

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

CASE NO.

6793

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE NEW MEXICO 87501
(505) 827-2434

February 12, 1980

Mr. Thomas Kellahin
Kellahin & Kellahin
Attorneys at Law
Post Office Box 1769
Santa Fe, 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.

Yours very truly,

JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD	<u>x</u>
Artesia OCD	<u>x</u>
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 7th 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, 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 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.:

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.:

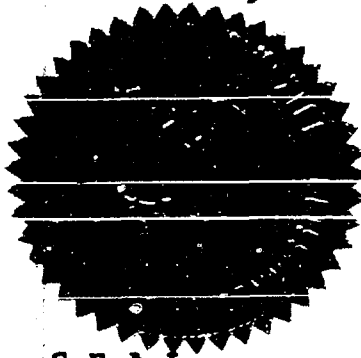
- (a) Any water flows encountered; and
- (b) The top of the cement around the production casing as determined by temperature survey if such cement does not circulate.

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 herein-
above designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Joe D. Ramey
JOE D. RAMEY
Director

fd/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
16 January 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Meadco Properties, Ltd.,) CASE
for an exception to Order No. R-111-A,) 6793
Eddy County, New Mexico.)

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

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Legal Counsel for the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

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I N D E X

WILLIAM B. HENRY

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E X H I B I T S

Applicant Exhibit One, Plat 4

Applicant Exhibit Two, Document 6

Applicant Exhibit Three, Cementing Program 8

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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
7 I have one witness.

8
9 (Witness sworn.)

10
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 Q Would you please state your name and
18 occupation?

19 A My name is William J. "Bill" Henry and
20 I'm a consulting petroleum geologist from Midland, Texas.

21 Q Mr. Henry, have you been employed by
22 Meadco Properties, Limited, as a consulting geologist for
23 presentation of this particular case?

24 A Yes, I have.

25 Q And have you previously testified before

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1 the Division as a geologist and had your qualifications ac-
2 cepted and made a matter of record?

3 A Yes, I have.

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

6 MR. NUTTER: Mr. Henry is qualified.

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

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

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

23 And our location that we've proposed is
24 in Lot 5, which is approximately 1980 from the north and
25 660 from the west of Section 4. This will be a second well,

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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
10 area, but this is the first Delaware that we're aware of
11 from this particular zone in the section.

12 Q The proposed well is a Delaware test?

13 A Yes.

14 Q What is the approximate total depth of
15 the proposed well?

16 A Approximate 4500 feet to the Delaware.

17 Q And what acreage would you dedicate to
18 the well?

19 A We would probably -- we're going to
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 Q Which 80 acres?

24 A Laying down, east and west, would be
25 Lots 5 and 6 at the present time.

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

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

13 Q Would you turn to Exhibit Two and identi-
14 fy for the Examiner the specific exception to the R-111-A
15 rule that you propose to apply to this well?

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

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

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

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

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

14 To set 5-1/2 -- I mean 550 feet of 11-
15 3/4 casing it's \$12.50 a foot. That is \$6600 for the sur-
16 face casing.

17 To set and drill and cement 1650 feet
18 of 8-5/8ths 32-pound casing is \$15.00 a foot; that's \$44,750.

19 And then to run our 4-1/2 casing to 4500
20 is \$4.50 a foot; that's \$20,250, which gives a total of
21 \$51,600 for casing and, as I'll present later from Halli-
22 burton, Case Two cementing costs are about \$10,510, which
23 is a total cost of about \$62,000.

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

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

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

5 Adding a cost of a DV tool of \$1000,
6 plus cementing, which is \$14,455, that is a total cost of
7 \$39,830 as compared to \$62,110 in Case Two. In other words,
8 then, our casing program, our savings would be \$22,280, and
9 we contacted Hondo Drilling Company with both cases with
10 drilling the well under R-111-A rules and under our excep-
11 tion, and the best estimate they gave us, there was about
12 six days of rig time that we could save by going the Case
13 One, our exception route, which would save out \$30,000,
14 they estimated.

15 In other words, if we could drill and
16 protect the potash with our exception rules, we could pos-
17 sibly save as much as \$52,280. Now that's just rough
18 figures.

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

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

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

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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.

10 Q. Were Exhibits One and Two compiled by
11 you or compiled under your direction and supervision?

12 A. Yes, they were.

13 Q. 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 --

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1 MR. NUTTER: There's no way to do that.
2 It wasn't advertised, Mr. Henry.

3 A Oh, it wasn't.

4 MR. KELLAHIN: I'm sorry.

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 A Yeah, that's right, we'll dedicate 40
20 acres but we're going to use the 80-acre deal as we deve-
21 lop until we see what we have.

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

24 A Yeah, I understand it's on 40-acre.
25 Yes, sir, I understand that.

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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.

4 A We wrote letters to them, yes, to see
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 Q Now did you tell them that you were
11 proposing a casing and cementing exception to R-111-A?

12 A No. No, sir, we haven't been in contact
13 with them.

14 Q So you have not --

15 A No.

16 Q -- of what you were proposing --

17 A No.

18 Q -- as far as casing this well is con-
19 cerned?

20 A No. I wasn't advised to. I talked to
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 Q So you didn't specifically tell them
25 that you were going --

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- 1 A No.
- 2 Q -- to seek an exception to it, then.
- 3 A No.
- 4 Q But both of these strings of casing which
- 5 you're proposing would be cemented to the surface, and --
- 6 A Right.
- 7 Q -- you would accomplish this on the long
- 8 string by use of a DV tool at about 1650.
- 9 A Yes, sir, we -- Halliburton thought we
- 10 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 cement back
- 24 to the surface and not have any question there.
- 25 Q So it's your intent fully at this time to

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use the DW tool?

A Right, yes, sir.

MR. NUTTER: Are there further questions
of Mr. Henry? He may be excused.

Do you have anything further, Mr. Kellahin?

MR. KELLAHIN: No, sir.

MR. NUTTER: Does anyone have anything
they wish to offer in Case Number 6793?

We'll take the case under advisement.

(Hearing concluded.)

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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 Division 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.
Sally W. Boyd, C.S.R.

SALLY W. BOYD, C.S.R.

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Santa Fe, New Mexico 87501

Phone (505) 455-7409

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 6793
heard by me on 1/16 1980.

[Signature] Examiner
Oil Conservation Division

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
16 January 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Meadco Properties, Ltd.,) CASE
for an exception to Order No. R-111-A,) 6793
Eddy County, New Mexico.)

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel for the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

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WILLIAM B. HENRY

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MR. BUTTER: We'll call Case Number 6793.

MR. PADILLA: Application of Meadco
Petroleum, 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:

Q Would you please state your name and
occupation?

A My name is William J. "Bill" Henry and
I'm a consulting petroleum geologist from Midland, Texas.

Q Mr. Henry, have you been employed by
Meadco Properties, Limited, as a consulting geologist for
presentation of this particular case?

A Yes, I have.

Q And have you previously testified before

1 the Division as a geologist and had your qualifications ac-
2 cepted and made a matter of record?

3 A Yes, I have.

4 MR. KEILAHIN: We tender Mr. Henry as
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7 Q Mr. Henry, would you turn to what we've
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12 ownership for oil and gas exploration that is controlled by
13 Meadco Properties, which is outlined in yellow, which is
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15 ship 21 South, Range 29 East, Eddy County.

16 And coming down through the center you
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20 down to the southwest quarter of Section 4, and you see the
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22 right or to the east of this line.

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24 in Lot 5, which is approximately 1980 from the north and
25 660 from the west of Section 4. This will be a second well,

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1 or a development well to the former: 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
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6 right beneath the Capitan Reef.

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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
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12 Q The proposed well is a Delaware test?

13 A Yes.

14 Q What is the approximate total depth of
15 the proposed well?

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18 the well?

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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 --

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25 Lots 5 and 6 at the present time.

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2 for this acreage?

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12 approved before we proceed to drill.

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SALLY W. BOYD, C.S.R.

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

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

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

14 To set 5-1/2 -- I mean 550 feet of 11-
15 3/4 casing it's \$12.50 a foot. That is \$6600 for the sur-
16 face casing.

17 To set and drill and cement 1650 feet
18 of 8-5/8ths 32-pound casing is \$15.00 a foot; that's \$44,750.

19 And then to run our 4-1/2 casing to 4500
20 is \$4.50 a foot; that's \$20,250, which gives a total of
21 \$51,600 for casing and, as I'll present later from Halli-
22 burton, Case Two cementing costs are about \$10,510, which
23 is a total cost of about \$62,000.

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

1 running the 3-5/8ths, which will be 24 pounds, 550 foot and
2 at a cost of \$7.50 a foot, which is \$4125.

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

5 Adding a cost of a DV tool of \$1000,
6 plus cementing, which is \$14,455, that is a total cost of
7 \$39,830 as compared to \$62,110 in Case Two. In other words,
8 then, our casing program, our savings would be \$22,280, and
9 we contacted Hondo Drilling Company with both cases with
10 drilling the well under Hall-A rules and under our excep-
11 tion, and the best estimate they gave us, there was about
12 six days of rig time that we could save by going the Case
13 One, our exception route, which would save about \$30,000,
14 they estimated.

15 In other words, if we could drill and
16 protect the potash with our exception rules, we could pos-
17 sibly save as much as \$52,280. Now that's just rough
18 figures.

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

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

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

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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.

10 Q Were Exhibits One and Two compiled by
11 you or compiled under your direction and supervision?

12 A Yes, they were.

13 Q 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 --

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1 MR. NUTTER: There's no way to do that.
2 It wasn't advertised, Mr. Henry.

3 A Oh, it wasn't.

4 MR. KELLAHIN: I'm sorry.

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 A Yeah, that's right, we'll dedicate 40
20 acres but we're going to use the 80-acre deal as we deve-
21 lop until we see what we have.

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

24 A Yeah, I understand it's on 40-acre.
25 Yes, sir, I understand that.

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.

4 A We wrote letters to them, yes, to see
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 Q How did you tell them that you were
11 proposing a casing and cementing exception to R-111-A?

12 A No. No, sir, we haven't been in contact
13 with them.

14 Q So you have not --

15 A No.

16 Q -- of what you were proposing --

17 A No.

18 Q -- as far as casing this well is con-
19 cerned?

20 A No. I wasn't advised to. I talked to
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 Q So you didn't specifically tell them
25 that you were going --

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1 Q No.
2 Q to seek an exception to it, then.
3 A Yes.
4 Q But both of these strings of casing which
5 you're proposing would be cemented to the surface, and --
6 A Right.
7 Q -- you would accomplish this on the long
8 string by use of a DV tool at about 1650.
9 A Yes, sir, we -- Halliburton thought we
10 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 3-5/8ths 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 Q So it's your intent fully at this time to

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.

10
11 (Hearing concluded.)
12
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25

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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 Division 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 Examiner hearing of Case No. 6792,
heard by me on 1/16 1980.

Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.

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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 - WEDNESDAY - 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.
- CASE 6787: In the matter of the hearing called by the Oil Conservation Division on its own motion to consider 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-standard 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.
- CASE 6788: Application of Amoco Production Company for a dual completion, Lea County, New Mexico. 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.
- CASE 6789: Application of Knox Industries, Inc. for an unorthodox oil well location, Lea County, New Mexico. 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 640-acre 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.
- CASE 6794: 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.

Meadco case

8⁵/₈" 24 lb. cog.

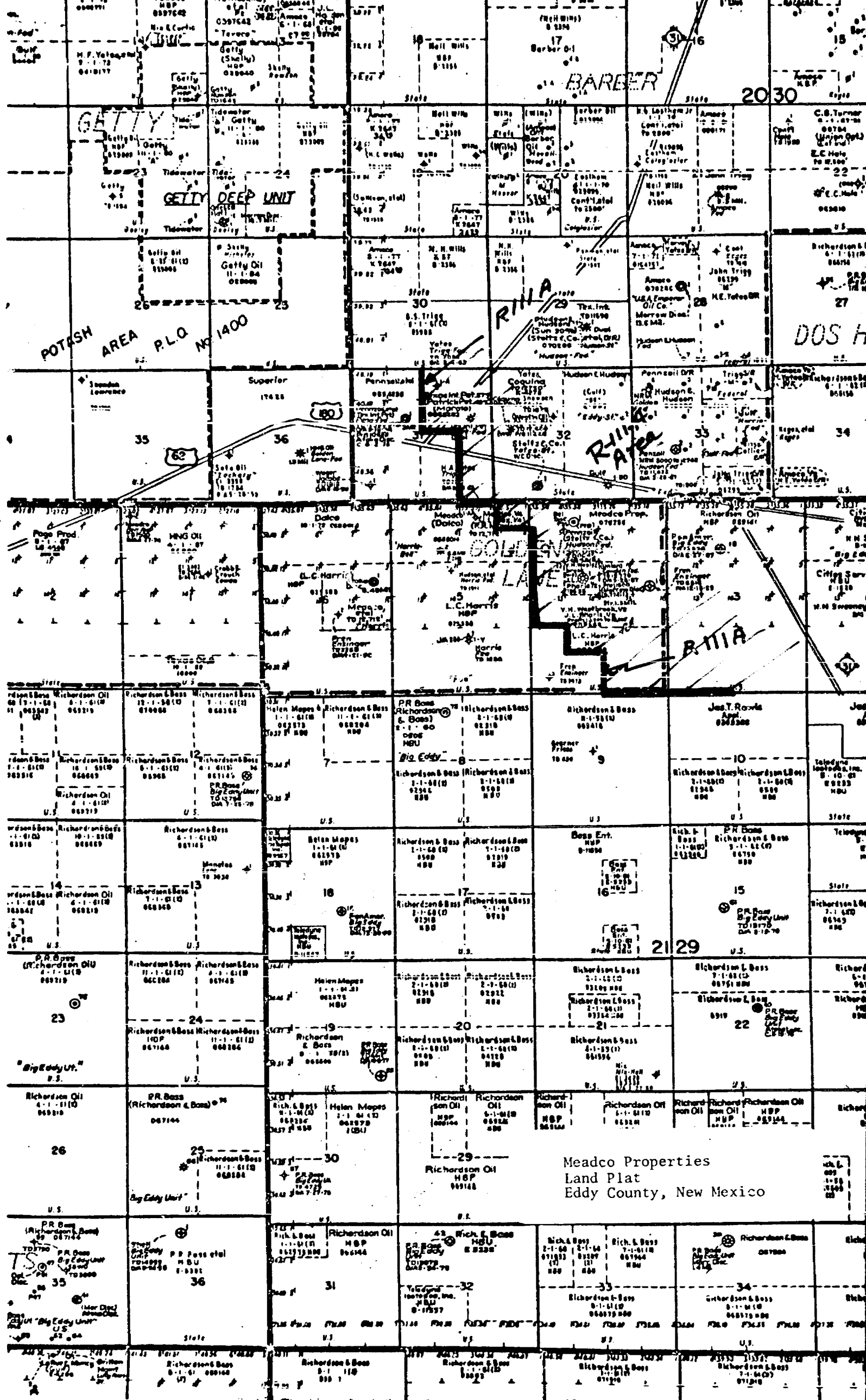
at 550'

circ. cement to surface

4¹/₂" 10.5

at 245'

circ. cement to surface



MEADCO No. 2 Hudson Federal
Center Lot 5, Section 4, T21S-R29E

Eddy Co., N.M.

550'

8 5/8" CSG
circ cut
to surf.

— Top Anhydrite 350'

— Top SALT 600'

— Base SALT 1550'

Dr Test 1650'

— CAPITAN REEF 2000'

4 1/2" CSG
circ cut
to surf.

— DELAWARE SANDS 3800'

PAY SANDS

7 3/8" hole

TO 4500' ±

BEFORE EXAMINER NUTTER

OIL CONSERVATION DIVISION

MEADCO EXHIBIT NO. 2

CASE NO. 6793



HALLIBURTON SERVICES

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

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

BEFORE EXAMINER NUTTER

OIL CONSERVATION DIVISION

Meadco EXHIBIT NO. 3

CASE NO. 6793

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:

Pump Truck plus mileage	\$ 484.75
225 sacks Class "C" cement w/2% calcium chloride	1,559.27
1 Guide Shoe	141.00
1 Insert Float	144.00
3 Centralizers	123.00
1 pound Halliburton Weld "A"	8.15
1 Top Cementing Plug	49.00
	<hr/>
	\$2,509.17

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:

	Pump Truck plus mileage	\$ 912.25
1,100	sacks Halliburton "Light" w/ 5 lbs. Gilsonite/sk. 1/4 lb. Flocele/sk. salt saturated	10,066.87
100	sacks 50-50 Class "C" - Pozmix "A", 8 lbs. salt/sk.	531.79
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
		<hr/>
		\$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:

	Pump Truck plus mileage	\$ 484.75
400	sacks Class "C" cement,	2,772.00
	2% calcium chloride/sk.	
1	Guide Shoe	239.00
1	Insert Float	236.00
3	Centralizers	184.50
1	pound Halliburton Weld "A"	8.15
1	Top Cementing Plug	118.00
		<hr/>
		\$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:

	Pump Truck plus mileage	\$ 826.75
340	sacks Halliburton "Light" cement	2,483.54
	5 lbs. Gilsonite/sk.	
	1/4 lb. Flocele/sk.	
100	sacks Class "C" cement,	693.00
	2% calcium chloride/sk.	
1	Guide Shoe	141.00
1	Insert Float	144.00
3	Centralizers	123.00
1	pound Halliburton Weld "A"	8.15
1	Top Cementing Plug	49.00
		<hr/>
		\$4,468.44

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:

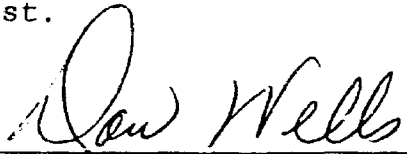
	Pump Truck plus mileage	\$ 912.25
100	sacks 50-50 Class "C" - Pozmix "A",	531.79
	8 lbs. salt/sk.	
1	Guide Shoe	68.00
1	Float Collar	149.00
6	Centralizers	192.00
1	pound Halliburton Weld "A"	8.15
1	Top Cementing Plug	18.70
		<hr/>
		\$1,879.89

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.

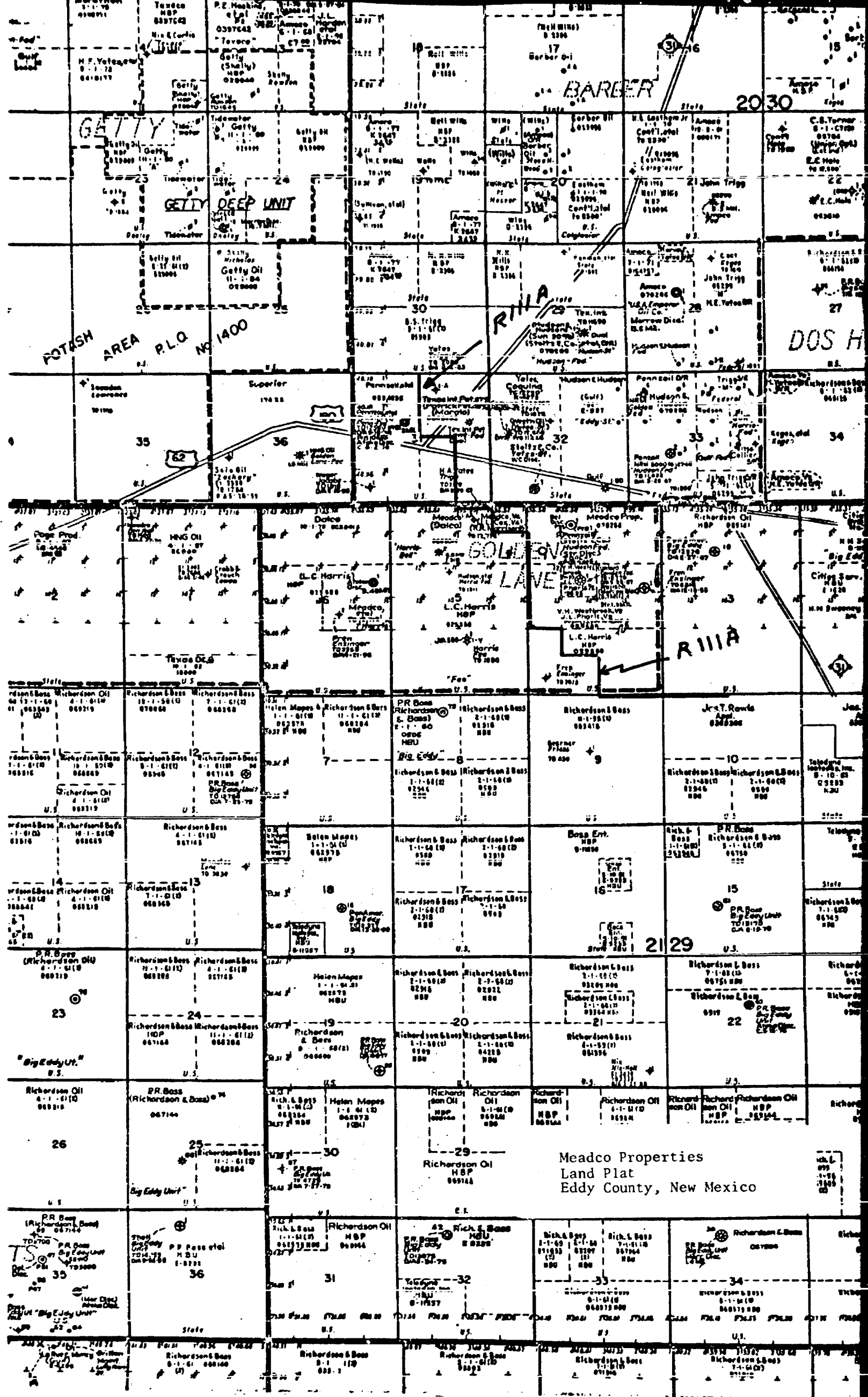
We are pleased to have this opportunity to present this proposal for your consideration. If you accept our proposal, all materials and equipment furnished and services performed will be under our General Terms and Conditions and pursuant to our applicable Work Order Contract (whether or not executed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



MEADCO No. 2 Hudson Federal
Center Lot 5, Section 4, T21S-R29E
Eddy Co. N.M.

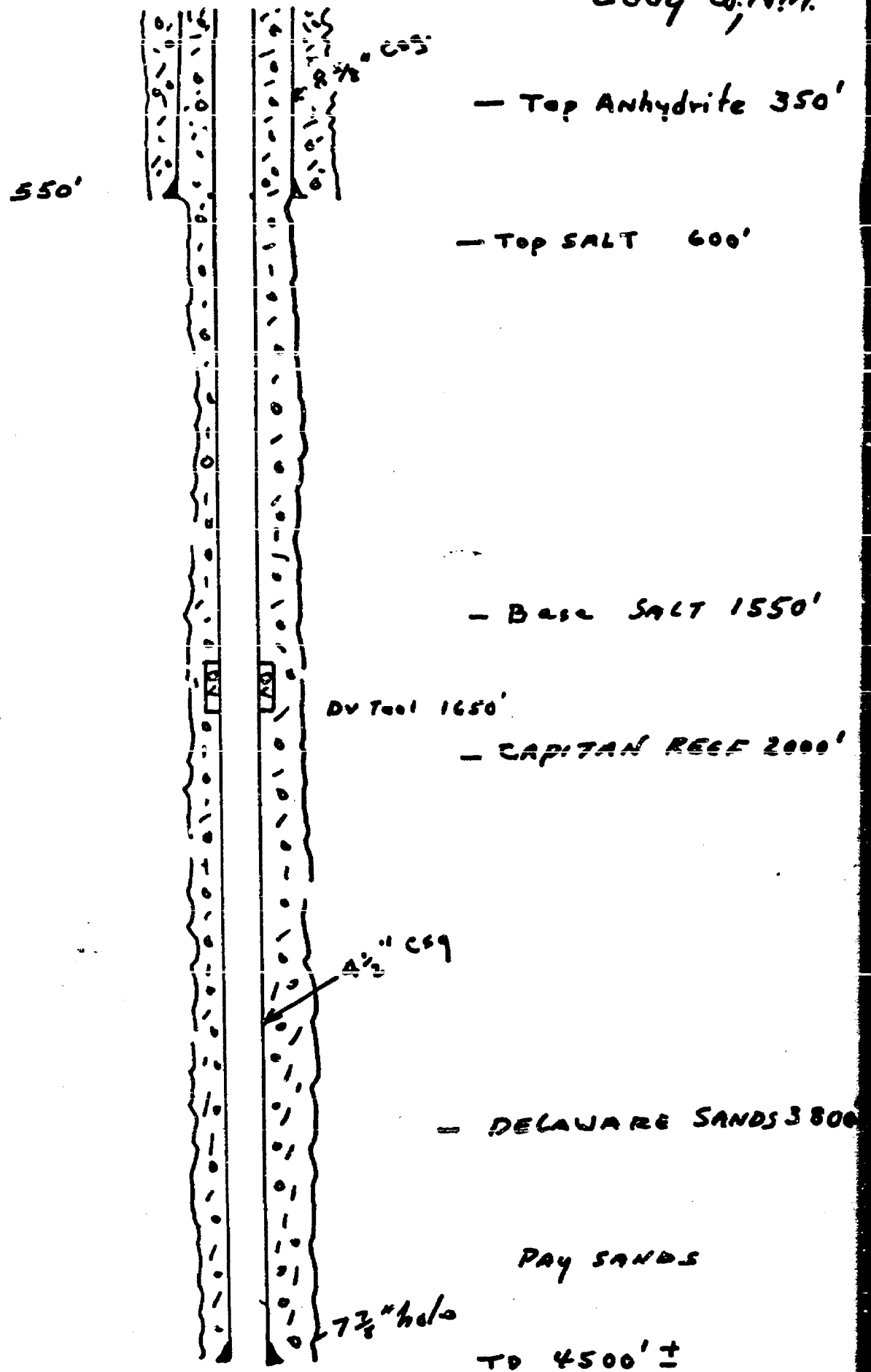
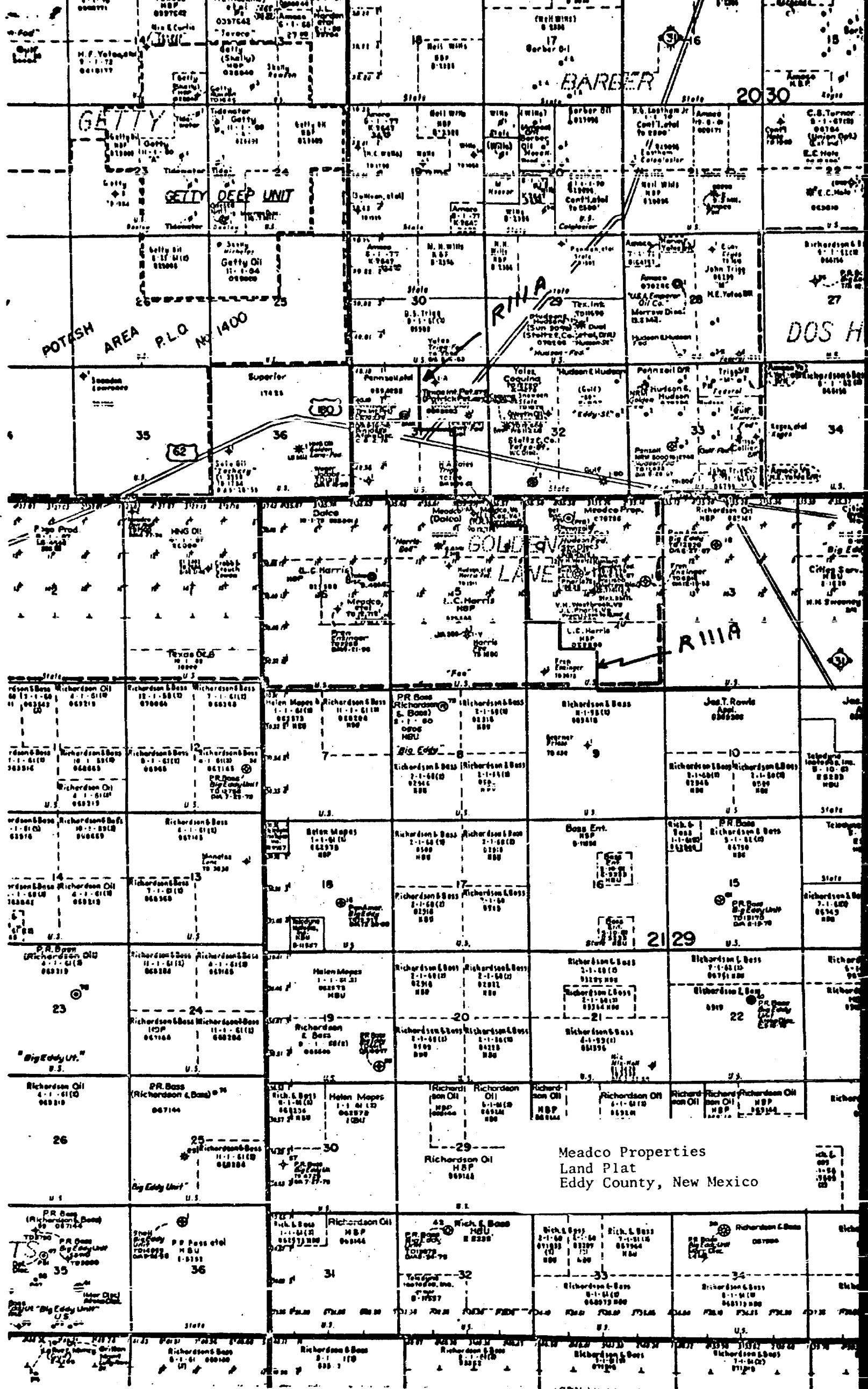


Exhibit 2
Case 6793



Meadco Properties
Land Plat
Eddy County, New Mexico

MEADCO No. 2 Hudson Federal
Center Lot 5, Section 4, T21S-R29E

Eddy Co. N.M.

550'

— Top Anhydrite 350'

— Top SALT 600'

— Base SALT 1550'

Dr Tool 1650'

— CAPITAN REEF 2000'

4 1/2" CSG

— DELAWARE SANDS 3800'

PAY SANDS

7 3/8" hole

TO 4500' ±

Exhibit 2
Case 6793

KELLAHIN and KELLAHIN

Attorneys at Law

500 Don Gaspar Avenue

Post Office Box 1769

Santa Fe, New Mexico 87501

Jason Kellahin

W. Thomas Kellahin

Karen Aubrey

Telephone 982-4285

Area Code 505

December 19, 1979

RECEIVED

DEC 20 1979

OIL CONSERVATION
DIVISION

Case 6793

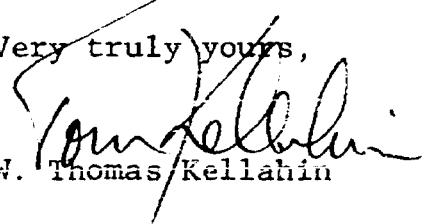
Mr. Joe Ramey
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

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

Dear Joe:

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

Very truly yours,


W. Thomas Kellahin

cc: Bill Cotner
Bill Henry

RECEIVED

DEC 20 1979

~~Oil Conservation~~

BEFORE THE
NEW MEXICO ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

Case 6793

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.

1. 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.

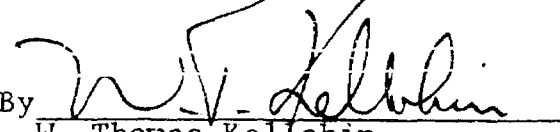
3. The manner of completing the well will not cause any waste of potash, will fully protect all minerals, and is in the interests of conservation.

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

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

Respectfully submitted,

MEACO PROPERTIES, LTD.

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

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

RECEIVED

DEC 20 1979

Oil Conservation

APPLICATION

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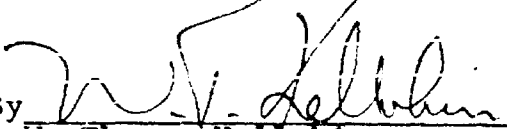
3. The manner of completing the well will not cause any waste of potash, will fully protect all minerals, and is in the interests of conservation.

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

Respectfully submitted,

MEACO PROPERTIES, LTD.

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

BEFORE THE
NEW MEXICO ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

Case 6793

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.

1. 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,

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

Respectfully submitted,

MEACO PROPERTIES, LTD.

By 
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ROUGH

dr/

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
19 80, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this _____ day of January, 19 80, 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 a total depth ^{of approximately 4500 feet} and cementing both casing strings to the surface.

(3) That ~~the evidence presented indicates that there are no potash mining operations nor deposits of commercial potash are in proximity to the proposed well and that the proposed method of completion will not result in endangerment of potash resources nor operations.~~ ^{no potash operations objected to the proposed casing cementing program for the}

(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 casing.~~

(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.~~
(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 ^{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.

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