

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:

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

APR 25 1994

**PRE-HEARING STATEMENT**

This 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."

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."

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**

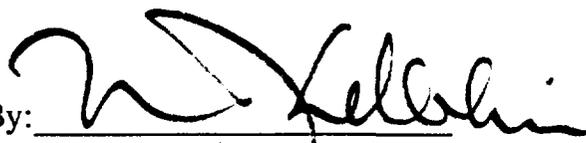
**APPLICANT**

<b>WITNESSES</b>	<b>EST. TIME</b>	<b>EXHIBITS</b>
Don Olive (geologist)	30 min.	montage of 6 displays
Bill Thoroughman (drilling engineer)	1 hr.	est. 8 exhibits
Carl Richard (reservoir engineer)	30 min	est 4 exhibits
Gary Hutchinson (potash expert)	1 hr.	est 10 exhibits

**PROCEDURAL MATTERS**

None applicable at this time.

KELLAHIN AND KELLAHIN

By:   
W. Thomas Kellahin  
P.O. Box 2265  
Santa Fe, New Mexico 87504  
(505) 982-4285

APR 22 1994

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:

CASE NO. 10963

APPLICATION OF MARALO, INC.  
FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

**PRE-HEARING STATEMENT**

This pre-hearing statement is submitted by MARALO,  
INC., as required by the Oil Conservation Division.

**APPEARANCE OF PARTIES**

APPLICANT

Maralo, Inc.  
223 West Wall  
Midland, Texas 79702  
attn: John Thoma  
(915) 684-7441

ATTORNEY

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

**STATEMENT OF CASE**

APPLICANT

MARALO, INC. seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the N/2 of Section 30, T23S, R30E, NMPM, Eddy County, New Mexico.

Maralo has a working interest ownership in the oil and gas minerals underlying the N/2 of Section 30, T23S, R30E, NMPM, Eddy County, New Mexico.

Maralo proposes to drill its well at a standard gas well location in Unit G within the spacing unit

The subject tract is located in the proximity of Nash Draw-Morrow Gas Pool, the Nash Draw-Atoka Gas Pool and the Nash Draw-Strawn Gas Pool, each of which is spaced on 320-acre gas spacing and proration units.

All of the working interest ownership of the oil & gas minerals from the top of the Wolfcamp formation to the base of the Morrow formation underlying the N/2 of Section 30 have voluntarily agreed to the formation of this spacing unit for this well with the exception of those parties identified in the application.

Maralo has proposed the subject well to all parties but, as of the date of the application, Maralo has not been able to obtain a written voluntary agreement from the parties listed in the application.

Pre-Hearing Statement  
Case No. 10963  
Page 3

**PROPOSED EVIDENCE**

APPLICANT:

WITNESSES	EST. TIME	EXHIBITS
Mark Wheeler (landman)	20 min.	6 exhibits
John Thoma (geologist)	20 Min.	3 exhibits

**PROCEDURAL MATTERS**

None applicable at this time.

KELLAHIN AND KELLAHIN



By: \_\_\_\_\_  
W. Thomas Kellahin  
P.O. Box 2265  
Santa Fe, New Mexico 87504  
(505) 982-4285

**KELLAHIN AND KELLAHIN**

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN\*

\*NEW MEXICO BOARD OF LEGAL SPECIALIZATION  
RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285  
TELEFAX (505) 982-2047

April 4, 1994

**HAND DELIVERED**

10963

Mr. Michael E. Stogner  
Chief Hearing Examiner  
Oil Conservation Division  
310 Old Santa Fe Trail, Room 219  
P. O. Box 2088  
Santa Fe, New Mexico 87501

APR 4 1994

Re: *Application of Maralo, Inc.*  
*for Compulsory Pooling,*  
*Eddy County, New Mexico*

Dear Mr. Stogner:

On behalf of Maralo Inc., please find enclosed our application for compulsory pooling which we request be set for hearing on the Examiner's docket now scheduled for April 28, 1994.

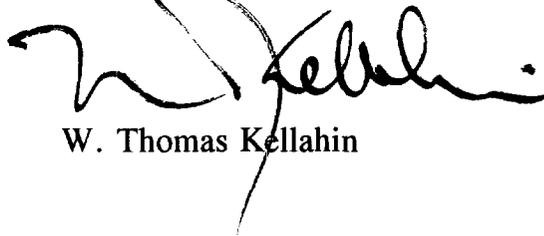
Also enclosed is our proposed notice of publication for this case.

By copy of this letter, including the application, to all affected parties, we are notifying them by certified mail-return receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application.

Oil Conservation Division  
April 4, 1994  
Page 2.

Pursuant to the Division's Memorandum 2-90, all interested parties are hereby informed that if they appear in the case, then they are requested to file a Pre-Hearing Statement with the Division not later than 4:00 pm on Friday, March 22, 1994, with a copy delivered to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a long, sweeping underline that extends to the left and then curves back under the name.

W. Thomas Kellahin

Enclosure

cc: Maralo, Inc.

cc: BY CERTIFIED MAIL-RETURN RECEIPT REQUESTED  
All parties listed in Paragraph 5 of the Application

APR 4 1994

**CASE 10963**: Application of Maralo, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the N/2 of Section 30, T23S, R30E, NMPM, Eddy County, New Mexico, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, which presently includes but is not necessarily limited to the Nash Draw-Morrow Gas Pool. Said unit is to be dedicated to a well to be drilled and completed at a standard gas well location in Unit G of said Section 30. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 6.5 miles southwest from Harroun, New Mexico.

**KELLAHIN AND KELLAHIN**

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN\*

\*NEW MEXICO BOARD OF LEGAL SPECIALIZATION  
RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

TELEPHONE (505) 982-4285  
TELEFAX (505) 982-2047

JASON KELLAHIN (RETIRED 1991)

April 27, 1994

HAND DELIVERED

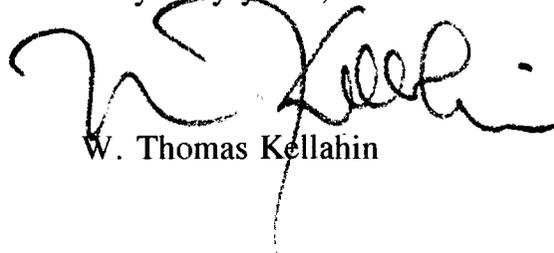
Michael E. Stogner  
Oil Conservation Division  
310 Old Santa Fe Trail  
Santa Fe, New Mexico 87504

Re: NMOCD Case 10963  
Application of Maralo, Inc.  
for compulsory pooling,  
Eddy County, New Mexico

Dear Mr. Stogner:

Because of a potential unresolved conflict, we are hereby withdrawing as counsel for Maralo Inc. in this case and substituting Mr. Jim Bruce of the Hinkle Law Firm as counsel of record. Mr. Bruce will present this case at tomorrow's hearing.

Very truly yours,



W. Thomas Kellahin

cc: James Bruce, Esq.

cc: Maralo, Inc.

John Thoma

cc: Bass Enterprises Production

Wayne Bailey



STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING  
GOVERNOR

ANITA LOCKWOOD  
CABINET SECRETARY

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87504  
(505) 827-5800

May 11, 1994

HINKLE, COX, EATON,  
COFFIELD & HENSLEY  
Attorneys at Law  
P. O. Box 2068  
Santa Fe, New Mexico 87501

RE: CASE NO. 10963  
ORDER NO. R-10115

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

  
Sally E. Martinez  
Administrative Secretary

cc: BLM - Carlsbad  
Taxation & Revenue