

RECEIVED OGD
2014 JUL 15 A 11:26

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

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

CASE NO. 15179

**APPLICATIONS OF NADEL AND GUSSMAN PERMIAN L.L.C.
FOR ORDERS AUTHORIZING THE DRILLING OF SPECIFIC
WELL IN THE POTASH AREA, EDDY COUNTY, NEW MEXICO.**

PRE-HEARING STATEMENT

This Pre-Hearing Statement is submitted by Mosaic Potash Carlsbad Inc. as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANTS

Nadel and Gussman Permian L.L.C.
Tulsa, OK 74103
15 E 5th St #3200
(918) 583-3333

ATTORNEY

James Bruce, Esq.
Santa Fe, NM 87504
(505) 982-2043

OPPOSITION

Mosaic Potash Carlsbad Inc.
Attn: David Vaughn
Post Office Box 71
Carlsbad, NM 88220
(575) 628-6233

ATTORNEY

Charles C. High, Jr., Esq.
& Abe Howard-Gonzales
Kemp Smith LLP
220 N. Kansas, Suite 1900
El Paso, TX 79901
(915) 533-4424

Pre-Hearing Statement
 NMOCD Case No. 15179
 Page 2

STATEMENT OF CASE

OPPOSITION POSITION

Opposition seeks an order denying the APD's at issue in these cases. Drilling wells at the proposed locations has the intended result of conducting oil and high pressure natural gas through naturally sealed horizons immediately adjacent to ore bodies held by Mosaic Potash and will result in an undue waste of potash. The Commission's Order R-111-P is specifically intended to control such drilling near potash. The land owner's petroleum mineral rights at issue in each APD can be developed from alternate locations.

PROPOSED EVIDENCE

OPPOSITION

WITNESS	ESTIMATED TIME	EXHIBITS
David Vaughn, Mine Engineering Superintendent	Approx. 30 Minutes	Approx. 4

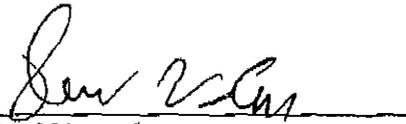
Mr. Vaughn will review potash mineralization in the areas in question and outline mining plans that could be affected by the drilling of these wells. His testimony will show that Mosaic Potash holds legitimate rights to mine ores and has an approved LMR well within ¼ mile of the proposed locations. He will testify he is not asking the Commission to deny the owners of the oil and gas minerals the right to develop their property, only to develop their property in a manner that is not injurious to adjacent properties.

Mr. Vaughn will ask the Commission to deny the APD's and find that although:

- A. The Order mandates that "All drilling of oil and gas well in the Potash Area shall be subject to these Rules and Regulations" and that "Applications to drill outside the LMR will be approved as indicated below [...] (a) a shallow well shall be drilled no closer to the LMR than [1/4] mile [...] (b) A deep well shall be drilled no closer than [1/2] mile from the LMR."

Pre-Hearing Statement
NMOCD Case No. 15179
Page 3

- B. APD's "may be approved only by mutual agreement of the lessor and lessees of both oil and gas interests" such agreement cannot dissolve the rights of all other parties affected. (Charlie: Should Mosaic hypothetically decide to allow a gas well be drilled on Mosaic held potash leases adjacent to potash leases held by Intrepid in order to condemn a portion of their LMR reserves is not allowed by R-111-P)
- C. Not all affected mineral owners have consented. Neither the BLM nor Mosaic have consented.
- D. "The proposed casing and cementing program for the" wells meet R-111-P standards, these standards are required to allow drilling at distances greater than $\frac{1}{4}$ and $\frac{1}{2}$ mile from LMR, not closer.



David Vaughn
Mine Engineering Superintendent
Mosaic Potash Carlsbad Inc.

Pre-Hearing Statement
NMOCD Case Nos. 15179
Page 4

Mosaic Potash Carlsbad Inc.
Index of Exhibits

Exhibit No. 1	Map showing LMR, and Mosaic's Lease holdings
Exhibit No. 2	Map showing existing and proposed well locations
Exhibit No. 3	Map showing BLM designated Measured Ore
Exhibit No. 4	Calculations showing value of ore lost

Pre-Hearing Statement
NMOCD Case Nos. 15179
Page 5

CERTIFICATE OF SERVICE

I certify that I have sent a copy of the foregoing pleading by facsimile to Gail McQuesten, Esq., Assistant General Counsel for the Oil Conservation Division [Fax. No. (505) 476-3462], James Bruce, attorney for the Applicants [Fax. No. (505) 982-2151], and to Charles C. High, Jr., Esq., Kemp Smith, LLP, attorney for the Opposition [Fax. No. (915) 546-5360] on this 15th day of July 2014.



David Vaughn