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JASON KELLAHIN (RETIRED 1991)

May 24, 1995

HAND DELIVERED

Mr. William J. LeMay, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

RECEIVED

MAY 25 1995

Oil Conservation Division

**Re: Administrative Request of
 Stevens & Tull, Inc. to
 delete the "potash protection
 string" in accordance with Order R-111-P
 for its proposed Federal "9" Well No. 7
 Unit 1 Sec. 9-T20S-R33E, NMPM
 Lea County, New Mexico**

Dear Mr. LeMay:

Stevens & Tull have filed with the Bureau of Land Management ("BLM") an Application for Permit to Drill ("APD") its Federal "9" Well No. 7 at a standard oil well location 2310 feet FSL and 990 feet FEL (Unit I) of Section 9, Township 20 South, Range 33 East, NMPM, Lea County, New Mexico. **See Enclosure (1).**

We have been informed by Mr. Shannon Shaw, petroleum engineer with the BLM-Carlsbad, that prior to the BLM's approving this APD, the BLM desires for us to obtain the concurrence of the Director-NMOCD that we may delete the "potash protection string" for this well.

Therefore purpose of this request is to secure NMOCD approval to delete the "salt protection string" for this shallow oil well which is intended to produce from the West Teas Yates-Seven Rivers Pool. **See Enclosure (2)-area plat.**

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In support of its request, Steven & Tull, Inc. submits the following:

(1) Section 9 was located outside the boundaries of the NMOCD R-111 potash area until April 21, 1998, when the Commission entered Order R-111-P and expanded the potash area to include Section 9 and other acreage:

Order R-111-P provides:

"Finding (22) Expansion of the R-111- area to coincide with the KPLA (known potash leasing area established by the BLM) will bring under the purview of this order areas where potash is either absent or non-commercial and such areas should be granted less stringent casing, cementing and plugging requirements, at the discretion of the OCD district supervisor."

Decretory Paragraph C.(4) provides that "the Division's District Supervisor may waive the requirements of Section D and F [dealing with drilling, casing and plugging] which are more rigorous than the general rules upon satisfactory showing that a location is outside the Life of Mine Reserves (LMR) and surrounding buffer zone as defined hereinbelow and that no commercial potash resources will be unduly diminished."

(2) This application results from the Division District Supervisor (Hobbs) having referred a prior request of Mitchell Energy Corporation in the adjoining Section 4 to the NMOCD Director.

(3) In Division Case No. 10858, Mitchell Energy Corporation obtained Order R-10122, issued May 31, 1994, approving its request to delete the potash protection string for nine (9) oil wells to be drilled into the West Teas Yates-Seven Rivers Pool all within adjoining Section 4. **see Enclosure (3).**

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(4) Until recently, the BLM has routinely approved the deletion of the "potash protection string" for wells in this area which were drilled into this pool including six (6) wells located in Units A, B, C, F, G, and H of said Section 9.

(5) The Mitchell Energy Corporation wells in Section 4 and the existing Steven & Tull Inc. wells in Section 9 plus the subject well are located in the same large barren area and identified as "Barren" on the 1984 Secretary of Interior's Potash Resources Map.

(6) The nearest potash mine (Mississippi Potash) is approximately six (6) miles west of this area.

(7) Section 9 is NOT located within an "LMR" or a buffer zone as defined by Order R-111-P.

(8) Section 9 is unleased federal potash.

(9) On May 3, 1995, and in accordance with Order R-111-P, Steven & Tull Inc. sent notice of its Intention to Drill the subject well to the following potash lessee within one mile of the subject well: Noranda Exploration, Mississippi Potash, Inc. and New Mexico Potash Corporation.

(10) Of those potash companies, only Mississippi Potash, Inc. responded by waiving objection to the well but stating "we feel all wells should comply with the requirement for a "salt protection string" of casing."

(11) Mississippi Potash Inc. is the potash lessee of part of Section 4 in which the Division approved the deleting of the potash protection string for Mitchell Energy Corporation in Case 10858 (Order R-10122).

(12) A substantial savings in the cost of the subject well will be realized by deleting the salt protection string for this well.

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(13) The deletion of the salt protection string for this well will not constitute a hazard to any potash deposits in the area nor does it constitute a risk to miner's health or safety.

(14) Approval of the application will afford the applicant the opportunity to produce its just and equitable share of the hydrocarbons in the West Teas Yates-Seven Rivers formation, will prevent the economic loss caused by the drilling of a well with unnecessary salt protection strings and will otherwise prevent waste and protect correlative rights.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin'. The signature is fluid and cursive, with a large initial 'W' and a long horizontal stroke at the end.

W. Thomas Kellahin

cc: Stevens & Tull, Inc.

attn: Jerry A. Weant