and Three. 20 MR. NUTTER: Exhibits One through Three 21 will be admitted in evidence. 22 Sir, I'd like to point out if this re-Ъ. 23 guest is approved, that we would like all of our acreage 24 in 4 and 5 be -- could be handled administratively, because 25 we ---

SALLY W. BOYD, C.S.Fl. Rt. 1 Box 193-B Santa Fe, New Mexico 87501 Phone (305) 435-7409

Page _____

Tt wasn't advertised, Mr. Menry.

. Oh, it wasn't.

"R. KELLAHIM: I'm sorry.

CROSS EXAMINATION

BY MR. MITTER:

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Mr. Henry, now you mentioned that you were developing this on 80-acre spacing, that you were going to dedicate the south half of the northwest quarter there to this well. You haven't obtained any pool rules, have you?

No. No. No. sir, I didn't say that. We're going to start out in Lots 5 and 6, which is 80 acres there presently developing. We haven't asked for any pool rules at all yet, no, sir.

Q. Well, you can only dedicate 40 acres to this well.

A. Yeah, that's right, we'll dedicate 40 acres but we're going to use the 30-acre deal as we develop until we see what we have.

Q But you understand it's on 40-acre spacing?

N. Yeah, I understand it's on 40-acre.
Yes, sir, I understand that.

SALLY W. BOYD, C.S.R. Rt. I Box 193-B Santa Fe, New Mexico 87501 Phone (505) 455-7409

		Pege]]
	1	0 Tape. New you mentioned also that when
	2	you talked to Mr. Burleson he suggested you contact PCA and
	3	Mississippi Chemical
	4	N De wrote latters to them, yes, to see
	5	if they objected to drilling in the potash area.
	6	0. And you said you hadn't had any response
	7	from PCA but that Mississippi Chemical had said they had
	8	no objection to you drilling under R-111-A.
	9	A Right.
C.S.R.	10	p Now did you tell them that you were
SALLY W. BOYD, C.S.R. Rt. 1 Box 193-B Santa Fc. New Mexico 87501 Phone (505) 455-7409	11	proposing a casing and cementing exception to R-111-A?
W. B(Rt. 1 Bo: Fc. New ione (505)	12	A No. No, sir, we haven't been in contact
Santa Santa Ph	13	with them.
0)	14	0. So you have not
	15	A No.
	16	0 of what ju were proposing
	17	A. No.
	18	0 as far as casing this well is con-
	19	cerned?
	20 21	A No. I wasn't advised to. I talked to
	22	the USGS and State people over in Artesia and they suggested
	23	we could have a hearing, and nobody told us to go back and
	24	talk to PCA or Mississippi River and ask them.
	25	Q So you didn't specifically tell them
		that you were going

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	Page 2 2
1	8
2	9 to beek an exception to it, then.
3	
4	0 Dut both of these strings of casing which
5	yeu're proposing would be comented to the surface, and
6	a Right.
7	9 you would accomplish this on the long
6	string by use of a DV tool at about 1650.
9	A Yes, sir, we Halliburton thought we
1Û	could cement it back but we thought to insure that it was
11	covered we'd use a DV tool.
12	Q. I notice in Halliburton's estimate of
13	costs they don't mention any DV tool.
14	A. No, like I say, they thought they could
15	pump it back, but we had see, Meadco has drilled some
16	wells down there in the Golden Lane-Strawn, which is just to
17	the west, which is not in R-111-A, and we had a little prob-
18	lem of circulating the cement on the 8-5/8ths from 4000 feet
19	back to the surface. We had to 1-inch it, so we felt like
20	had to use 1-inch tubing to pump down outside the casing and
21	annulus, and so we felt like for a \$1000 it was and not
22	have to 1-inch it that we could do better, and maybe
23	setting a basket below it and insure we could get coment back
24	to the surface and not have any question there.
25	Q So it's your intent fully at this time to

.

SALLY W. BOYD, C.S.IR. Rt. 7 Box 193-B Santa Fe, New Mexico 87501 Phone (903) 455-7409 -

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	1	use the DV tool?
	2	A Right, yes, sir.
	3	MR. NUTTER: Are there further questions
	4	of Mr. Henry? He may be excused.
	5	Do you have anything further, Mr. Kellahin?
	6	MR, KELLAHIN: No, sir.
	7	MR. NUTTER: Does anyone have anything
	8	they wish to offer in Case Number 6793?
	9	We'll take the case under advisement.
С.S.R. ⁸⁷⁵⁰¹	10	
	11	(Hearing concluded.)
) SALLY W. BOYD, Rt. J Box 193-B Santa Fc, New Mexico Phone (305) 455-7	12	
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1. S. S.

Sally W. Boyd, C.S.R.

REPORTER'S CERTIFICATE

I, SALLY W. BOYD, a Certified Shorthand Reporter, DO HEREBY CERTIFY that the foregoing and attached Transcript of Hearing before the Oil Conservation Divison was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

1 do hereby certify that the foregoing ts a complete record of the proceedings in the Examiner hearing of Case 140. 6773, heard by me on 1/16 19.80 There Examiner

Oil Conservation Division

SALLY W. BOYD, C.S.F. Rt. I Box 193-B Santa Fe, New Mexico 87501 Phone (303) 455-7409 Dockets Nos. 3-80 and 4-80 are tentatively set for January 30 and February 13, 1980. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - UEDNESDAY - JANUARY 16, 1980

9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM, STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner: ALLOWABLE: (1) Consideration of the allowable production of gas for February, 1980, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.

- (2) Consideration of the allowable production of gas for February, 1980, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.
- In the matter of the hearing called by the Oil Conservation Division on its own motion to consider CASE 6787: the approval of 12 non-standard proration units ranging in size from 261.51 acres to 334,24 acres for 320-acre spaced pools, and 19 non-standa d proration units ranging in size from 162.65 acres to 207.57 acres for 160-acre spaced pools, all of the aforesaid units being in and resulting from the irregular size and shape of Sections 1 thru 7 and 18, 19, 30, and 31, along the North and West sides of Township 28 North, Range 3 West, Rio Arriba County.
- Application of Amoco Production Company for a dual completion, Lea County, New Mexico. CASE 6788: Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its South Mattix Unit Well No. 35 located in Unit F of Section 15, Township 24 South. Range 37 East. to produce gas from the Fowler-Upper Paddock Pool and oil from the Fowler-Drinkard Pool thru parallel strings of tubing.
- Application of Knox Industries, Inc. for an unorthodox oil well location, Lea County, New Mexico. CASE 6789: Applicant, in the above-styled cause, seeks an exception to the well location requirements of the Scharb-Bone Springs Pool as promulgated by Order No. R-2589 to permit its New Mexico State Well No. 2 to be drilled in Unit H of Section 1, Township 19 South, Range 34 East, the E/2 NE/4 of said Section 1 to be dedicated to the well.
- CASE 6790: Application of Merrion & Bayless for gas well commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks permission to temporarily commingle certain of its Pictured Cliffs gas wells in Sections 1, 2, 3, 9, 10, and 11, Township 26 North, Range 13 West, in a common gathering system and meter the entire lease output through the purchaser's sales meter located in Unit M of said Section 7.
- CASE 6784: (Continued from January 3, 1980, Examiner Hearing)

Application of Merrion & Bayless for a non-standard proration unit and an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 640acre non-standard gas proration unit comprising the W/2 of Section 18 and the W/2 of Section 19, Township 32 North, Range 14 West. Barker Creek-Paradox Pool, to be dedicated to its Ute Well No. 7 at an unorthodox location 1685 feet from the South line and 3335 feet from the East line of said Section 19.

In the alternative, applicant seeks an order force pooling all of said Section 19 to form a standard 640-acre unit.

- CASE 6791: Application of Holly Energy, Inc. for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its State 30 Well No. 1, a Morrow test to be drilled 660 feet from the North line and 840 feet from the East line of Section 30, Township 17 South, Range 28 East, the N/2 of said Section 30 to be dedicated to the well.
- CASE 6792: Application of Florida Exploration Company for a non-standard gas proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 324.25-acre non-standard gas proration unit comprising Lots 1 and 2 and N/2 NE/4 of Section 33 and Lots 2, 3, and 4 and NW/4 NE/4 and N/2 NW/4 of Section 34, all in Township 26 South, Range 30 East, Ross Draw Area, to be dedicated to a well to be drilled at a standard location thereon.

CASE 6793: Application of Meadco Properties, Ltd. for an exception to Order No. R-111-A, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the casing-cementing rules of Order No. R-111-A to permit a proposed well in Unit E of Section 4, Township 21 South, Range 29 East, to be completed by setting surface casing at 550 feet and production casing at total depth

and cementing both casing strings to the surface. <u>CASE 6794</u>: Application of Caulkins Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Tocito Gallup and Dakota production in the wellbore of its Breech "D" Well No. 140 located in Unit A of Section 11, Township 26 North, Range 6 West.

Meadro case 8 5/8" 24 lb. cog. at 550' circ. cement to surface 41/2" 10.5 at 245' circ. cement to surface

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J. R. (BUDDY) REDDEN, JR. Sales Manager Midland Division P. O. BOX 1889, MIDLAND, TEXAS 79702

January 11, 1980 1-18: 0-18

Procedure Analysis Cementing

For: Meadco Properties 407 W. Wall Midland, Texas 79701

Attn: Mr. Bill Cotner

BEFORE	EXAMINER	NUTTER
	NSERVATION E	
maxico	EXHIBIT NO.	3
	6793	

Re: Sec. 4. T. 21S. R. 29E Prospect Golden Lane Field Eddy County, New Mexico

The purpose of this analysis is to determine the materials and equipment necessary to cement this well.

Two different considerations are submitted as requested.

First Consideration:

Surface Casing: 8 5/8" casing x 11" hole set at 550'

To circulate cement to the surface will require 225 sacks of Class "C" cement with 2% calcium chloride per sack. This volume of cement is 100% excess.

The recommended floating equipment includes a Guide Shoe, Insert Float, three (3) Centralizers, one (1) pound Halliburton Weld "A" and a Top Cementing Plug.

Cost Estimate:

And Anna Anna A

1	Pump Truck plus mileage sacks Class "C" cement w/2% calcium chloride Guide Shoe Insert Float Centralizers pound Halliburton Weld "A" Top Cementing Plug	\$ 484.75 1,559.27 141.00 144.00 123.00 8.15 49.00
		CO EOO 17

\$2,509.17

A **Malliburian** Company

Production Casing: 4 1/2" casing x 7 7/8" hole set at 4,500'

To circulate cement to the surface will require 2,562 cu.ft. of cement which is 150% excess over true volume.

The recommended cement should consist of 1,100 sacks of Halliburton "Light" with 5 pounds Gilsonite, 1/4 pound Flocele and salt saturated followed with 100 sacks 50-50 Class "C" - Pozmix "A" with 8 pounds salt per sack.

The recommended floating equipment includes a Guide Shoe, Float Collar, six (6) Centralizers, one (1) pound Halliburton Weld "A" and a Top Cementing Plug.

Cost Estimate:

1

,100	Pump Truck plus mileage sacks Halliburton "Light" w/	\$ 912.25 10,066.87
,	5 lbs. Gilsonite/sk	,
	1/4 lb. Flocele/sk.	
	salt saturated	
100	sacks 50-50 Class "C" - Pozmix "A",	531.79
	8 lbs. salt/sk.	
1	Guide Shoe	68.00
1	Float Collar	194.00
6	Centralizers	192.00
1	pound Halliburton Weld "A"	8.15
1	Top Cementing Plug	18.70
		611 0/6 51

\$11,946.51

Second Consideration:

Surface Casing: 11 3/4" casing x 15" hole set at 550'

To circulate cement to the surface will require 400 sacks Class "C" cement with 2% calcium chloride per sack. This volume of cement is 100% excess over true volume.

The recommended floating equipment includes a Guide Shoe, Insert Float, three (3) Centralizers, one (1) pound Halliburton Weld "A" and a Top Cementing Plug.

Cost Estimate:

400	Pump Truck plus mileage sacks Class "C" cement,	\$ 484.75 2,772.00
	2% calcium chloride/sk.	,
1	Guide Shoe	239.00
1	Insert Float	2.36 . 00
3	Centralizers	<u>184.50</u>
1	pound Halliburton Weld "A"	8.15
1	Top Cementing Plug	118.00

\$4,042.40

Intermediate Casing: 8 5/8" casing x 11" hole set at 1,600'

To circulate cement to the surface, it is recommended that 340 sacks of Halliburton "Light" cement with 5 pounds Gilsonite and 1/4 pound Flocele be used followed with 100 sacks Class "C" cement with 2% calcium chloride per sack. This volume of cement is calculated to be 100% excess over true annular volume.

The recommended floating equipment includes a Guide Shoe, Insert Float, three (3) Centralizers, one (1) pound Halliburton Weld "A" and a Top Cementing Plug.

Cost Estimate:

340	Pump Truck plus mileage sacks Halliburton "Light" cement 5 lbs. Gilsonite/sk.	\$ 826.75 2,483.54
10 0	<pre>1/4 lb. Flocele/sk. sacks Class "C" cement,</pre>	693.00
1	2% calcium chloride/sk. Guide Shoe	141.00
	Insert Float Centralizers	144.00 123.00
1 1	pound Halliburton Weld "A" Top Cementing Plug	8.15 49.00

\$4,468.44

Mr. Bill Cotner

Production Casing: 4 1/2" casing x 7 7/8" hole set at 4,500'

To obtain the required 200 feet of fill-up, it is recommended that 100 sacks of 50-50 Class "C" - Pozmix "A" with 8 pounds salt per sack be used.

The recommended floating equipment includes a Guide Shoe, Float Collar, six (6) Centralizers, one (1) pound Halliburton Weld "A", and a Top Cementing Plug.

Cost Estimate:

100	Pump Truck plus mileage sacks 50–50 Class "C" – Pozmix "A",	\$	912.25 531.79
100	8 lbs. salt/sk.		JJL./7
1	Guide Shoe		68.00
1	Float Collar		149.00
6	Centralizers		192.00
1	pound Halliburton Weld "A"		8.15
Ţ	Top Cementing Plug		18.70
		\$1	,879.89

The prices in this report are estimates only, are based on current published prices, do not include applicable taxes, and are subject to change due to field operations or other factors.

Men and equipment for this service will be coordinated through our Artesia, New Mexico office. Mr. Joe Palmore is our Assistant District Superintendent, Area Code 505/746-2757.

We are pleased to have this opportunity to present this proposal for your consideration. If you accept our proposal, all materials and equipment furnished and services performed will be under our General Terms and Conditions and pursuant to our applicable Work Order Contract (whether or not executed by you). Copies of the General Terms and Conditions and applicable Work Order Contract will be furnished on request.

Prepared by:

Dan Wells, Service Sales Engineer

DW:ms

cc: E. M. Stanley A. O. Stephens J. L. Palmore P. Ragsdale Hobbs Sales

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Jason Kellahin W. Thomas Kellahin Karen Aubrey

KELLAHIN and KELLAHIN Attorneys at Law 500 Don Gaspar Avenue Post Office Box 1769 Santa Fe, New Mexico 87501

Telephone 982-4285 Area Code 505

December 19, 1979

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Oil Conservation Division P. O. Box 2088 Santa Fc, New Mexico 87501

VI CENSERVALION CUAR 6793

re: No. 2 Hudson Federal Well, Sec. 4, T21S, R29E, NMPM

Dear Joe:

Mr. Joe Ramey

Please set the enclosed application for hearing on January 16, 1980, the next available hearing date.

Very truly yours Thomas Kellahin

cc: Bill Cotner Bill Henry

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BEFORE THE

NEW MEXICO ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

Case 6793

IN THE MATTER OF THE APPLICATION OF MEADCO PROPERTIES, LTD., FOR AND EXCEPTION TO CASING RULES, ORDER NO. R-111-A

APPLICATION

COMES NOW MEADCO PROPERTIES, LTD., and applies to the Oil Conservation Division, New Mexico Energy and Minerals Department for an exception of the casing requirements as contained in Oil Conservation Division Order No. R-111-A, governing drilling in the potash area, and in support thereof would show the Division.

Applicant proposes to drill its No. 2 Hudson
 Federal well in Section 4, Township 21 South, Range 29 East,
 N.M.P.M., at a location 1980 feet from the North line and
 660 feet from the West line of the section, approximately
 in the center of Lot 5 of said Section 4.

2. Applicant proposes to cement its casing string to the surface, as an exception to the requirements of Order R-111-A.

3. The manner of completing the well will not cause any waste of potash, will fully protect all minerals, and is in the interests of conservation.

WHEREFORE, applicant prays that this application be set for hearing before the Division's duly appointed examiner,

-1-

and that after notice and hearing as required by law, the Division enter its order approving the cementing program as proposed.

-2-

Respectfully submitted,

MEACO PROPERTIES, LTD.

By W. Thomas Kellahin KELLAHIN & KELIAHIN P. O. Box 1769 Santa Fe, New Mexico 87501 Phone: (505) 982-4285

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OIL CONSERVATION DIVISION

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Respectfully submitted,

MEACO PROPERTIES, LTD.

By

W. Thomas Kellahin KELLAHIN & KELLAHIN P. O. Box 1769 Santa Fe, New Mexico 87501 Phone: (505) 982-4285 ROUGH

dr/



d.

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

CASE NO.

6793

Xc

Order No. <u><u><u>R</u>-6263</u></u>

APPLICATION OF MEADCO PROPERTIES, LTD. FOR AN EXCEPTION TO ORDER NO. R-111-A, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on <u>January 16</u> 19<u>80</u>, at Santa Fe, New Mexico, before Examiner <u>Daniel S. Nutter</u> NOW, on this <u>day of January</u>, 19<u>80</u>, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Meadco Properties, Ltd., seeks an exception to the casing-cementing rules for the Oil-Potash Area as promulgated by Order No. R-111-A, to permit a proposed well located in Unit E of Section 4, Township 21 South, Range 29 East, Eddy County, New Mexico, to be completed

by setting surface casing at 550 feet and production casing at \sim of approximately 4,500 feet total depth and cementing both casing strings to the surface. 100 Datash Surfaces dejected for the surfaces

(3) That the evidence presented indicates that there are no

braposed casing commung program is the potash mining operations nor deposite of commercial potash ere subject well and it is assumed in proximity to the proposed well and that the proposed method of

completion will not result in endangerment of potash resources nor operations.

(4) That the applicant should report the following both to the district office of the Division and the U.S.G.S.: and may be required to circulate cement to the surface around the production sacing:

- (a) Any water flows encountered; and
- (b) The top of the cement around the production casing as determined by temperature survey

(5) That the applicant man de net circulate. ent the (5) That approval of the subject application will protect

correlative rights, will prevent waste and will not cause the waste of potash.

(6) The application should be approved.

IT IS THEREFORE ORDERED:

(1) That the applicant, Meadco Properties, Ltd., is hereby authorized an exception to the casing-cementing rules for the Oil-Potash Area as promulgated by Order No. R-111-A to permit a proposed well in Unit E of Section 4, Township 21 South, Range 29 East, to be completed by setting surface casing at 550 feet and production casing at total depth and cementing both casing strings

-2-

to the surface.

<u>PROVIDED HOWEVER</u>, that the applicant shall report the following, both to the district office of the Division and the U.S.G.S.:

- (a) Any water flows encountered; and
- (b) The top of the cement around the production casing as determined by temperature survey if such cement does not circulate.

<u>PROVIDED FURTHER</u>, that the applicant may be required to re-cement the production casing to the surface if cement on said not casing did_circulate to the surface.

(2) That 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.