

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

APR 26 1994

CASE NO. 10858

APPLICATION OF MITCHELL ENERGY CORPORATION
FOR A WAIVER OF THE SALT PROTECTION STRING
REQUIREMENTS OF ORDER NO. R-111-P FOR
CERTAIN WELLS, LEA COUNTY NEW MEXICO

AMENDED
PRE-HEARING STATEMENT

This AMENDED pre-hearing statement is submitted by MITCHELL ENERGY CORPORATION as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

Mitchell Energy Corp.
P. O. Box 4000
The Woodlands, Texas 77387
attn: Mark Stephenson
(713) 377-5818

ATTORNEY

W. Thomas Kellahin
KELLAHIN AND KELLAHIN
P.O. Box 2265
Santa Fe, NM 87504
(505) 982-4285

STATEMENT OF CASE

APPLICANT

Mitchell Energy Corporation, has the right to drill and develop the oil and gas minerals underlying all of Section 4, T20S, R33E, N.M.P.M, Lea County, New Mexico and proposes to test for production in the West Teas Yates-Seven Rivers Pool by drilling ten oil wells, each to an anticipated depth of approximately 3,400 feet, and all located in said Section 4.

The purpose of this application is to secure NMOCD approval to delete the "salt protection string" for each of these shallow oil wells which would produce from the Yates interval of the Yates-Seven Rivers Pool. These wells are expected to produce only small quantities of casinghead gas along with the oil.

Section 4 was 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 section 4 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."

Secretary 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."

This application and case result from the NMOCD-District Supervisor having referred Mitchell's request to the NMOCD Director.

Mitchell has notified all potash lessees as required by R-111-P and has received no objections to approval of this application. Mitchell believes that the proposed two-string casing program for these wells satisfies the "salt protection string" waiver provisions of Order R-111-P.

Until recently, the BLM has routinely approved a two-string casing program for wells in this area which were drilled into this pool. However, the BLM is now requiring Mitchell to secure NMOCD approval of the proposed casing program.

These wells will be located in a large barren area. All of Section 4, with the exception of approximately 20 acres in the NE/4NE/4, is identified as "Barren" on the 1984 Secretary of Interior's Potash Resources Map.

The nearest potash mine (Mississippi Potash) is approximately six (6) miles west of this area. Section 4 is NOT located within an "LMR" or a buffer zone as defined by Order R-111-P.

Part of Section 4 is State of New Mexico lands and is subject to a potash lease issued to Mississippi Chemical Inc. and consists of NW/4, NW/4SW/4, S/2SW/4, N/2SE/4 and SW/4NE/4. The S/2SE/4 of Section 4 is unleased fee potash. The N/2NE/4 and SE/4NE/4 is unleased federal potash.

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

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.

Approval of the application will afford the applicant the opportunity to produce its just and equitable share of the hydrocarbons in the 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.

PROPOSED EVIDENCE

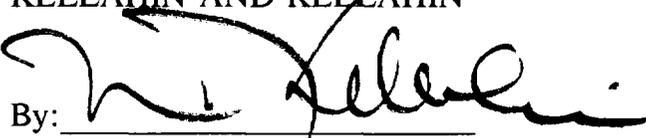
APPLICANT

WITNESSES	EST. TIME	EXHIBITS
Don Olive (geologist)	30 min.	1 montage of 6 displays
Bill Thoroughman (drilling engineer)	1 hr.	est. 8 exhibits
Carl Richard (reservoir engineer)	30 min.	est. 4 exhibits
Pat Noyes (production/operations engineer)	20 min.	est. 2 exhibits
Gary Hutchinson (potash expert)	1 hr.	est. 10 exhibits
Possible witness:		
Mark Stephenson (land and regulatory)	20 min	exhibits concerning notices and procedures

PROCEDURAL MATTERS

None applicable at this time.

KELLAHIN AND KELLAHIN

By: 

W. Thomas Kellahin

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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."

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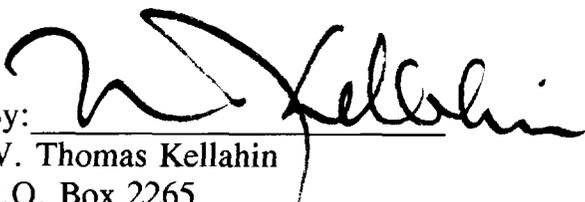
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