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W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

June 20, 1995

HAND DELIVERED

Mr. Michael E. Stogner
Chief Hearing Examiner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

RECEIVED

JUN 20 1995

Oil Conservation Division

*Re: Application of Stevens & Tull, Inc.
for a Waiver of the salt protection string
requirements of Order R-111-P for certain
wells in the Oil/Potash Area,
Lea County, New Mexico*

Dear Mr. Stogner:

On behalf of Stevens & Tull, Inc., please find enclosed our referenced application which we request be set for hearing on the next available Examiner's docket now scheduled for July 13, 1995. Also enclosed is our proposed advertisement to be used for the OCD docket.

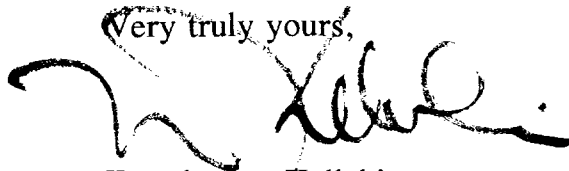
By copy of this letter, including the Application, to all parties, we are notifying them by certified mail return-receipt requested, that:

(1) they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the Application and

(2) advising that failure to appear at the time of the hearing and become a party of record will preclude them from challenging this application at a later date.

Oil Conservation Division
June 20, 1995
Page 2.

In accordance with Division Memorandum 2-90, parties who may appear in this case are hereby requested to file a Pre-Hearing Statement with the Division, copy to Applicant, not later than 4:00 PM on Friday, July 7, 1995.

Very truly yours,

W. Thomas Kellahin

cc: Stevens & Tull, Inc.
Attn: Jerry Weant

cc: **CERTIFIED MAIL:**
All parties shown in application

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JUN 20 1995

Proposed notification/advertisement for OCD docket

Oil Conservation Division

Case 11338: Application of Stevens & Tull, Inc. for a waiver of the salt protection string requirements of Order R-111-P for certain wells, Lea County New Mexico. Applicant seeks authority to delete the salt protection string requirements of Order R-111-P from oil wells to be located in Sections 9, 10, and 16, T20S, R33E, NMPM, and to be drilled to test for production in the West Teas Yates-Seven Rivers Pool. The subject wells are located north of Highway 180 some 4 miles northeast from the intersection of Highways 176 and 180 and are approximately 1 mile east from Laguna Gatuna, New Mexico.

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

RECEIVED

JUN 20 1995

Oil Conservation Division

**IN THE MATTER OF THE APPLICATION OF
STEVENS & TULL, INC. FOR WAIVER
OF SALT PROTECTION STRING REQUIREMENTS
OF ORDER R-111-P FOR CERTAIN WELLS,
LEA COUNTY, NEW MEXICO**

CASE: 11338

APPLICATION

Comes now STEVENS & TULL, INC., by and through its attorneys, KELLAHIN and KELLAHIN, and applies to the New Mexico Oil Conservation Division for a waiver of the salt protection string requirements of Order R-111-P for certain oil wells to be subject to the West Teas Yates-Seven Rivers Pool and to be located in portions of Sections 9, 10 and 16, T20S, R33E, NMPM, Lea County, New Mexico.

In support thereof, Applicant states:

1. Applicant, Stevens & Tull, Inc., has the right to drill and develop the oil and gas minerals underlying 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

2. 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.

3. 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. See Plat (Exhibit "A").

4. 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."

5. 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.

6. 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.

7. Stevens & Tull, Inc. has 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.

8. 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.

9. 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.

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

11. 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.

12. Sections 9, 10 and 16 are NOT located within an "LMR" or a buffer zone as defined by Order R-111-P.

13. 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.

14. Of those potash companies, 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."

15. 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).

16. Stevens & Tull, Inc. seeks to have the Division grant an exception from "salt protection string" requirements of Order R-111-P for

17. A substantial savings in the cost of the subject wells will be realized by deleting the salt protection string for these wells.

18. 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.

19. 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.

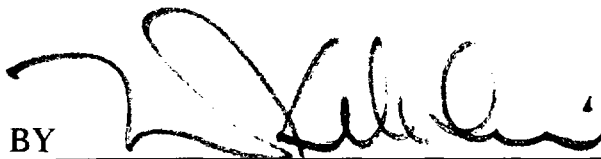
20. The salt protection string has been deleted by the Bureau of Land Management when a shallow well is to be drilled in this area.

21. In accordance with Division Order R-111-P, Applicant has provided notification of this application, with the names and addresses of those parties set forth on Exhibit B.

22. Applicant requests that this matter be set for hearing at the next available Examiner's docket now scheduled for July 13, 1995.

WHEREFORE, Applicant requests that, after notice and hearing, this Application be approved as requested.

KELLAHIN and KELLAHIN

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over a horizontal line.

BY
W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

ATTORNEYS FOR APPLICANT

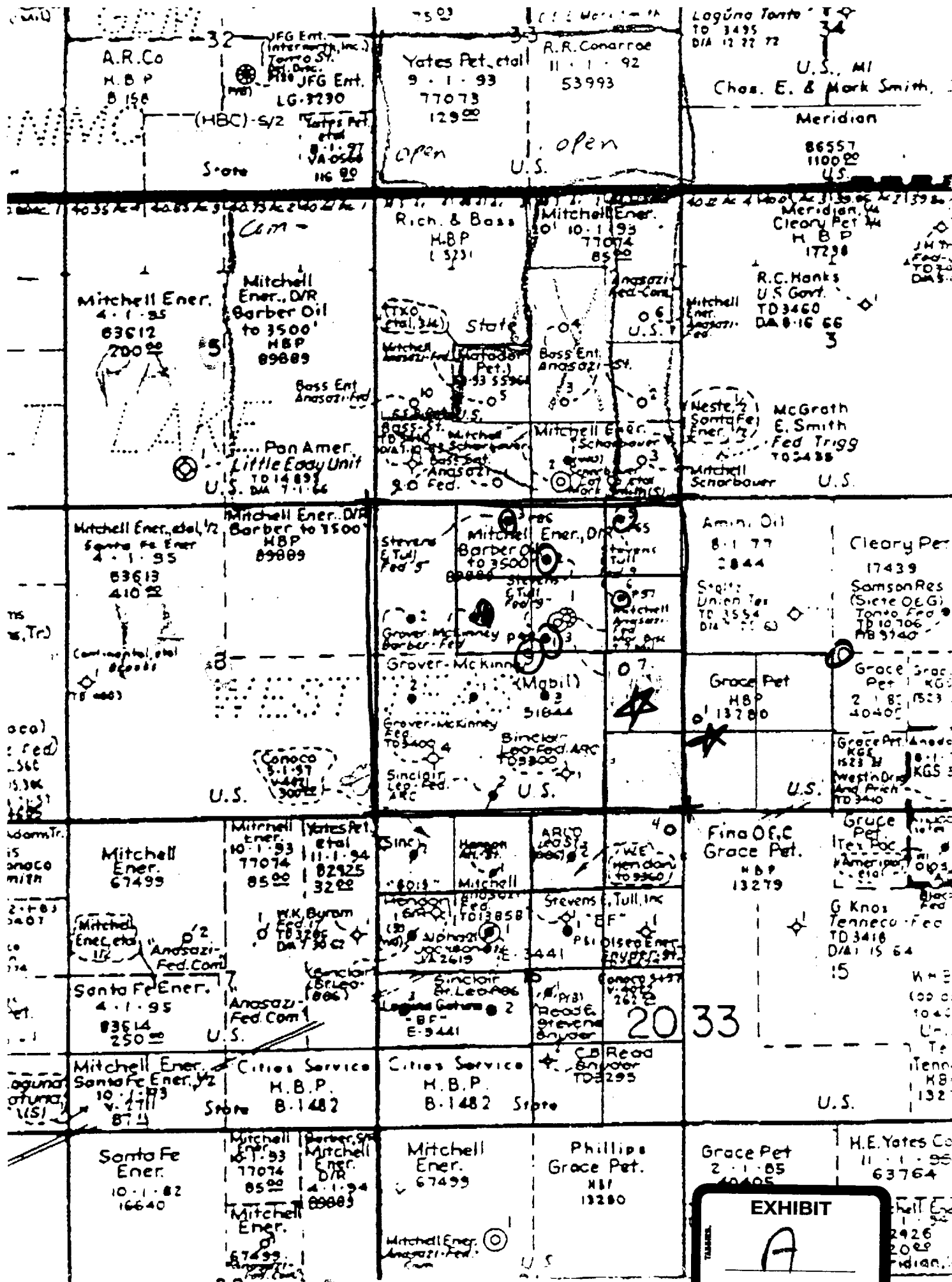


EXHIBIT "B"

Commissioner of Public Lands
State of New Mexico
P. O. Box 1148
Santa Fe, New Mexico 87504
Attn: Jamie Bailey

Bureau of Land Management
Carlsbad Resources Area
P. O. Box 1778
Carlsbad, New Mexico 88220

Bureau of Land Management
Roswell District Office
P. O. Box 1397
Roswell, New Mexico 88202

Oil Conservation Division
P. O. Box 1980
Hobbs, New Mexico 88241
Attn: Jerry Sexton

Mississippi Potash Inc.
P. O. Box 1914
Yazoo, Mississippi 29194

New Mexico Potash Corporation
P. O. Box 610
Hobbs, New Mexico 88240

Noranda Exploration, Inc.
P. O. Box 15638
Denver, Colorado 80215