

**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 NOS. 11323 and 10338

THE APPLICATIONS OF STEVENS & TULL, INC.
FOR EXCEPTIONS TO THE SALT PROTECTION
CASING STRING REQUIREMENT OF ORDER R-111-P
FOR CERTAIN WELLS, LEA COUNTY, NEW MEXICO.

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by STEVENS & TULL, INC. as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

Stevens & Tull, Inc.
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ATTORNEY

W. Thomas Kellahin
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Santa Fe, NM 87504
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STATEMENT OF CASE

APPLICANT:

Stevens & Tull, Inc. seeks to have the Division grant an exception from "salt protection string" requirements of Order R-111-P for oil wells to be drilled in the following described acreage in Lea County, New Mexico:

TOWNSHIP 20 SOUTH, RANGE 33 EAST, NMPM
Section 9: E/2SE/4
Section 10: SW/4
Section 16: All

Applicant proposes to test for production in the West Teas Yates-Seven Rivers Pool by drilling oil wells, each to an anticipated depth of approximately 3,400 feet, and all located on individual 40-acre spacing units within the area described in paragraph (1) above.

The proposed wells will be located within one mile of the current boundaries of the West Teas Yates-Seven Rivers Oil Pool which was established by Division Order R-1586 effective January 27, 1960 and is subject to the Division general statewide rules including oil well spacing of 40-acres.

Sections 9, 10 and 16 were 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 these sections 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."

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.

The salt protection string has been deleted by the Bureau of Land Management when a shallow well is to be drilled in this area. 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.

Stevens & Tull, Inc. has been informed by the BLM-Carlsbad, that prior to the BLM's approving this APD, the BLM desires for it to obtain the concurrence of the Director-NMOCD that it may delete the "potash protection string" for this well.

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

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

All of Section 9 and the SW/4 of Section 10 is unleased federal potash while Section 16 is State of New Mexico potash leased to Mississippi Potash, Inc. Sections 9, 10 and 16 are NOT located within an "LMR" or a buffer zone as defined by Order R-111-P.

A substantial savings in the cost of the subject wells will be realized by deleting the salt protection string for these wells. The deletion of the salt protection string for these wells will not constitute a hazard to any potash deposits in the area nor does it constitute a risk to miner's health or safety.

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 wells with unnecessary salt protection strings and will otherwise prevent waste and protect correlative rights.

PROPOSED EVIDENCE

APPLICANT

WITNESSES	EST. TIME	EXHIBITS
Jerry Weant (landman)	15-Min	est. 4
Mike Mooney (petroleum engineer)	30-Min.	est. 8
Gary Hutchinson (potash expert)	30-45 Min.	est. 8

PROCEDURAL MATTERS

None applicable at this time.

KELLAHIN AND KELLAHIN

By: 

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