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September 15, 2000

#12506

CO SEP 15 AM 1:55  
DL 00151 2001 DM

**HAND-DELIVERED**

Lori Wrotenberg  
New Mexico Department of Energy, Minerals and Natural Resources  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

Re: Application of Sapient Energy Corporation for Modification of Division Order R-10432 to Expand the Area Exempt from the Salt Protection String Requirements of Division Order R-111-P to Include the Entire West Teas (Yates-Seven Rivers) Unit, Lea County, New Mexico

Dear Ms. Wrotenberg:

Enclosed in triplicate is the above referenced application. Sapient Energy requests that this matter be placed on the docket for the October 5, 2000, Examiner hearings.

Also enclosed is our proposed advertisement to be used for the OCD docket.

Sincerely,



Michael H. Feldewert

MHF/ras

Enclosures

Proposed notification/advertisement for OCD docket

12506

Case \_\_\_\_\_: Application of Sapient Energy Corporation for modification of Division Order R-10432 to expand the area exempt from the salt protection string requirements of Division Order R-111-P to include the entire West Teas (Yates-Seven Rivers) Unit area boundary, Lea County, New Mexico. Applicant seeks authority to delete the salt protection string requirements of Order R-111-P for production and injection wells to be located in portions of Sections 4, 9, 16 and 17, T20S, R33E, NMPM and to be drilled in the West Teas Yates-Seven Rivers Pool. The subject area is located north of Highways 176 and 180 and is approximately 1 mile east of Laguna Gatuna, New Mexico.

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

OIL CONSERVATION DIV  
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**APPLICATION OF SAPIENT ENERGY CORPORATION  
FOR MODIFICATION OF DIVISION ORDER R-10432 TO  
EXPAND THE AREA EXEMPT FROM THE SALT PROTECTION  
STRING REQUIREMENTS OF DIVISION ORDER R-111-P TO  
INCLUDE THE ENTIRE WEST TEAS (YATES-SEVEN RIVERS)  
UNIT, LEA COUNTY, NEW MEXICO**

CASE NO. 12506

**APPLICATION**

SAPIENT ENERGY CORPORATION, through its undersigned attorneys, applies to the New Mexico Oil Conservation Division for modification of Division Order No. R-10432 to expand the area exempt from the salt protection string requirements of Division Order R-111-P to include the entire West Teas (Yates-Seven Rivers) Unit area boundary located in portions of Sections 4, 9, 16, and 17 of T20S, R33E, NMPM, Lea County, New Mexico. In support thereof, Applicant states:

1. Sapient Energy is the successor in interest to Falcon Creek Resources and the operator of the West Teas (Yates-Seven Rivers) Unit approved for a waterflood project by Division Order No. R-11375. The West Teas (Yates-Seven Rivers) Unit is comprised of the following acreage in Lea County, New Mexico (hereinafter "Unit Area") :

**TOWNSHIP 20 SOUTH, RANGE 33 EAST, NMPM**

Section 4:	SE/4
Section 9:	NE/4, NE/4 NW/4, S/2 NW4, and S/2
Section 16:	N/2, N/2 SW/4, and NW/4 SE/4
Section 17:	E/2 NE/4 and NE/4 SE/4

A plat of the Unit Area is attached hereto as "Attachment A."

2. Sapient Energy has the right to develop the oil and gas reserves underlying the Unit Area and, in conjunction with the waterflood project approved for the Unit Area, intends to drill within the Unit Area additional production and injection wells in the West Teas Yates-Seven Rivers Pool.

3. The Unit Area was located outside the boundaries of the Division's R-111 potash area until April 21, 1988, when the Commission entered Order R-111-P and expanded the potash area to include the Unit Area and other acreage. Order R-111-P provides in part:

Finding 22. "Expansions of the R-111 area to coincide with the KPLA 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) further provides: "The Division's District Supervisor may waive the requirements of Section D and F 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. The Division has already granted an exemption from the salt protection string requirements of Order R-111-P for a portion of the Unit Area.

A. On August 16, 1995, the Division entered Order No. R-10432-A approving Stephens & Tull's application to exempt from the salt protection string requirements any wells drilled in the following Unit Area acreage:

TOWNSHIP 20 SOUTH, RANGE 33 EAST, NMPM

Section 9: E/2 SE/4

Section 16: N/2 NW/4, NE/4 NE/4, S/2 NE4, and S/2

B. On May 31, 1994, the Division entered Order R-10122 approving Mitchell

Energy Corporation's application to exempt certain wells to be drilled in the SE/4 of Section 4 of the Unit Area from the salt protection string requirements.

6. Sapiient Energy has acquired the mineral interests of Stephens & Tull and Mitchell Energy in the Unit Area.

7. Like the area subject to the Stephens & Tull and Mitchell Energy orders, the Unit Area lies outside of any designated life of mine reserves (LMR's) and lies outside of any buffer zone for the LMR's.

8. Like the area subject to the Stephens & Tull and Mitchell Energy orders, the Unit Area is situated where there are no commercial potash deposits or potash mining operations.

9. Modification of Division Order No. R-10432 to include the entire Unit Area will not result in undue waste of potash deposits or constitute a hazard to or interfere unduly with the mining of potash deposits.

10. Approval of this application will afford Sapiient Energy the opportunity to produce its just and equitable share of hydrocarbons from the West Teas Yates-Seven Rivers Pool, 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.

WHEREFORE, Sapiient Energy requests that this application be set for hearing before an Examiner of the Oil Conservation Division at the next available docket and, after notice and hearing, that the Division enter its order modifying Order No. R-10432-A to include the entire Unit Area.

CAMPBELL, CARR, BERGE & SHERIDAN, P.A.

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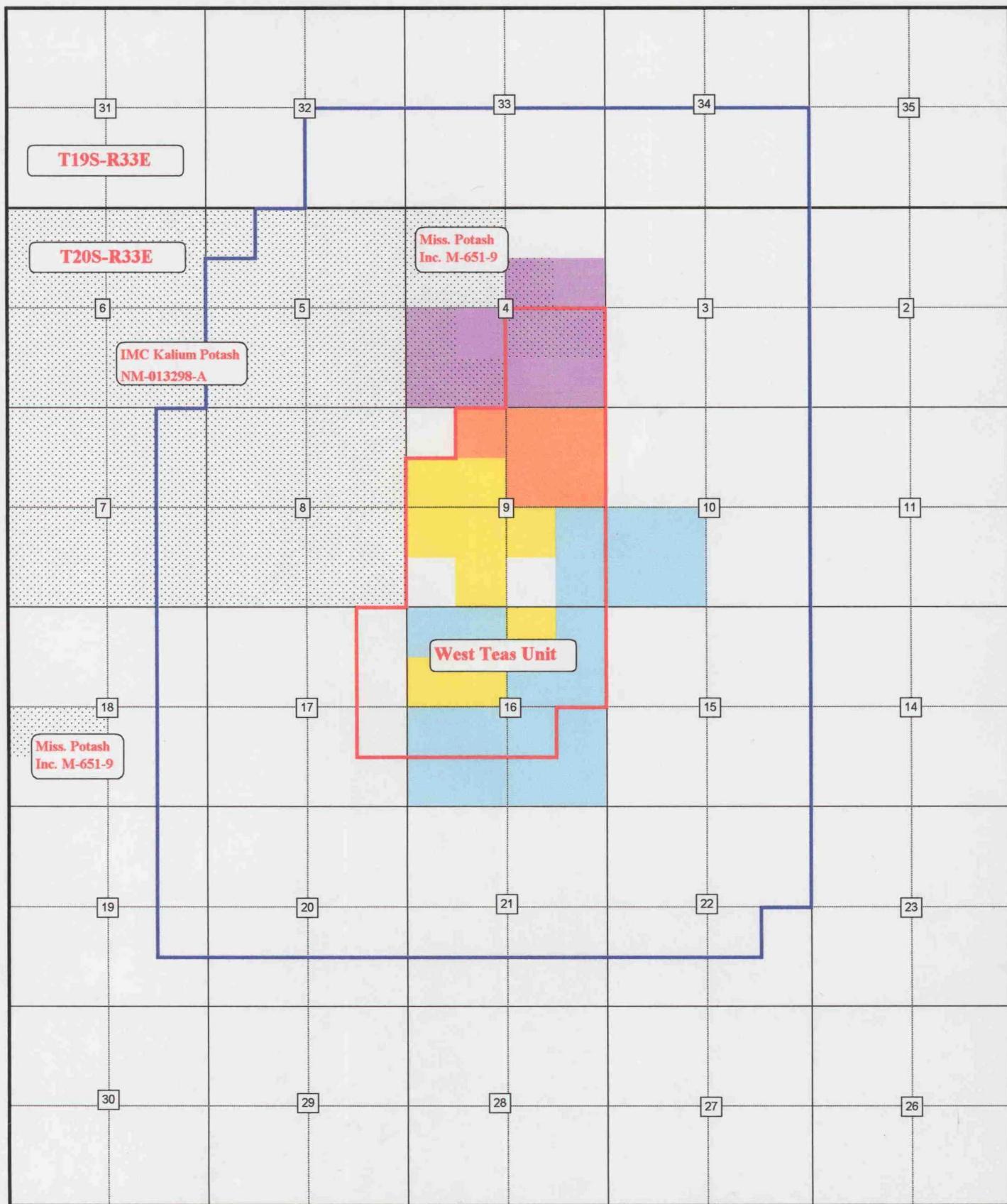
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Attorneys for Sapient Energy Corporation



NOTE: This map is an approximation of the lands shown, as this township contains government lots of less than 40 acres.

- One Mile apron around the West Teas Unit
- West Teas (Yates - Seven Rivers) Unit Area Boundary
- Existing Potash Leases (IMC is BLM, Miss. Potash is State)
- Existing Area of Exception under Division Order R-10432-A
- Existing Area of Exception under Division Order R-10122
- Existing Area of Exception under previous BLM Decisions (these decisions were wellbore specific)
- Areas drilled prior to Division Order R-111-P (4-21-88)

**SAPIENT ENERGY CORP.**

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**West Teas Unit & Prospect**  
T20S-R33E, Lea County, New Mexico

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

OIL CONSERVATION DIV.  
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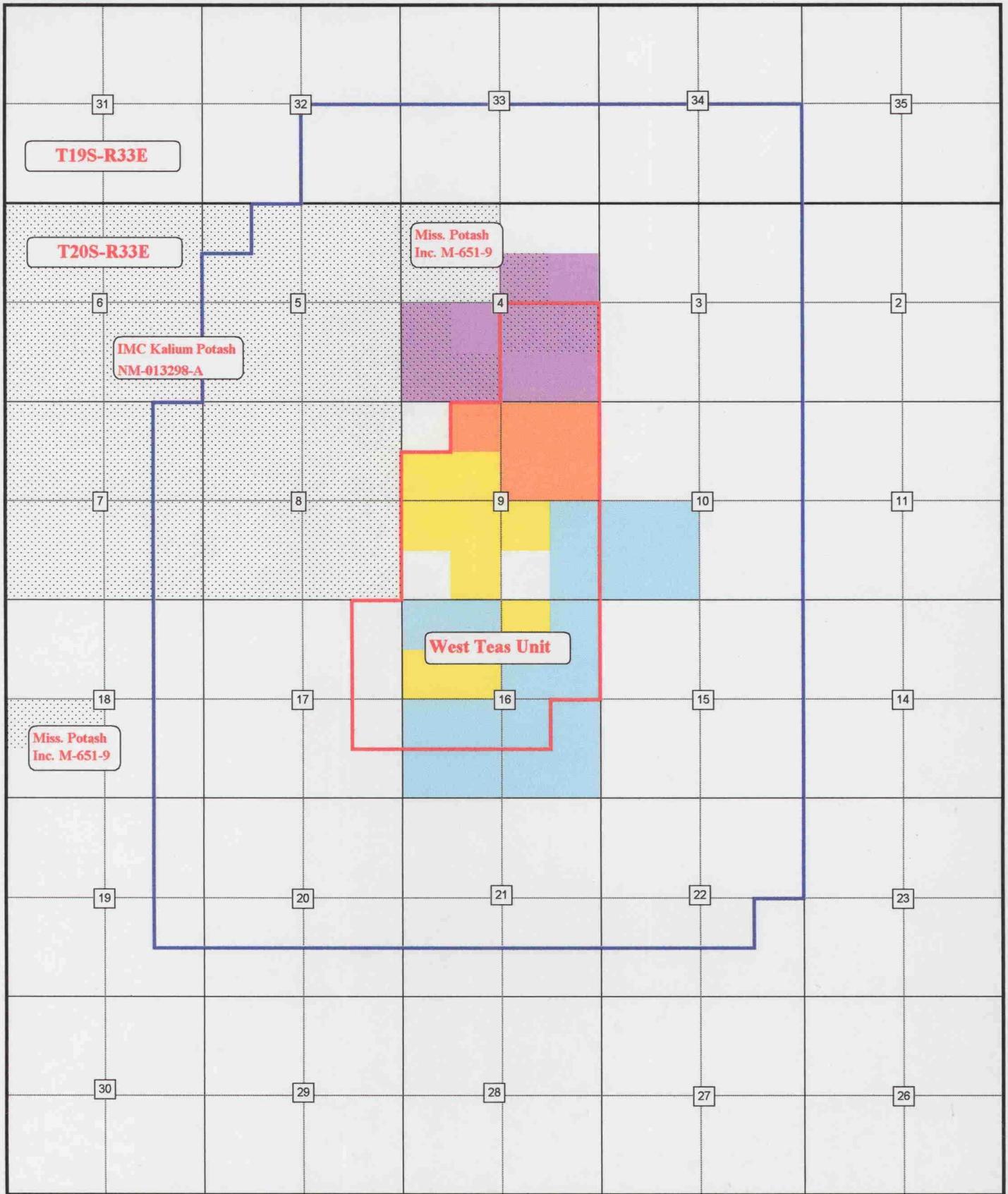
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<b>SAPIENT ENERGY CORP.</b>
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