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May 29, 1987

Bill Lemay, Director
New Mexico Oil Conservation Division
New Mexico State Land Office Bldg.
Santa Fe, New Mexico 87501

Case 9158

Re: Application of Texaco Producing, Inc. for Permit to
Drill in Potash-Oil Area, Eddy County, New Mexico

Dear Mr. Lemay:

Enclosed please find the Application of Texaco Producing, Inc. for Permit to Drill in Potash-Oil Area, Eddy County, New Mexico. On behalf of Texaco Producing, Inc. we request that this Application be set for hearing before the Commission on June 18, 1987. We also request that this case be considered with OCC Case No. 9148.

Very truly yours,



J. Scott Hall

JSH/dmg
encl.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION COMMISSION

APPLICATION OF TEXACO PRODUCING, INC.
FOR PERMIT TO DRILL IN POTASH-OIL
AREA, EDDY COUNTY, NEW MEXICO

Case No. 9158

APPLICATION

Texaco Producing, Inc., through its undersigned counsel, applies for an Order permitting it to drill its Forty-Niner Ridge No. 3 Well in the Potash-Oil Area designated under Oil Conservation Commission Order No. R-111-A. In support thereof, applicant states:

1. Applicant owns 100% of the working interests in oil and gas leases covering the SE/4 NW/4 of Section 16, T-23 S, R-30 E, N.M.P.M. Eddy County, New Mexico, encompassing 40 acres, more or less.

2. Applicant proposes to drill its Forty-Niner Ridge No. 3 Well to the Delaware formation at a standard location 2310' FNL and 1980' FWL of said Section 16 with the SE/4 NW/4 of said section dedicated thereto.

3. The granting of this Application will result in the prevention of waste, protection of correlative rights and will permit the economic recovery of oil and gas from the Potash

Minerals area while assuring the conservation of New Mexico Potash deposits.

WHEREFORE, Texaco Producing, Inc. prays that this Application be set for hearing before the Oil Conservation Commission on June 18, 1987 and that after notice and hearing as required by law, the Commission enter its Order granting the Application and such other relief as may be proper.

Respectfully submitted:

CAMPBELL & BLACK

By



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Attorneys for Texaco Producing, Inc.

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May 29, 1987

Mr. Charles High, Esq.
Kemp, Smith, Duncan & Hammond
P.O. Drawer 2800
El Paso, Texas 79999-2800

Re: Applications of Texaco Producing, Inc. for Permits to Drill
in Potash-Oil Area, Section 16, Township 23 South, Range 30
East, N.M.P.M., Eddy County, New Mexico

Dear Charlie:

Of the various matters discussed in the NMOCD arbitration hearing today, I believe I understood that it was the position of the Potash leaseholders (International Minerals Co. and Western Ag. - Mineral Co.) that they would not oppose the directional drilling of a well from a surface location near the Skelly Well on the above referenced section. I presumed this to mean that the bottom hole location of such a directional well would have to be in the Potash "barren area" of Section 16.

I would appreciate your confirming that understanding before June 5, 1987.

Very truly yours,



J. Scott Hall

JSH/dmg
cc: Bill Lemay