

DOCKET: COMMISSION HEARING - WEDNESDAY - JULY 17, 1974

OIL CONSERVATION COMMISSION - 9 A.M. - MORGAN HALL, STATE LAND OFFICE
BUILDING, SANTA FE, NEW MEXICO

5275
CASE 5275: Application of Mesa Petroleum Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location for its Nash Unit Well No. 1 to be drilled to the Morrow formation at an unorthodox location 1300 feet from the South line and 660 feet from the East line of Section 12, Township 23 South, Range 29 East, Eddy County, New Mexico, the E/2 of said Section 12 to be dedicated to the well.

CASE 5276: Application of Leland A. Hodges, Trustee, for the extension of the Potash-Oil Area, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the extension of the Potash-Oil Area in Eddy County, New Mexico, as defined by Order No. R-111-A, as amended, by the addition of the following-described lands:

TOWNSHIP 22 SOUTH, RANGE 29 EAST

Section 31: SE/4
Section 32: All
Section 33: W/2, W/2 NE/4, SE/4 NE/4, and SE/4
Section 34: SW/4 SW/4 and E/2 E/2
Section 35: W/2 NW/4 and NE/4 NW/4

TOWNSHIP 23 SOUTH, RANGE 29 EAST

Section 2: W/2 SW/4 and SE/4 SW/4
Sections 3, 4, & 5: All
Section 6: E/2
Section 7: NE/4
Section 8: N/2 and SE/4
Sections 9, 10 and 11: All
Section 12: S/2 N/2 and S/2
Sections 13, 14 and 15: All
Section 21: E/2
Sections 22 thru 27: All
Sections 34, 35 and 36: All

TOWNSHIP 23 SOUTH, RANGE 30 EAST

Section 7: SW/4 NW/4 and S/2
Sections 16 thru 23: All
Section 26: W/2
Sections 27 thru 32: All
Section 33: N/2
Sections 35 and 36: All

TOWNSHIP 24 SOUTH, RANGE 29 EAST

Section 2: N/2

TOWNSHIP 24 SOUTH, RANGE 30 EAST

Section 2: N/2

RECEIVED
JUL 17 1974
OIL CONSERVATION COMMISSION

1974 JUL 17 AM 10:57

IPNFKA SAMA
2-013596E198 07/17/74

ICS IPNDWZ CSP

5052433547 TDBN ALBUQUERQUE NM 93 07-17 1252P EDT
MR CHAIRMAN OF THE OIL CONSERVATION COMMISSION, DLR
NEW MEXICO STATE LAND OFFICE BLDG
SANTA FE NM

RE OSC CASE NUMBER 5276 APPLICATION OF LELAND H HOBBS, TRUSTEE
FOR THE EXTENSION OF THE POTASH OIL AREA EDDY COUNTY NEW MEXICO
MR CHAIRMAN THE ALBUQUERQUE CONSUMER FEDERATION IS DISTURBED
BY THE POSSIBLE CURTAILMENTS OF PRESENT AND FUTURE PETROLEUM
PRODUCTION IN THE AREA AFFECTED BY THE APPLICATION

WE WOULD OPPOSE ANY FINAL ACTION BY THE COMMISSION AT THIS TIME
AND WOULD REQUEST AN OPPORTUNITY TO IMPACT ON PRESENT AND FUTURE
PETROLEUM PRODUCTION AND SUBMIT A WRITTEN PROVISION ON BEHALF
OF THE ALBUQUERQUE CONSUMER FEDERATION

ROBERT H BORKENHAGEN LEGAL ADVISOR TO THE ALBUQUERQUE CONSUMER
FEDERATION 1100 AMERICAN BANK OF COMMERCE ALBUQUERQUE NEW MEXICO

1253 EDT

IPNFKA SAMA

am western union Telegram Tc Telegram western union

2085
BEST AVAILABLE COPY

827-2434

1974 JUL 16 AM 8:06

RECEIVED
JUL 16 1974
OIL CONSERVATION COMMISSION

IPMFEKA SANA
1-003880A197 07/16/74
TWX AMOCO PROD HOU
001 HOUSTON, TEXAS JULY 16, 1974
PMS

File

MR A L PORTER, JR
NEW MEXICO OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
RE COMMISSION HEARING JULY 17, 1974 (CASE NO. 5276), EXTENSION OF
OIL-POTASH AREA, EDDY COUNTY, NEW MEXICO.
AMOCO PRODUCTION COMPANY AS AN OWNER OF LEASES IN THE SUBJECT AREA
STRENUOUSLY OBJECTS TO THE EXTENSION OF THE OIL-POTASH AREA AS PROPOSED
IN THIS CASE.
E. E. MORRIS, DIVISION ENGINEER
AMOCO PRODUCTION COMPANY

TELEPHONED
TIME 7:04
TO ALB
BY
TO MR

0907 EDT
IPMFEKA SANA

BEST AVAILABLE COPY

RECEIVED
JUL 16 1974
OIL CONSERVATION COMMISSION

1974 JUL 16 AM 9:41

IPMFEKA SANA
1-012290A197 07/16/74
TLX GEOTECH GARL
01 GARLAND TEX 16 JUL 74
PMS MR A L PORTER, JR SECRETARY-DIRECTOR
OIL CONSERVATION COMMISSION
LAND OFFICE BLDG
SANTA FE N MEX

SURGENT PLS DEL IMMEDIATLY
SUBJ CASE 5276
TELEDYNE INC., OWNS OIL AND GAS RIGHTS TO APPROXIMATELY
4500 ACRES WHICH PARTIALLY OVERLAPS THE ACREAGE INCLUDED IN THE
PROPOSED EXTENSION OF THE POTASH-OIL AREA IN EDDY COUNTY,
NEW MEXICO AS DEFINED BY ORDER NO R-111-A. THESE OIL AND GAS
RIGHTS ARE LEASED TO AMOCO AND A WELL IS NOW BEING DRILLED ON
THE PROPERTY. WE STRONGLY PROTEST ANY EXTENSION OF THE R-111A
AREA WHICH WOULD ~~PREVENT~~ THE ORDERLY DEVELOPMENT OF OUR OIL AND
GAS PROPERTY. IT WOULD BE APPRECIATED IF YOU WOULD ENTER THIS
INTO RECORD OF CASE NO 5276.
G A ROBERTS, PRESIDENT
TELEDYNE INC
AM

HINDER

File

1138 EDT
IPMFEKA SANA

Saturday, May 15, 1965

DEPARTMENT OF THE INTERIOR

Office of the Secretary

EDDY AND LEA COUNTIES, N. MEX.

Oil, Gas, and Potash Leasing and Development Within Potash Area

For the purpose of revising the rules for concurrent operations in prospecting for and development and production of oil and gas and potash deposits owned by the United States within the Potash Area and for the purpose of revising the designated Potash Area to which the revised provisions are to be applicable, it is ordered as follows:

I. The order of the Secretary of the Interior dated February 6, 1939 (4 F.R. 1012), withholding certain lands in New Mexico from application or lease under the oil and gas provisions of the Mineral Leasing Act of February 25, 1920 (41 Stat. 437), as amended, which order was revoked by order of the Secretary of the Interior dated October 16, 1951 (16 F.R. 10669), shall continue to be revoked. The lands described in said order dated February 6, 1939 (except the E 1/2 SE 1/4, sec. 24, and the E 1/2 E 1/2, W 1/2 SE 1/4, S 1/2 SW 1/4, sec. 25, T. 20 S., R. 29 E., N.M.M., which were withdrawn from all forms of entry by Public Land Order No. 569, 14 F.R. 10669), which are opened for oil and gas leasing by said order dated October 16, 1951, shall continue to be open for oil and gas leasing. This order shall not affect the current status of land with respect to its being withdrawn from or open for, entry or leasing.

II. Subject to the provisions of I above, the provisions of the order of the Secretary of the Interior dated October 16, 1951 (16 F.R. 10669) and the Potash Area designated therein are revised to be as specified herein.

III. 1. Oil and gas leases. Each successful applicant for a non-competitive oil and gas lease, and any party awarded a competitive lease, for lands included in the designated Potash Area will be required, as a condition to the issuance of such lease, to execute a stipulation agreeing that:

(a) No wells will be drilled for oil or gas except upon approval of the Regional Oil and Gas Supervisor of the Geological Survey, it being understood that drilling will be permitted only in the event that it is satisfactorily established that such drilling will not interfere with the mining and recovery of potash deposits, or the interest of the United States would best be subserved thereby.

(b) No wells will be drilled for oil or gas at a location which, in the opinion of the Regional Oil and Gas Supervisor of the Geological Survey, would result in undue waste of potash deposits or constitute a hazard to or unduly interfere with mining operations being conducted for the extraction of potash deposits.

(c) When it is determined by the Regional Oil and Gas Supervisor of the Geological Survey that unitization is

necessary for orderly oil and gas development and proper protection of potash deposits, no well shall be drilled for oil or gas except pursuant to a unit plan approved by the Director of the Geological Survey.

(d) The drilling or the abandonment of any well on said lease shall be done in accordance with applicable oil and gas operating regulations including such requirements as the Regional Oil and Gas Supervisor of the Geological Survey may prescribe as necessary to prevent the infiltration of oil, gas, or water into formations containing potash deposits or into mines or workings being utilized in the extraction of such deposits.

The Regional Oil and Gas Supervisor of the Geological Survey in any action taken under item 1 (a), (b), (c), and (d) shall take into consideration recommendations of the Regional Mining Supervisor of the Geological Survey and applicable conservation rules and regulations of the Oil Conservation Commission of the State of New Mexico.

2. Oil and gas leases. As a condition to the granting of any renewal or extension of any existing lease embracing lands included in the designated Potash Area, the lessee will be required to execute a stipulation identical to that specified in item 1 (a), (b), (c), and (d) hereof.

3. Potash leases. All potash permits and leases hereafter issued or existing potash leases hereafter renewed for Federal lands within the designated Potash Area, shall be subject to a requirement either to be included in the lease or permit or imposed as a stipulation, to the effect that no mining or exploratory operations will be conducted that, in the opinion of the Regional Mining Supervisor of the Geological Survey, would constitute a hazard to oil or gas production, or that would unreasonably interfere with the orderly development and production under any oil or gas lease issued for the same land.

4. Maps and surveys. (a) Well records and survey plats that an oil and gas lessee must file pursuant to applicable operating regulations (30 CFR Part 221), shall be available for inspection at the office of the Regional Oil and Gas Supervisor by any party holding a potash permit or lease on the land on which the well is situated insofar as such records are pertinent to the mining and protection of potash deposits.

(b) Maps of mine workings and surface installations and records of core analyses that a potash lessee must file pursuant to applicable operating regulations (30 CFR Part 231), shall be available for inspection at the office of the Regional Mining Supervisor to any party holding an oil and gas lease on the same land insofar as such maps or records are pertinent to the development and protection of oil and gas deposits.

5. Unit plans. Any unit plan hereafter approved or prescribed that includes oil and gas leases covered by this notice shall include a provision embodying in substance the requirements set forth in items 1 (a), (b), and (d), and 4), hereof.

6. Definition. The word "potash" as used herein shall be deemed to embrace

assium and associated minerals as specified in the act of February 7, 1927 (44 Stat. 1057).

IV. The lessee of any existing lease in the designated Potash Area may make such land subject to the rules and regulations of Part III above by filing an election to do so, in duplicate, with the Land Office, Bureau of Land Management, Santa Fe, N. Mex. Except to the extent herein modified, the general regulations contained in 43 CFR Part 3193, and the specific regulations in Part 3123 (governing the leasing and development of oil and gas deposits) and Part 3140 (governing the leasing and development of potash deposits), shall be applicable to the lands covered hereby.

V. The designated Potash Area is described as follows:

NEW MEXICO PRINCIPAL MERIDIAN

- T. 19 S., R. 29 E., Secs. 1 and 2; Secs. 11 to 14 inclusive; Secs. 23 to 26 inclusive; Secs. 35 and 36.
T. 20 S., R. 29 E., Secs. 1 and 2; Secs. 11 to 15 inclusive; Secs. 22 to 27 inclusive; Secs. 34 to 36 inclusive.
T. 21 S., R. 29 E., Secs. 1 to 5 inclusive; Secs. 10 to 15 inclusive; Secs. 22 to 27 inclusive; Secs. 34 to 36 inclusive.
T. 22 S., R. 29 E., Secs. 1 to 5 inclusive; Secs. 8 to 17 inclusive; Secs. 20 to 29 inclusive; Secs. 32 to 36 inclusive.
T. 19 S., R. 30 E., Secs. 1 to 5 inclusive; Secs. 8 to 15 inclusive; Secs. 22 to 27 inclusive; Secs. 34 to 36 inclusive.
T. 18 S., R. 30 E., Secs. 8 to 17 inclusive; Secs. 20 to 29 inclusive; Secs. 32 to 36 inclusive.
T. 19 S., R. 30 E., Secs. 1 to 9 inclusive; Secs. 16 to 21 inclusive; Secs. 28 to 33 inclusive.
T. 20 S., R. 30 E., Secs. 4 to 9 inclusive; Secs. 16 to 21 inclusive; Secs. 28 to 33 inclusive.
T. 19 S., R. 31 E., Secs. 1 to 36 inclusive.
T. 20 S., R. 31 E., Secs. 1 to 9 inclusive; Secs. 16 to 21 inclusive; Secs. 28 to 33 inclusive.
T. 21 S., R. 31 E., Secs. 1 to 9 inclusive; Secs. 16 to 21 inclusive; Secs. 28 to 33 inclusive.
T. 22 S., R. 31 E., Secs. 1 to 9 inclusive; Secs. 16 to 21 inclusive; Secs. 28 to 33 inclusive.
T. 19 S., R. 32 E., Secs. 25 to 28 inclusive; Secs. 31 to 34 inclusive.
T. 20 S., R. 32 E., Secs. 25 to 28 inclusive; Secs. 31 to 34 inclusive.
T. 21 S., R. 32 E., Secs. 25 to 28 inclusive; Secs. 31 to 34 inclusive.
T. 19 S., R. 33 E., Secs. 21 to 36 inclusive.
T. 20 S., R. 33 E., Secs. 21 to 36 inclusive.
T. 21 S., R. 33 E., Secs. 21 to 36 inclusive.
T. 19 S., R. 34 E., Secs. 19 and 20; Secs. 29 to 32 inclusive.
T. 20 S., R. 34 E., Secs. 3 to 10 inclusive; Secs. 15 to 22 inclusive.
T. 21 S., R. 34 E., Secs. 5 to 8 inclusive; Secs. 17 to 20 inclusive; Secs. 29 to 32 inclusive.

The area described, including public and nonpublic lands, aggregates 420,212.38 acres, more or less.

VI. This order shall be effective on the date of publication in the FEDERAL REGISTER.

Dated: May 11, 1965.

STEWART L. UDALL, Secretary of the Interior.

F.R. Doc. 65-5149; Filed, May 14, 1965; 8:40 a.m.]

RH 18

BEFORE THE OIL CONSERVATION COMMISSION

Case No. 5276 Exhibit No. 3 Submitted by Hodges 7/17/74



United States Department of the Interior

GEOLOGICAL SURVEY
12201 SUNRISE VALLEY DRIVE
RESTON, VIRGINIA 22092

FEB 15 1974

Memorandum

To: Secretary of the Interior
Through: Assistant Secretary - Energy & Minerals
Acting Inspector

From: Director, Geological Survey

Subject: Drilling of oil and gas tests in the Secretary's Potash Area,
New Mexico

W.A. Joyce
FEB 20 1974

As you will recall, several recent controversies as to whether to permit the drilling of certain oil and gas tests in the Secretary's Potash Area precipitated a review of Departmental policy with respect to operations in this multiple use area.

The Conservation Division has now completed its study of the situation. Items such as (1) the stated position of the potash and oil and gas industries; (2) past approval actions; (3) the need to maintain a harmonious relationship with the State of New Mexico; (4) the Nation's requirements for additional energy sources; and, (5) the conservation of our most important domestic potash supply have been considered. Based on this study, the Chief, Conservation Division believes that action is required if we are to avoid similar conflicts in the future, and the Division has made certain recommendations as set forth in the enclosed memorandum.

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Case No. 5276 Exhibit No. 4
Submitted by Hodges Jr.
Hearing Date 7/17/74

If you concur in these recommendations, please indicate in the space provided, and the Conservation Division will prepare the necessary implementation papers.

W. A. Rozell

Acting Director

Determination is hereby made that adoption of the recommendations contained in Chief, Conservation Division's memorandum of February 14, 1974, would be in the public interest and authority to proceed as recommended is hereby granted.

Date MAR 1 1974

John C. Whitaker
Acting Secretary of the Interior

Enclosure



United States Department of the Interior

GEOLOGICAL SURVEY
12201 SUNRISE VALLEY DRIVE
RESTON, VIRGINIA 22092

FEB 1 1974

Memorandum

To: *Potash* Director, Geological Survey *wm 2/15/74*

From: Chief, Conservation Division

Subject: Drilling of oil and gas tests in the Secretary's Potash Area, southeastern New Mexico

By order of October 16, 1951, the Secretary of the Interior delineated an area embracing 298,345 acres in southeastern New Mexico as a designated potash area. This order revoked the Secretary's Order of February 6, 1939, thereby eliminating the ban on oil and gas leasing which had been in effect on 42,285 acres of these same lands. Since that time, there have been periodic differences of opinion between the potash mining companies and the oil industry as to whether a particular oil and gas well should be drilled in the Area. Secretarial Order of May 11, 1965, expanded the Secretary's Potash Area to include 420,212 acres and eased some of the restrictions previously imposed on oil and gas drilling in the Area. The discovery and development of extensive and very valuable langbeinite potash deposits, and the currently escalating price of oil and gas which has given impetus to exploratory activity in the Area by the oil and gas industry have resulted in a situation where conflicts of interest between the two industries are inevitable. In each of the several recent controversies, neither side has seemed willing to compromise, and each new confrontation appears to magnify the differences of opinion.

As to Federal lands in the Secretary's Potash Area, the Area Oil and Gas Supervisor, in consultation with the Area Mining Supervisor, is charged with the responsibility of deciding which proposed oil and gas tests may be drilled. These have never been easy decisions, but with today's energy shortage and the need to protect our most important source of domestic potash, these decisions have become more difficult.

Accordingly, a complete policy review was initiated in April of 1973. As a part of this study, Assistant Secretary Wakefield and other Departmental representatives met with delegations from the New Mexico Oil and Gas Association and the seven potash operating companies in

Washington, D.C., on May 8 and August 7, 1973, respectively. The Area Oil and Gas Supervisor and the Area Mining Supervisor reviewed the position documents presented by both industries and submitted a joint report dated August 24, a copy of which is enclosed. The Conservation Manager, Central Region, supplied his comments and recommendations in a memorandum of September 6, a copy of which is also enclosed.

The results of this study indicated that action should be taken to assure that the decisions of our Supervisors reflect Departmental policy, are made as fairly as possible, result in proper conservation of both of these important mineral resources, and do not unduly impede the development of either resource. It was concluded (1) that certain facets of Departmental policy affecting operations in the Secretary's Potash Area should be reaffirmed; (2) that more clear-cut procedures to assist the two Supervisors in their decision-making processes should be adopted; and (3) that guidelines to implement the new procedures should be developed. Based on these conclusions, certain proposed recommendations were submitted for your consideration by our memorandum of December 7, 1973, and, upon your concurrence, those recommendations were forwarded by memorandum of December 10 to the Office of the Assistant Secretary - Energy and Minerals for further consideration. Subsequently, copies of the December 7 memorandum were furnished to representatives of the New Mexico oil and gas and potash industries for their review. On January 31, Deputy Assistant Secretary Rigg and other Departmental personnel conducted a meeting in Albuquerque, New Mexico, to discuss the proposed new procedures. Approximately 50 people attended the meeting, of which 35 were representatives of the two industries. A copy of the attendance list is enclosed. The discussions at that meeting were very productive. They not only disclosed the need for revision of some segments of the proposed procedures but also seemed to promote a spirit of cooperation between the two industries. As a result of this further review, we now recommend that:

Part 1. The Department reaffirm its position that the Secretarial Order of May, 1965, adequately protects the rights of the oil and gas and potash industries. However, the Area Mining Supervisor is to initiate action to bring about the expansion of Secretary's Potash Area to include those known potash deposits in T. 22 S., R. 31 E., T. 23 S., Rs. 29 and 31 E., and T. 24 S., Rs. 30 and 31 E., N.M.P.M., presently outside the designated Area.

Part 2. Each potash lessee will be required by April 15, 1974, to file with the Mining Supervisor a map or maps on which has been delineated the following information with respect to the Federal potash leases which it then holds:

a. The areas where active mining operations are now in progress on one or more ore zones.

b. The areas where mining operations have been completed on one or more ore zones.

c. The presently unmined areas which are considered to contain a minable reserve in one or more ore zones, i.e., those areas (enclaves) where potash ore is known to exist in sufficient thickness and quality to be minable under present day technology and economics.

d. The areas within these enclaves which are believed to be barren of commercial ore.

These maps are to be updated effective January 1, 1975, and thereafter on an annual basis. The Area Geologist, in consultation with the Mining Supervisor, will prepare the data required in subparts c. and d. above for unleased Federal lands in the Secretary's Potash Area.

The potash lessee will be responsible for submitting sufficient data to justify any area which is proposed as a minable reserve. The Area Geologist, in consultation with the Mining Supervisor, will review the information furnished in this regard and make any revision in the boundary of a proposed minable reserve (potash enclave) which is considered to be consistent with the data available at the time of each such analysis. All maps which are developed pursuant to this Part will be updated between the required revision dates whenever new information becomes available.

The Area Geologist and the Area Mining Supervisor will complete the analysis of the initial data supplied by the potash lessees and commit their total findings to a map or maps of suitable scale by June 1, 1974. These maps will be revised as necessary to reflect the latest available information. Copies of such map(s) will be available to all interested parties through map reproduction companies located in Roswell, New Mexico.

Part 3. After April 15, 1974, it will be Departmental policy to deny approval of most applications for permits to drill oil and gas tests from surface locations within the potash enclaves established in accordance with Part 2 hereof. Two exceptions to this policy will be permitted under the following conditions:

a. Drilling of vertical or directional holes will be allowed to take place from barren areas within the potash enclaves when the Mining Supervisor determines that such operations will not adversely affect active or planned mining operations in the immediate vicinity of the proposed drillsite.

b. Drilling of vertical or directional holes will be permitted to take place from a drilling island located within a potash enclave when: (1) there are no barren areas within the enclave or drilling is not permitted on the established barren area(s) within the enclave because of interference with mining operations; and, (2) the objective oil and gas formation beneath the lease cannot be reached by a well which is vertically or directionally drilled from any permitted location within the barren area(s); or, (3) in the opinion of the Oil and Gas Supervisor, the target formation beneath a remote interior lease cannot be reached by a well directionally drilled from a surface location outside the potash enclave. Under these circumstances, the Mining Supervisor will, in consultation with the Oil and Gas Supervisor, establish an island within the potash enclave from which the drilling of that well and subsequent wells will be permitted. The Mining Supervisor in establishing any such island will, consistent with the data supplied by the Oil and Gas Supervisor regarding present directional drilling capabilities, select a site which will minimize the loss of potash ore. No island will be established within one mile of any area where approved mining operations will be conducted within three years. To assist the Mining Supervisor in this regard, he may require potash mining operators to furnish a three-year mining plan.

Part 4. In order to protect the equities between oil and gas lessees while at the same time reducing the number of oil and gas wells which operators propose to drill in the Potash Area, the Oil and Gas Supervisor will make greater use of his prerogative to require unitization. Unitization will be mandatory in those cases where completion of the proposed well as a producer would result in the drainage of oil and gas from beneath other Federal lands within a potash enclave. In other words, unitization will be a prerequisite to the approval of any well which is (1) located adjacent to an enclave (within a quarter of a mile if an oil test or one-half mile if a gas test) and which is to be drilled vertically to the prospective formation; (2) to be directionally drilled from an adjacent surface location to bottom in a formation beneath an enclave; or (3) to be vertically or directionally drilled from a barren area or island within an enclave.

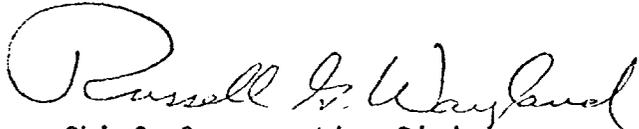
Part 5. The Department reaffirm its intent to cooperate with the New Mexico Oil Conservation Commission (NMOCC) in the implementation of that agency's rules and regulations. In that regard, the potash lessees shall continue to have the right to protest to the NMOCC the drilling of a proposed oil and gas test on Federal lands provided that the location of said well is within the State of New Mexico's "Oil-Potash Area" as that Area is delineated by NMOCC Order No. 111, as amended.

Part 6. The Department reassert its prerogative to make the final decision of whether to approve the drilling of any proposed well on Federal oil and gas leases within the Secretary's Potash Area.

Part 7. Applications for permits to drill vertical tests for oil and gas at locations that are in the Secretary's Potash Area but outside the State of New Mexico's Oil-Potash Area and which do not directly offset an enclave (within a quarter mile if an oil test or within one-half mile if a gas test) will be routinely approved by the Oil and Gas Supervisor after review by the Mining Supervisor.

Part 8. Future controversies as to whether to permit the drilling of an oil and gas test in the Secretary's Potash Area which cannot be resolved in the field are to be referred to the Chief, Conservation Division, with a recommendation from the Regional Conservation Manager.

If these recommendations meet with your approval, we suggest that this memorandum be sent to the Assistant Secretary - Energy & Minerals for review and the subsequent authorization of the Secretary of the Interior to proceed as recommended.


Chief, Conservation Division

Enclosures

Statement to be made before the New Mexico Oil & Gas Conservation Commission July 31, 1974 by D. M. Van Sickle.

Re: Map Showing Distribution of Potash Deposits in the Carlsbad Area, New Mexico. May 1974.

This map was prepared under my supervision on orders from Chief Conservation Division, U.S.G.S. The Director, U.S.G.S. and the Secretary of the Dept. of the Interior concurred with this order (copy attached). The map, as directed in the memorandum, was made available to the public June 3, 1974. Areas shown as Measured (Minable) potash reserves, and Indicated (Minable) potash reserves were determined from core hole and log data on file with U.S.G.S. in Carlsbad, N. M. in conjunction with reserve maps submitted by potash lessees, using the following guidelines:

Minable - Potash ore of minimum quality and thickness greater than 4' of 10% K₂O/Sylvite or 4' of 4% K₂O/Langbeinite or equivalent combinations of the two:

1. Measured (Minable) Reserves (Potash Enclave).

- a. Measured ore will be delineated by data points no more than 1½ miles apart if geologic inference shows these projections to be reasonable.
- b. Measured ore will not be delineated by less than 3 data points that meet all other distance and thickness and grade criteria.
- c. Measured ore will not be projected further than ½ mile from a data point which meets thickness and quality standards where no projection or geologic inference data exists.

2. Indicated Reserves

That area where spacing of data points does not meet measured Ore Criteria; yet data points show mineralization higher than minimum thickness and quality.

The minimum quality and thickness criteria corresponds to the U.S.G.S. Classification standards in use for several years, which identifies those U.S. lands that must be leased competitively.

Although this map is a composite of all ore zones, these criteria were confined to each individual ore zone i.e. three data points no more than $1\frac{1}{2}$ miles apart with potash of greater quality and thickness in separate ore zones did not qualify as measured.

Separate overlays were prepared for each of the major ore zones, combined overlays were prepared for the other ore zones.

CARLSBAD BASIN TONNAGE AND GRADE
1973

	January	February	March	April	May	June	July	August	September	October	November	December	Total
AMAX Chemical Corporation	210,334	170,522	190,105	182,231	181,595	184,940	65,147	196,795	187,103	200,672	199,365	172,268	2,141,193
	16.92	16.45	16.47	16.14	16.79	17.29	17.71	17.58	17.42	17.18	16.78	16.49	16.90
Potash Company of America	235,218	232,800	249,990	245,190	250,000	252,409	255,508	265,290	271,870	270,480	270,310	272,850	3,071,915
	21.08	20.44	20.15	20.25	19.72	19.71	19.82	19.11	18.78	19.35	19.08	18.66	19.64
* International Minerals & Chemical	350,319	301,453	*355,661	336,352	351,367	359,224	361,647	361,505	369,820	385,801	379,227	388,788	4,301,164
	9.82	9.18	* 9.54	10.03	9.55	9.78	8.86	7.94	8.36	8.54	8.68	8.54	9.05
* Duval Corporation	123,388	102,578	*115,317	125,217	124,817	99,316	116,023	125,508	127,182	126,038	115,950	127,549	1,428,883
	18.20	17.70	* 17.20	15.90	17.30	17.00	17.30	18.90	17.90	17.25	16.40	16.39	17.29
National Potash Company	161,051	137,489	165,050	155,467	172,983	47,992	173,066	173,183	150,278	150,626	159,894	170,046	1,817,125
	19.98	20.09	18.87	18.83	18.97	18.54	18.52	18.60	18.91	20.93	22.51	21.81	19.77
Kerr-McGee Corporation	189,413	225,107	217,445	261,690	244,345	255,005	237,997	256,598	245,679	242,983	260,112	248,758	2,885,132
	14.80	15.05	16.68	16.01	15.77	15.69	14.74	14.90	15.22	15.00	14.99	16.11	15.42
Teledyne Potash Company	139,408	129,510	125,660	128,027	138,000	** 4,000	-0-	-0-	-0-	-0-	-0-	-0-	704,485
	14.62	15.12	15.34	14.67	13.99	13.88	-0-	-0-	-0-	-0-	-0-	-0-	14.68

* IMC - Reflects ore grade of sylvinitic only.
 * Duval - Tonnage and grade on sylvinitic only.
 ** Teledyne - Suspended operations June 13, 1973.

**BEFORE THE
OIL CONSERVATION COMMISSION**
 Santa Fe, New Mexico

Case No. 5-76 Exhibit No. 18
 Submitted by _____
 Hearing Date 7/31/74

CARLSBAD BASIN TONNAGE AND GRADE

1974

	January	February	March	April	May	June	July	August	September	October	November	December	Total
AMAX Chemical Corporation	204,756	193,465	213,705	208,360	215,397	65,175							
	19.12	17.72	17.57	15.33	16.30	16.95							
Potash Company of America	281,548	248,186	258,539	245,148	254,078	251,557							
	18.25	19.60	19.90	19.97	18.57	18.63							
*International Minerals & Chemical	380,289	352,889	374,493	386,812	421,721	376,382							
	7.80	7.96	7.71	8.49	8.81	8.08							
*Duval Corporation	124,688	116,983	125,944	119,201	122,363	118,485							
	16.50	16.70	16.40	15.60	14.24	15.05							
National Potash Company	163,600	145,601	163,254	146,889	168,578	48,852							
	20.09	19.53	20.18	19.61	20.92	22.18							
Kernac	246,212	276,350	229,626	259,368	239,199	220,629							
	15.46	16.40	15.42	16.02	16.16	15.60							

* IMC - Reflects ore grade of sylvinitic only.
 Duval - Tonnage and grade on sylvinitic only.

Definitions:

Measured--Reserves or resources for which tonnage is computed from dimensions revealed in outcrops, trenches, workings and drill holes and for which the grade is computed from the results of detailed sampling. The sites for inspection, sampling, and measurement are spaced so closely and the geologic character is so well defined that size, shape, and mineral content are well established. The computed tonnage and grade are judged to be accurate within limits which are stated, and no such limit is judged to be different from the computed tonnage or grade by more than 20 percent.

Indicated--Reserves or resources for which tonnage and grade are computed partly from specific measurements, samples, or production data and partly from projection for a reasonable distance on geologic evidence. The sites available for inspection, measurement, and sampling are too widely or otherwise inappropriately spaced to permit the mineral bodies to be outlined completely or the grade established throughout.

STATEMENT OF PETER HANAGAN, EXECUTIVE VICE PRESIDENT OF THE
NEW MEXICO OIL & GAS ASSOCIATION BEFORE THE OIL CONSERVATION
COMMISSION, CASE 5276 FOR EXTENSION OF POTASH AREA, JULY 31, 1974

THE NEW MEXICO OIL AND GAS ASSOCIATION RESPECTFULLY REQUESTS THE COMMITTEE TO SCRUTINIZE THIS APPLICATION WITH GREAT CARE TO ASCERTAIN THAT IT DOES IN FACT WARRANT EXTENSION OF THE POTASH AREA.

IN VIEW OF THE NEED TO BALANCE THE COMPETING INTERESTS OF THE POTASH AND THE OIL AND GAS INDUSTRIES, THE PETITION SHOULD NOT BE GRANTED WITHOUT A CLEAR SHOWING THAT THE COEXISTING RIGHTS OF BOTH INDUSTRIES ARE FAIRLY PROTECTED. THIS SHOWING WOULD INCLUDE PROOF BY PETITIONER THAT THERE ARE INDEED COMMERCIAL DEPOSITS OF POTASH IN ALL REQUESTED AREAS.

AFTER ALL, OIL AND GAS OPERATORS HAVE MADE LARGE INVESTMENTS IN LEASES IN THE AREA WITH THE EXPECTATION OF BEING ALLOWED TO DEVELOP THEM CONCURRENTLY AND IN HARMONY WITH POTASH OPERATIONS.

THERE EXISTS A NATIONAL NEED TO EXPLORE FOR AND DEVELOP ALL OF THE VARIOUS NATURAL RESOURCES, NOT JUST POTASH, IN THE REQUESTED AREA. IN A WORD, POTASH EXPLORATION AND DEVELOPMENT SHOULD NOT BE ACCORDED PREFERENTIAL TREATMENT SO AS TO AMOUNT TO EFFECTING DISENFRANCHISING THE OIL AND GAS INDUSTRY.

P.O. Box 19234
8707 Katy Freeway
Houston, Texas 77024
Telephone (713) 461-2662
Cable: BELPETEX

Belco Petroleum Corporation

Belco

July 17, 1974

New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Case No. 5276 7/17/74
Application for Extension
of Oil-Potash Area in
T22-24S, R29-30E
Eddy County, New Mexico

Gentlemen:

In the above described Case No. 5276, to be heard before the Commission on July 17, 1974, Leland A. Hodges, Trustee, has petitioned that the Oil-Potash Area presently existing under New Mexico Oil Conservation Commission Order Number R111A-H be enlarged to include in excess of 24,000 acres.

Belco Petroleum Corporation holds oil and gas leases, both productive and non-productive, situated in and adjacent to the nearby Los Medanos Gas Field and within the immediate vicinity of the areal extent of the requested expansion of the existing Oil-Potash regulated area. Belco is currently engaged, together with other oil and gas exploration organizations, in a vigorous program to discover and develop hydrocarbon energy reserves in southeast New Mexico.

Belco Petroleum Corporation objects to the application of Leland A. Hodges, Trustee, not in its entirety but as to its extensive areal extent, on the grounds that it is detrimental to the welfare of the general

Belco

New Mexico Oil Conservation Commission

Case No. 5276 7/17/74

Page 2

economy of the State of New Mexico and the Nation as a whole. The requested wholesale implied withdrawal of such a highly potential energy bearing area is not consistent with good management of our natural resources. We contend that this is an arbitrary selection of acreage and that there is not sufficient incontrovertible evidence to demonstrate that the entire area contains potash deposits in commercial quantities.

It has been shown in areas of Townships 19 and 20 South, Range 30 East of Eddy County, New Mexico, that the oil and gas and the potash industries can successfully co-exist in the recovery and bringing to market of their respective mineral resources. While it cannot be denied that there are some impeding factors to both industries in such co-existence, it also cannot be denied that both industries can and must accept those equally onerous factors as being negligible to the end benefits of bringing both natural resources to use.

Belco Petroleum Corporation herewith respectfully requests that the Oil and Gas Commission reject the Application of Leland A. Hodges, Trustee, for Extension of the Oil-Potash Area in Townships 22, 23 and 24 South, Ranges 29 and 30 East, Eddy County, New Mexico, on the grounds that the area covered thereby is unjustified and not supported by reasonable fact, but without prejudice to the filing by Leland A. Hodges, Trustee, of a new Application.

Belco

New Mexico Oil Conservation Commission
Case No. 5276 7/17/74
Page 3

Belco urges the Commission to critically evaluate any submitted evidence for realistic and accurately substantiated economic determination of commercial potash and to carefully consider in reasonable economic parameters any proposals or suggestions that this entire large area will indeed be developed for potash.

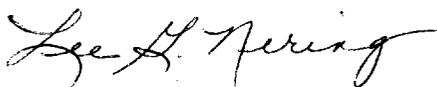
We also urge the Commission to consider oil and gas operators' investment in leases, and all Royalty and Working Interest correlative rights of the existing oil and gas leases which may be jeopardized. In addition, we ask that the Commission review previous R111A extension applications and the actual beneficial results for the State of New Mexico and the United States of those approved applications for extension of R111A.

Belco respectfully requests that the Commission favorably consider Belco's so stated objection.

It is not here requested that the Commission rule in this matter to the exclusion of the potash industry from the affected area, but that the potash industry seek and be granted approval of the expansion of its development and exploration areas by the Commission on the same basis and upon the presentation of factual data as is made by the oil and gas industry in like applications.

Yours very truly,

BELCO PETROLEUM CORPORATION



Lee G. Nering
Administrative Geologist
North American Operations

LGN:sn

Statement of Phillips Petroleum in
Opposition to Extension of R111A

We oppose the extension of R111A area further into Township 23S, Range 30E, Eddy County, New Mexico, because of the following reasons:

1. No new core tests have been drilled outside the R111A area since the 1970 "H" Extension. It obviously was felt at that time that additional area could not justifiably be added.
2. Although there is a large area listed as "no data" in T23S R30E (1974 USGS Potash Map), in actuality, there have been 5 potash core tests drilled that indicate the area to be of very low quality or barren of potash. Three additional core holes were drilled offsetting the west township line, in Sec. 26 and Sec. 36 T23S R29E, that are poor or barren.
3. By extending the R111A into an area that will probably never be mineable, the oil companies would be required to spend unnecessary money to drill wells.
4. Two core holes are considered adequate to call an area in Secs. 19, 20, and 29, mineable, yet an entire area called "no data" has 6 core holes.
5. A recent agreement by the potash company to let a well be drilled in Sec. 13, T23S R29E, directly offsetting the township in question, indicates the poor quality of nearby potash.
6. In 1970, Sec. 26 T23S R30E was divided in half for placement into the R111H Extension. This was done because of what was considered a hole barren of potash located near the center of the west line of Sec. 26. No new information is available.
7. Core holes drilled in the NW NW of Sec. 24 and near the center of the west line of Sec. 24 T23S R30E were barren or near barren of potash. Although this area is called "no data" on the 1974 WSGS Potash Map, in actuality it should be considered barren.

B. C. Largent 7-23-74
B. C. Largent, Area Geologist

PERRY R. BASS

DIVISION LAND & GEOLOGICAL OFFICE

POST OFFICE BOX 171

MIDLAND, TEXAS 79701

July 29, 1974

New Mexico Oil
Conservation Commission
Santa Fe, New Mexico

Re: Case #5276
Application of Leland A. Hodges,
Trustee, for the extension of
the Potash Oil Area
Eddy County, New Mexico

Gentlemen:

Perry R. Bass and Bass Enterprises Production Co. are the leasehold owners of Oil and Gas leases in 7,620 gross acres within the application for enlargement under consideration at this hearing. As a major owner of Oil and Gas leases within the area, we support and concur with the position of Skelly Oil Company that unproven commercial Potash Ore should not be allowed to be included in this proposed enlargement of R-111-A and amendments thereto. Any speculative Potash acreage, without proven commercial value would be a hindrance in the development of Oil and Gas lease during this time of an Energy Crisis.

Perry R. Bass and Bass Enterprises Production Co. acquired their Oil and Gas leasehold prior to any Potash leases being issued in the area.

We sincerely request the New Mexico Oil Conservation Commission to disallow and reject the request for enlargement of R-111-A and the

New Mexico Oil
Conservation Commission
Page Two
July 29, 1974

amendments thereto, and to support and concur in the position of Skelly
Oil Company that any enlargement of R-111-A would be a hindrance toward
the development of Oil and Gas leases in the area under consideration.

Yours very truly,

Perry R. Bass

By

Bill Setzer

Bass Enterprises Production Co.

By

Bill Setzer

CARLSBAD BASIN TONNAGE AND GRADE

1974

	January	February	March	April	May	June	July	August	September	October	November	December	Total
AMAX Chemical Corporation	204,756 19.12	193,465 17.72	213,705 17.57	208,360 15.33	215,397 16.30	65,175 16.95							
Potash Company of America	281,548 18.25	248,186 19.60	258,539 19.90	245,148 19.97	254,078 18.57	251,557 18.63							
*International Minerals & Chemical	380,289 7.80	352,889 7.96	374,493 7.71	386,812 8.49	421,721 8.81	376,382 8.08							
*Duval Corporation	124,688 16.50	116,983 16.70	125,944 16.40	119,201 15.60	122,363 14.24	118,485 15.05							
National Potash Company	163,601 20.09	145,601 19.53	163,254 20.18	146,889 19.61	168,578 20.92	48,852 22.18							
Kemac	246,212 15.46	276,350 16.40	229,626 15.42	259,368 16.02	239,199 16.16	220,629 15.60							

* IMC - Reflects ore grade of sylvinitic only.
 Duval - Tonnage and grade on sylvinitic only.

BEFORE NEW MEXICO OIL CONSERVATION COMMISSION

IN RE: APPLICATION OF LELAND A. HODGES,
TRUSTEE, FOR THE EXTENSION OF THE
POTASH-OIL AREA, EDDY COUNTY, NEW MEXICO.

CASE NO. 5276

STATEMENT BY EXXON CORPORATION

Applicant has requested presently designated potash areas be extended to include additional lands in Eddy County, New Mexico.

Since December 1964 Exxon Corporation has acquired and presently holds approximately 6,000 acres of federal and New Mexico State oil and gas leases, half of which lie within the area of the proposed potash extension. As of this date Exxon has expended in excess of \$500,000.00 in the acquisition and evaluation of said leases, considers them a valuable and irreplaceable asset, and plans to proceed with the development of said leases toward the ultimate production of oil or gas or both.

Exxon opposes the granting of said Application and in support of such opposition respectfully asks the Commission to consider the following:

Exxon considers the area included within its referenced oil and gas leases to be geologically attractive and potentially productive. In order to fully develop the area, prudent operations require the area be considered as an entirety with freedom to explore, drill and conduct lease operations at geographic locations best calculated to produce the most accurate geological data and, hopefully, the greatest amounts of oil and gas. This cannot be done on a piecemeal basis. Granting of the Application will have a substantial impact on Exxon's ability to study and develop the area in a manner most likely to obtain oil and gas production.

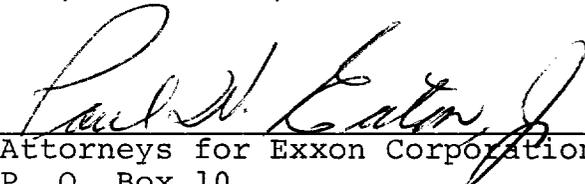
Most of Exxon's leases were taken prior to the date of the Application and were bought and paid for in good faith with the belief the rights therein acquired could be fully exercised. The granting of the Application could result in a material loss of these rights and even in a complete denial if drilling operations should be prohibited. In either event the attractiveness of the area, insofar as potential productiveness is concerned, will be greatly diminished by the granting of the Application for the reason Exxon will not be able to know where within the area it could plan to drill, or even if it could drill. Exxon submits such is not in keeping with the terms and considerations of the lease contracts.

If the area is not properly studied and developed, both the State of New Mexico and the United States could be deprived of valuable royalty income. In addition, it is possible that valuable and much needed oil and gas reserves could be left in the ground undiscovered or unproduced.

Exxon is willing to cooperate with both state and federal agencies in developing its leases in such a manner that the owners of potash rights are not deprived of their right to produce their minerals and submits the rights of all parties may be preserved without the granting of the subject Application. This is in keeping with the principles of multiple use.

Accordingly, Exxon submits the proposed potash extension is unnecessary, constitutes a deprivation of its rights and would arbitrarily grant one mineral owner superior rights over another. Therefore, Exxon respectfully submits that the Application be denied.

HINKLE, BONDURANT, COX & EATON

By 
Attorneys for Exxon Corporation
P. O. Box 10
Roswell, New Mexico 88201

DAN NUTTER

BEST AVAILABLE COPY

Case 5276

5 Kelly Exhibits
Complete

2, 3, & 4

there was no

No. 1

OIL CONSERVATION COMMISSION
P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

May 22, 1974

Mr. Roy Blackman
The Potash Company of America
Box 31
Carlsbad, New Mexico 88220

Dear Roy:

Ralph and I have agreed on a date of July 17, 1974
for a hearing if you would like it at that time.

Sincerely,

A. L. FORTER, Jr.
Secretary-Director

ALV:ll

OIL CONSERVATION COMMISSION
P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

May 22, 1974

Mr. Roy Blackman
The Potash Company of America
Box 31
Carlsbad, New Mexico 88220

Dear Roy:

Ralph and I have agreed on a date of July 17, 1974
for a hearing if you would like it at that time.

Sincerely,

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

May 22, 1974

Mr. Roy Blackman
The Potash Company of America
Box 31
Carlsbad, New Mexico 88220

Dear Roy:

Ralph and I have agreed on a date of July 17, 1974
for a hearing if you would like it at that time.

Sincerely,

A. M. FORSTER, JR.
Secretary-Director

APR/74