

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 4906
Order No. R-4500

APPLICATION OF PHILLIPS PETROLEUM
COMPANY FOR A DRILLING PERMIT IN
THE POTASH-OIL AREA, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 21, 1973, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 27th day of March, 1973, the Commission, a quorum being present, having considered the testimony presented, and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

(1) That the applicant, Phillips Petroleum Company, is the owner of certain oil and gas leases both within and adjacent to the Potash-Oil Area as defined by Commission Order No. R-111-A, as amended, a portion of which leases cover all of Section 13, Township 23 South, Range 30 East, NMPM, Eddy County, New Mexico.

(2) That the applicant proposes to drill a well to test the Morrow formation underlying said section, the location for the proposed well being 660 feet from the South line and 1980 feet from the West line of said Section 13.

(3) That International Minerals & Chemical Corporation and Teledyne Potash are the owners of potash mining leases within one mile of the aforesaid proposed well location, and as owners of such leases were notified by Phillips Petroleum Company of its intent to drill the proposed well, such notification being given pursuant to the provisions of Commission Order No. R-111-A, as amended.

(4) That International Minerals and Chemical Corporation and Teledyne Potash both protested to the Commission the drilling of the proposed well at the proposed location, whereupon the Secretary-Director of the Commission, pursuant to the

provisions of Commission Order No. R-111-A, as amended, sought a satisfactory settlement at an arbitration meeting at the Roswell, New Mexico, Area Offices of the United States Geological Survey.

(5) That no satisfactory settlement was forthcoming from said arbitration meeting, and on January 30, 1973, Phillips Petroleum Company made formal application for a hearing by the Commission of its proposed well at the location described in Finding No. (2) above.

(6) That due public notice having been given of said hearing, as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(7) That appearances were made at said hearing by the applicant, Phillips Petroleum Company, and by International Minerals & Chemical Corporation.

(8) That the proposed location is in an area previously found by the Commission to contain potash deposits in commercial quantities. (Commission Order No. R-111-G, dated August 1, 1969.)

(9) That the commercial potash deposits underlying Section 13, Township 23 South, Range 30 East, NMPM, contain not only the relatively common form of potash ore known as sylvite but also the much more rare form of potash ore known as langbeinite, with the principal value of the ore being the langbeinite, the depth of the deposits being approximately 1400 feet beneath the surface of the ground.

(10) That although International Minerals & Chemical Corporation is not conducting active mining operations in Section 13, Township 23 South, Range 30 East, NMPM, at the present time, the evidence indicates that the subject Section 13 lies in the heart of a substantial ore body which comprises nearly one-half of International's total ore reserves, and that the company definitely plans to mine said Section 13.

(11) That primary mining operations in the oil-potash area of Southeast New Mexico normally recover approximately 50 percent of the ore in place.

(12) That secondary mining operations in said area normally recover an additional 40 percent of the ore in place, after which the floor and the ceiling of the mine converge as subsidence of the overburden occurs.

(13) That said subsidence occurs not only immediately above the mined-out area, but also outward from said area at a 45-degree angle to the surface of the ground.

(14) That any well drilled within the aforesaid area of subsidence would be subjected to severe stresses as said subsidence occurs and could be sheared in two.

(15) That if such a well were sheared off below the surface of the ground, and if hydrocarbons were to escape from said well into the surrounding formations, there would be no practicable means of reentering said well to shut off said hydrocarbons.

(16) That such hydrocarbons would constitute a hazard to the safety of any potash-mining operation in the area.

(17) That to avert such hazard, the evidence indicates that no primary or secondary mining operations would be conducted closer than 150 feet to any well which produces or has produced hydrocarbons.

(18) That the evidence further indicates that primary mining operations would be conducted, but that secondary mining operations would not be conducted, in an area outside the 300 foot circle described in Finding No. (17) above, but within a 2800-foot circle (1400-foot radius) around any well which produces or has produced hydrocarbons.

(19) That according to the evidence, approximately 1,480,508 tons of ore having a value of \$9,947,339 would be left in the ground in the areas described in Findings No. (17) and (18) above if a well encountering hydrocarbons were to be drilled at the location proposed by the applicant and described in Finding No. (2) above.

(20) That approximately five years after primary and complete secondary mining operations have been conducted in a given area, subsidence in that area as well as outward from that area at a 45-degree angle to the surface of the ground will have been virtually completed, and a well could be safely drilled without danger of being subjected to the extreme stresses described in Finding No. (14) above.

(21) That a well could be located at a surface location approximately 1400 feet southwest of the southwest corner of Section 13, Township 23 South, Range 30 East, NMPM, Eddy County, New Mexico, and drilled vertically to a point beneath the salt section at which point it could be directionally drilled in a northeasterly direction to be bottomed in the Morrow formation at a suitable location underlying said Section 13.

(22) That the directional drilling of a well at the location and in the manner described in Finding No. (21) above would not cause the waste of potash and would afford the applicant the opportunity to test the Morrow formation underlying Section 13, Township 23 South, Range 30 East, NMPM.

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(23) That the drilling of a well at the location proposed by the applicant or at any alternative location in Section 13, Township 23 South, Range 30 East, NMPM, prior to completion of all mining operations in said Section 13, would result in the waste of potash as defined in Section 65-3-3 F., NMSA 1953 Comp.

(24) That the application should be denied.

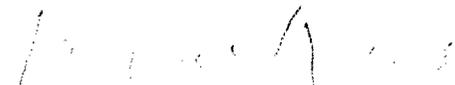
IT IS THEREFORE ORDERED:

(1) That the application of Phillips Petroleum Company to drill a well to test the Morrow formation, the location of which well would be 660 feet from the South line and 1980 feet from the West line of Section 13, Township 23 South, Range 30 East, NMPM, Eddy County, New Mexico, be and the same is hereby denied.

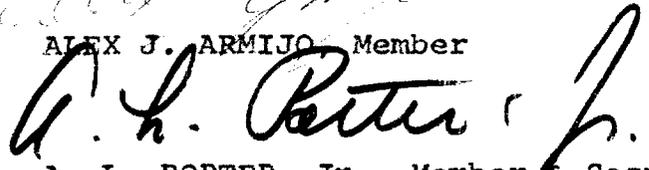
(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


BRUCE KING, Chairman


ALEX J. ARMIJO, Member


A. L. PORTER, Jr., Member & Secretary



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