

Case 9148

MINUTES OF THE ARBITRATION MEETING
HELD ON MAY 29, 1987

An arbitration meeting to discuss the drilling of the Texaco Producing Inc. Forty-Niner Ridge Unit Well No. 3 in Section 16, Township 23 South, Range 30 East, Potash-Oil Area, was held on Friday, May 29, 1987, at 9 o'clock a.m. in Room 205, State Land Office Building, Santa Fe, New Mexico. The meeting was conducted by William J. LeMay, Director of the Oil Conservation Division, and Victor T. Lyon, Chief Engineer of the Oil Conservation Division. An attendance sheet is attached.

The meeting was called to order by Mr. LeMay at 9 o'clock a.m. Scott Hall, representing Texaco Producing Inc., stated that the proposed location is in a barren area and the State Land Office has approved the well as part of a state unit. He said that Texaco is faced with having some of this land removed from the participating area of the unit or the possible loss of the leases altogether if a well is not drilled. John L. Seeman with Texaco stated that the original location, 2310 feet from the North and East lines of said Section 16, was arbitrated in 1986 and, at that time, the potash people indicated they would not object if the location was moved north and west. He, therefore, was under the impression that this proposed location, 2310 feet from the North line and 1980 feet from the West line, would be acceptable. He stated that the proposed well will be drilled to the Cherry Canyon formation. Russell Pool with Texaco presented geologic information and explained his interpretation of the structure underlying the proposed well.

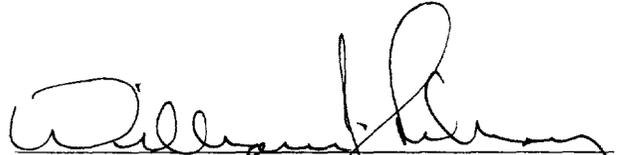
Charles High, representing the potash group, told of the last arbitration meeting at which Texaco was told there would be no objection to its well if it was moved to the north and west into the barren area at a distance equal to the depth of the ore plus ten percent. He stated that the proposed new location will waste between two and eight million dollars of potash. He suggested that an acceptable location would be in the vicinity of the Skelly well. He estimated the depth of the potash to be 1200 feet. He explained first and second potash mining and the subsidence of the earth. Directional drilling was discussed as a possible method of developing the oil and gas lease but Texaco was opposed to this method because of the additional costs involved. It was pointed out that if the proposed well proves out, Texaco plans to drill 64 more in the unit. Mr. High assured that the potash will be mined eventually no matter how long it takes and the potash industry believes mining is dangerous if an oil or gas well has been drilled in the area. Mr. Seeman requested that Texaco be furnished the tonnage number of the potash that will be wasted from the drilling of this well. The possibility of migration of oil and methane gas into the potash mines was discussed.

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An alternative location of 1650 feet from the North and West lines of said Section 16 was suggested and discussed. Texaco is not willing to move to this location because of additional costs required to build roads to accommodate a different location and the location is farther away from the pay. No agreement was reached.

Mr. High requested a continuance of Texaco's application covering the original location which was set for the examiner hearing on June 3, 1987. It was agreed that said application will be continued to a Commission hearing scheduled for June 18 and consolidated with an application for the subject location.

The meeting was adjourned at 11:30 a.m.


WILLIAM J. LEMAY, Director
Oil Conservation Division

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ATTENDANCE RECORD
ARBITRATION MEETING
MAY 29, 1987

Participant

Affiliation

William J. LeMay
Victor T. Lyon
Scott Hall
Russell Pool
John L. Seeman
Dennis Wehmeyer
John Purcell
Clark McNaughton
Don Galbraith
Walt Thayer
Charles High

Oil Conservation Division
Oil Conservation Division
Campbell & Black (Texaco)
Texaco Producing Inc.
Texaco Producing Inc.
Texaco Producing Inc.
International Minerals & Chemical
International Minerals & Chemical
Western AG-Minerals Company
International Minerals & Chemical
Kemp, Smith, Duncan & Hammond
(Potash Industry)

O. C. D.
ARBITRATION OFFICE
MAY 14 1987

Participants 29 May 1987

Vic Lyons

Bill LeMay

Scott Hall (attorney for Texaco)

Russ Poole (?) Texaco

John Siemens "

Dennis ~~Wienna~~^{Wehmer} "

John Purcell IMC

Clark McLaughlin IMC

Don Galbraith Western Ag. Minerals Co P.O. Box 511
Carlsbad, NM 88220

Walt Thayer IMC

Charles High (attorney for Potash Industry)