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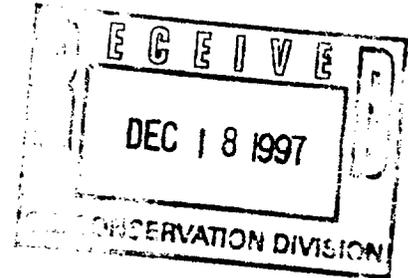
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December 17, 1997



**EXPRESS MAIL**

Mr. William J. LeMay, Director  
New Mexico Oil Conservation Division  
2040 S. Pacheco  
Santa Fe, New Mexico 87504

11913

Re: Applications of Yates Petroleum to Drill its Jacque "AQJ" State  
Well Nos. 1, 2, 3 and 4, Section 34, Township 21 South, Range  
31 East, N.M.P.M., Eddy County, New Mexico

Dear Mr. LeMay:

Enclosed please find for filing **four separate** Applications for Permit to Drill the above-named wells, each in duplicate. We would ask that these be advertised and set for the January 22, 1997, docket. Please advise if you require anything further.

Thank you for your assistance.

Very truly yours,

LOSEE, CARSON, HAAS & CARROLL, P.A.

A handwritten signature in cursive script that reads "Ernest L. Carroll".

Ernest L. Carroll

ELC:kth  
Encl.

cc w/encl: Mr. Randy Patterson

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

IN THE MATTER OF THE APPLICATION OF  
YATES PETROLEUM CORPORATION FOR A  
PERMIT TO DRILL, EDDY COUNTY, NEW MEXICO

CASE NO. 11914

**APPLICATION**

COMES NOW Yates Petroleum Corporation, by its attorneys, Losee, Carson, Haas & Carroll, P. A. (Ernest L. Carroll) and makes application for a Permit to Drill in Eddy County, New Mexico, and in support hereof, respectfully states:

1. Applicant is the operator of the Delaware and intermediate formations underlying Section 34, Township 21 South, Range 31 East, N.M.P.M., Unit L, Eddy County, New Mexico, and proposes to drill its Jacque "AQJ" State Well No. 2 at a point located 1650' from the south line and 330' from the west line of said Section 34. Applicant seeks to test the Delaware and intermediate formations by drilling its proposed well to a depth of 8,150'.

2. Applicant has submitted its Application for Permit to Drill, Deepen or Plug Back, Form C-101, as required by Rule 102 of the Oil Conservation Division to permit the drilling of said well at the above-mentioned location. Applicant has further complied with Order R-111-P and has sent the required notice of such Application for Permit to Drill, Deepen or Plug Back to each potash operator holding potash leases within a radius of one mile of the proposed well. A copy of Form C-101, Form C-102, and the letter submitted by Yates Petroleum Corporation to the potash lessee are attached hereto as Exhibit 1.

3. Applicant has received written notice from the potash operator to whom notice was given that it objects to the drilling of said well. Attached hereto as Exhibit 2 is said response.

4. In its objection, Mississippi Potash, Inc. claims that said location is within the quarter-mile buffer zone of its LMR. All corehole data available indicates that no minable potash exists within Section 34. Order R-111-P(G) defines Life of Mine Reserves as follows:

Life of Mine Reserves means those potash deposits within the potash area reasonably believed by the potash lessee to contain potash ore in sufficient thickness and grade to be minable using current-day mining methods, equipment and technology.

There is no evidence upon which Mississippi Potash, Inc. could conclude that Section 34 contains any potash ore in sufficient thickness and grade to be minable using current-day mining methods, equipment and technology. Designation of an LMR or buffer zone in Section 34 is improper, and cannot be justified. The permitting of such well will not result in the undue waste of potash deposits, or constitute a hazard to or interfere unduly with the mining of potash deposits.

5. Yates has been notified by the Artesia Office of the Oil Conservation Division that its application for permit to drill would not be granted due to Mississippi Potash, Inc.'s opposition thereto. Yates was further instructed that it should file for a hearing with respect to its application.

6. All potash mining activity in the area is located more than one mile from the proposed location.

7. Upon information and belief, the Jacque "AQJ" State Well No. 2 proposed location is separated from areas of actual mining by Mississippi Potash, Inc. by mapped barren areas on the BLM potash resources map (January 1993).

8. Testimony was received in prior OCD Case Nos. 10446, 10447, 10448 and 10449 which established that no minable potash reserves had been found in the area of the proposed location by corehole testing. No new coreholes have been drilled since those hearings were held. Furthermore, recent testimony adduced during the hearing of United States' Department of Interior Office of Hearings and Appeals, Interior Board of Land Appeals, Arlington, VA, Case No. IBLA 92-612, et

al., held in Albuquerque, New Mexico confirmed that there was no evidence that the area of this location contained minable potash resources and that there was no new evidence available to contradict the evidence previously presented to the OCD in Case Nos. 10446, 10447, 10448 and 10449.

9. Pogo Producing Company has sought permission for and was granted Application to Drill wells on adjoining acreage in Section 33, Township 21 South, Range 31 East, N.M.P.M., Eddy County, New Mexico, and Sections 3 and 4 of Township 22 South, Range 31 East, N.M.P.M., Eddy County, New Mexico. The following six wells have been spudded and completed by Pogo Producing:

Lost Tank 33 #4 (Spud Date 12/06/96)

Lost Tank 33 #6 (Spud Date 02/10/97)

Lost Tank 33 #7 (Spud Date 03/11/97)

Lost Tank 4 #3 (Spud Date 03/29/97)

Lost Tank 3 #1 (Spud Date 04/17/97)

Lost Tank 33 #10 (Spud Date 07/06/97)

Each of these wells is located in the vicinity of the Jacque "AQJ" State Well No. 2 and is located 330' off the section line of Section 34. Each of these wells will drain State of New Mexico acreage leased by Yates Petroleum unless Yates is allowed to drill offset protection wells on its acreage.

10. Upon information and belief, the above referred-to Applications for Permit to Drill were granted by the Bureau of Land Management because such applications would not waste minable potash or unduly interfere with mining operations. The Jacque "AQJ" State Well No. 2 would have no greater impact upon potash resources or mining than these wells previously approved by the BLM, which approval was apparently not objected to by Mississippi Potash, Inc.

11. A standard 40-acre proration unit comprising Unit L of said Section 34 should be dedicated to such well.

12. The approval of this application will afford the applicant the opportunity to produce its just and equitable share of oil, will prevent economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

WHEREFORE, Applicant prays as follows:

- A. That this application be set for hearing before an Examiner and that notice of said hearing be given as required by law;
- B. That upon hearing the Division enter its order granting Applicant permission to drill its Jacque "AQJ" State Well No. 2 at a point located 1650' from the south line and 330' from the west line of said Section 34, Unit L, Township 21 South, Range 31 East, N.M.P.M., Eddy County, New Mexico, which is reasonably presumed to be productive of oil from the Delaware or intermediate formations;
- C. For such other relief as may be just in the premises.