

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

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

**APPLICATION OF COLGATE OPERATING, LLC
FOR COMPULSORY POOLING
EDDY COUNTY, NEW MEXICO.**

**Commission Case No. 21744
Case Nos. 21629
Order No. R-21575
Order No. R-21679-A
Order No. R-21679-B
Order No. R-21679-C**

**RESPONSE TO CIMAREX ENERGY CO.'S APPLICATION FOR REHEARING OF
THE DECISION IN ORDER NO. R-21575-C**

Colgate Operating LLC ("Colgate"), for its response to Cimarex Energy Co.'s
Application for Rehearing of the Decision in Order No. R-21575-C states:

A. Introduction.

Cimarex (and its affiliate Magnum Hunter) have repeatedly cited the procedural history of this case. The recitation of that history with respect to its application for rehearing is unnecessary. The central issue is whether upon the record, was Paragraph 111 of Order R-21575-C, denying the Cimarex's motion for a de novo hearing, is erroneous. In other words, was all the evidence and testimony introduced previously before the Division and the Commission should now be meaningless, i.e. for naught. Further, that Cimarex should have the privilege of presenting new, and even entirely different evidence before the Commission, not based on the record before the Division. Effectively, a de novo hearing under the circumstances of this case would nullify the entire record of this case. Thus, if a hearing de novo were a matter of right, following the Evidentiary Hearing, then the Commission would have no discretion whatsoever.

B. The reasons for issuance of the Commission's Order R-21679-A have been fully resolved through Order R-21679-C.

The Commission's Order R-21679-A stated:

After review of the Motion, the subsequent pleadings and the oral arguments of the Parties, the Commission finds that there is good cause to stay Division Order No. R-21575 pursuant to 19.15.4.23(B) NMAC. The Commission also finds that in order to prevent waste and protect correlative rights, it is in the best interest of the public and the parties that Division Order No. R-21575 be stayed and that Colgate Operating, LLC cease any and all action it has taken to date pursuant to Division Order R-21575. Additionally, the Commission finds that staying Division Order No. R-21575 will prevent gross negative consequences to Cimarex Energy Co.

The Commission's Order No. 21679-C reached the following conclusions critical for consideration of whether rehearing is appropriate. They are:

102. Colgate did enter into a good faith effort to secure voluntary unitization by sending out the AFE and Well Proposal, as well as in the letter provided in Exhibit E-4 by Colgate and Exhibit B-5, additional timelines and contact info;

103. Colgate reached out via email to Cimarex after sending out the AFE and Well Proposal, complying with OCD regulations that operators make attempts (as in more than one attempt) to reach out to "gain voluntary agreement" with interest owners. 104. The Commission readopts the standards set forth in Division Order No. R-13165.

106. Colgate made two good-faith attempts to confer with Cimarex concerning the pooled wells.

107. Based on the timelines established through Colgate Exhibit B-5, Cimarex did not reach out within the required 30-day timeframe as indicated in Exhibit 5.

108. Therefore, Cimarex did not elect within that 30-day timeframe and Colgate was within its rights to proceed with force pooling Cimarex.

The foregoing conclusions of the Commission, following the Evidentiary Hearing, negate the Cimarex allegations leading to the Commission's finding in Order R-21679-A that "that staying Division Order No. R-21575 will prevent gross negative consequences to Cimarex Energy Co." No such negative consequences occurred. Colgate is not in any way responsible

for Cimarex's mishandling of the Colgate well proposal, including the notice of hearing. The application for rehearing is clearly misguided and should be denied.

Cimarex's application for rehearing is especially disingenuous considering the testimony of John Coffman and Riley Morris, Cimarex landmen, who essentially deemed the Colgate proposal as having no importance, with low priority, or urgency because a JOA did not accompany the proposal. See, Order R-21679-C, ¶¶ 13-57. Yet the Commission found otherwise based on the requirements of Division Order No. R-13165.

C. The allegations that rehearing is required to prevent waste and protection correlative rights are unfounded.

The allegations that the rehearing is necessary for the prevention of waste and protection of correlative are absolutely a red herring intended solely as an argument that Order R-21575 concludes that Colgate's application will prevent waste and protect correlative rights. Cimarex cites other cases that are not relevant to the issues in this case. No one argues that prevention of waste and protection of correlative are paramount concerns under the Division and the Commission. See, Continental Oil Company v. Oil Conservation Commission, 1962-NMSC-062, 373 P.2d 809. The allegations of whether the Cimarex competing applications prevent waste and protect correlative rights in and of themselves do not support a conclusion that Order No. R-21575 does not prevent waste and protect correlative rights.

Colgate does concede that undersigned counsel did not accurately reference the second Cimarex effort to file competing applications resulting Cases Nos. 22018-19. See, ¶ 32 of the application. Undersigned counsel incorrectly referred to the Cimarex Cases No. 21764-65 which Cimarex withdrew because no proposal had been made by Cimarex in conformity with Division requirements.

Rather than delving into the argument on the competing application, we refer the Commission to Colgate's Motion to Dismiss Cimarex Applications wherein Colgate argues its reasons for dismissal of the Cimarex competing applications. A copy of the motion is attached hereto as Exhibit A. This motion and Cimarex's motion to invalidate Order R-21575 were deferred by the Commission pending the Evidentiary Hearing.

The Commission's Order R-21679-C effectively grants Colgate's motion to dismiss the competing applications. The is a final order and merged all existing arguments before the Commission. The Commission left no pending matters by its final order.

D. Conclusion.

Cimarex's Application for Rehearing should be denied.

Respectfully submitted,

PADILLA LAW FIRM, P.A.

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served on counsel of record by electronic mail on May 18, 2022.

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

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
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**APPLICATION OF COLGATE OPERATING, LLC
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**Commission Case No. 21744
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Order No. R-21575-A
Order No. R-21575-B**

MOTION TO DISMISS CIMAREX APPLICATIONS

Colgate Operating, LLC ("Colgate"), by and through its undersigned attorney, moves the Oil Conservation Commission ("Commission") for dismissal of the competing applications which undoubtedly will be filed concurrently with this motion by Cimarex Energy Co. ("Cimarex") in accordance with its well proposals. As grounds for dismissal, Colgate, states:

A. Introduction.

Attached hereto as Exhibit A is a map showing Cimarex's proposed competing three-mile spacing unit for three-mile laterals which cover the N/2 of Sections 1 and 2, Township 20 South, Range 29 East, and the N/2 of Section 6, Township 20 South, Range 30 East, Eddy County, New Mexico. The Cimarex proposals are stretched to overlap the spacing units approved in Colgate's Division Order R-21575 which covers in part the N/2N/2 of Section 2. Clearly, Cimarex's well proposals, shown by the bold black outline on Exhibit A, are designed simply to cloud the Colgate spacing units comprised of the N/2N/2 of Sections 2 and 3, Township 20 South, Range 29 East and are thinly veiled attempts as competing proposals and applications.



The Cimarex spacing unit is at least partially if not fully out of compliance with BLM potash requirements. The green shading on Exhibit A represents approved Development Areas. The orange outline is the primary boundary for the potash area also clearly within the potash area in Section 1 and 6, set under Commission Order R-111(P) which the BLM follows. A copy of Commission Order R-111-P is attached hereto as Exhibit B. Exhibit A of Order R-111-P shows that the SE/4NE/4 and the E/2SE/4 of Section 1 are within the Potash Area as described in the Order. Attached as Exhibit C attached hereto is a copy of an email from James Rutley of the BLM District Office in Carlsbad indicating that if the surface or bottom hole traverses the State Potash Boundary (the Orange colored boundary line) a development area designation is required. Colgate's spacing unit in Section 2 and 3 do not need a development area designation by the BLM.

Cimarex has not even attempted to begin the development area process, Cimarex cannot get approved APDs on at least a portion of their counter proposed acreage and maybe not all of it without first applying for a development area designation. At this point, without any pending application to the BLM for a development area and a drilling island, it is unknown what drilling restrictions the BLM will adopt for oil and gas development. For example, given that there are sub-surface mines shown in blue, the BLM may require that part of Section 1, and all of Sections 5 and 6 be developed together. Section 2 is the only state tract in the Cimarex proposal. It is likely under the Cimarex proposals that Section 5, shown in red on Exhibit A, will be stranded.

The lands covered by the proposals of Cimarex are within the Designated Potash Area as governed by Oil Conservation Commission Order R-111-P and Department of Interior Order No. 3324 ("Order No. 3324").

Blue shading represents pending Development Area applications.

B. The applications are premature until such time as the BLM approves a potash development area.

As a preliminary matter the BLM is the lead agency in determining and approving the potash area developing area. Order R-111-P issued rules for drilling well within the Potash Area. Rule G (Designation of Drillable Location for Wells) (e)(3) states in part: “[d]rilling applications on federal lands will be processed for approval by the BLM.” Colgate does not question that the Division and the Commission set spacing and compulsory pooling requirements, but within the Potash Area as established in Order R-111-P, the BLM, on federal lands, must first establish a Development Area and drilling island.

Obviously, the development area process is a condition precedent to compulsory pooling or approval of APDs.

Order No. 3324 defines a Development Area as follows:

Development Area. An area established by the BLM with the Designated Potash Area in consideration of appropriate oil and gas technology such that wells can be drilled from a Drilling Island capable of effectively extracting oil and gas resources while managing the impact on potash resources. Each Development Area will typically have only one Drilling Island, subject to narrow exceptions based on specific facts and circumstances. All new oil and gas that penetrate the potash formations within the Development Area will be drilled from the Drilling Island(s) associated with the Development Area. The boundaries of each Development Area will be determined in conformity with Section 6.e.(2).

Section 6.e.(2)(a)states:

When processing an application for permit to drill (APD) an oil or gas well in the Designated Potash area that complies with regulatory requirements, the Authorized Officer will determine whether to establish a Development Area in connection with the application, and if so, will determine the boundaries of the Development area and the location within the Development Area of one or more Drilling Islands from which drilling will be permitted. The BLM may also designate a Development Area outside of the APD process based on information in its possession, and may modify the boundaries of a Development Area. Existing wells may be included within the boundaries of a

Development Area. A Development Area may include Federal oil and gas leases and other Federal and non-Federal lands.

Until a Development Area and a Drilling Island is established by the BLM, compulsory pooling and designation of spacing units as requested in the Cimarex proposals by the Commission may be rendered meaningless. Holding a hearing on Cimarex's competing proposals are clearly premature at this time and a waste of time for the Commission. There simply are too many variables that affect a Division determination. It is not inconceivable that the ultimate Development Area designated by the BLM could have the effect of negating all or portions of the Cimarex proposals before the BLM submitted by Ascent and Apache.

For the Commission to now proceed with hearing the applications to be filed by Cimarex based on its well proposals and for the Commission to issue orders would be putting the cart before the horse. Potash Assn. of New Mexico v. U.S. Dept. of the Int., CV 06-1190 MCA/ACT, 2008 WL 11359154, at *2 (D.N.M. Aug. 29, 2008) illustrates the BLM's determination process as follows:

The IBLA defined the principal issue to be addressed at the hearing as "whether BLM's denial of the APD's accords with the provisions of the 1986 Order." Id. at 235. In particular, the IBLA directed that there be further inquiry on:

whether the APD's encompass lands within areas qualifying as potash enclaves under the parameters established by section 3.III.D.1.c. of the Order, i.e., whether the lands are currently unmined areas within Federal potash leases where potash ore is known to exist in sufficient thickness and quality to be mineable under existing technology and economics, and whether approving the APD's 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.

Id. at 235-36 (footnote and quotation marks omitted).

C. Conclusion.

It is not the province of the Commission in these cases for the Commission to determine the Development Area which may or may not ultimately coincide with a future Development

Area or APDs filed by Cimarex. While the Commission may have authority over compulsory pooling, it is illusory at this time for the Commission to proceed and issue orders on the proposals and applications filed by Cimarex before a BLM determination on a Development Area and Drill Island and later issuance of federal APDs.

WHEREFORE, for the foregoing reasons the Cimarex proposals and applications should be dismissed.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that the foregoing pleading was electronically mailed to the following:

Darin C. Savage darin@abadieschill.com

on this 2nd day of June, 2021.

/s/ Ernest L. Padilla
Ernest L. Padilla

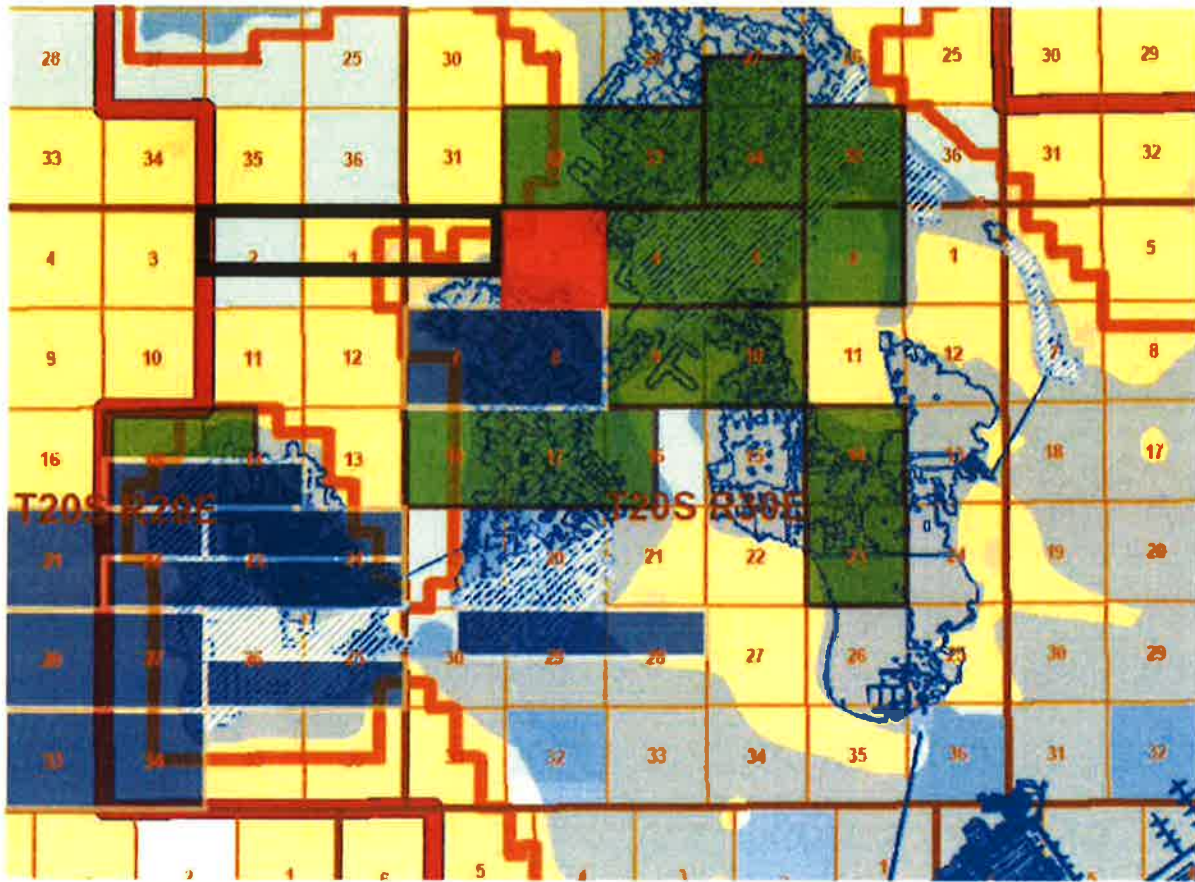


EXHIBIT
A

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPT.
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 9316
Order No. R-111-P

APPLICATION OF THE OIL CONSERVATION
DIVISION UPON ITS OWN MOTION TO
REVISE ORDER R-111, AS AMENDED, PERTAINING
TO THE POTASH AREAS OF EDDY AND LEA
COUNTIES, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on
February 18, 1988, at Santa Fe, New Mexico, before the Oil
Conservation Commission of New Mexico, hereinafter referred to
as the "Commission."

NOW, on this 21st day of April, 1988, the Commission,
a quorum being present, having considered the testimony
presented and the exhibits received at said hearing, and being
fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by
law, the Commission has jurisdiction of this cause and the
subject matter thereof.

(2) Order R-111-A was entered July 14, 1955, and since
that time no amendments have been entered, except amendments
to Exhibit "A" attached thereto, despite significant advances
in drilling technology and practices.

(3) Operation under Order R-111-A has become virtually
unworkable because of 1) the lack of tolerance on the part of
both oil/gas and potash industries in regarding the activities
of the other industry in areas where leasehold interests are
overlapping and 2) confusion recording the boundaries of the
known Potash Leasing Area (KPLA) established by the U.S.
Bureau of Land Management (BLM) and the R-111-A area as
amended by Orders R-111-B through O.



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CO The then Director of the Oil Conservation Division (OCD) by memorandum dated March 21, 1986 convened a study committee of volunteer **representatives** from the oil and potash industries and other interested parties.

(5) The committee met May 29, September 25-26, and November 13-14 (field trip) in 1986 and on March 19, 1987.

(6) By committee agreement a work committee was formed from the larger committee consisting of three members and one alternate from each industry and this work committee was **chaired** by the OCD Chief Petroleum Engineer and charged with the **responsibility** to develop proposed amendments to Order R-111-A. It met on April 30, May 1, July 23-24 and November 23, 1987.

(7) Each meeting of the work committee was held in the presence of **representatives** of both BLM and OCD; and at its final meeting November 23, 1987 an agreement was reached and signed by the committee members present, which agreement is attached hereto as Exhibit "B", for the purpose of providing background information and **acknowledging** the consensus reached by **representatives** of the Oil and Gas and Potash industries relating to the multiple use of resources in the potash area.

(8) Exhibit "B" is regarded by the Commission as a report of both the work committee and the full study committee since a draft copy of a nearly identical agreement was furnished to each member of the study committee for comment, and comments received thereon were addressed at the final meeting.

(9) The agreement represents a compromise by both **industries**, the potash operators **relinquishing** lower grade marginal or uneconomic ore deposits in order to more **fully** protect their higher grade ore deposits; and the oil/gas operators receiving such lands containing sub-economic ore deposits as prospective **drill-sites**.

(10) The Oil and Gas Act, 70-2-3 F NMSA 1978, declares as waste "**drilling** or producing operations for oil or gas within any area containing commercial deposits of potash where such operations would have the effect unduly to reduce the total quantity of such commercial deposits of potash which may reasonably be recovered -- or where such operations would interfere unduly with the orderly commercial development of such potash **deposits**".

(11) The Oil and Gas Act in 70-2-12 B(17) empowers the Division "to regulate and, where necessary, prohibit **drilling**

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or producing operations for oil and gas" in areas which would cause waste as described in 70-2-3 F.

(12) The report of the work committee presents a reasonable process for determining where **wells** for oil and gas would cause waste of potash and the pertinent portions of said report should be contained in the order as a reasonable process for prohibiting oil and gas drilling in such areas in the absence of substantial evidence that waste of potash as described by the statute would not result.

(13) Release of methane into potash mine workings would endanger the **lives** of miners and would render further mining activities uneconomic because of the additional, and more expensive safety requirements which would be imposed by the Mine Safety and Health **Administration (MSHA)** of the U.S. Department of Labor.

(14) **Salt** and potash deposits are **essentially** non-porous and impermeable but are inter-bedded with clay seams which, in an undisturbed state are porous but of extremely low **permeability**.

(15) Primary mining activity creates minor localized disturbance but secondary mining causes subsidence of the overburden the effects of which tend to expand beyond the mined out area a distance **approximately equal** to the depth of the mined area.

(16) During the drilling of **wells** for oil and gas, measures should be taken to protect the **salt-protection** casing from internal pressures greater than the designed burst resistance plus a safety factor so as to prevent any possible entry of methane into the salt and potash interval.

(17) A proposed revision of Order R-111-A was presented at the hearing and comments were received thereon both orally at the hearing and in writing subsequent to the hearing, the record **being** held open for two weeks subsequent to the hearing, as announced by the Chairman.

(18) Testimony and comments both in support and in **opposition** to the proposed revision of the order were received at the hearing and subsequent thereto, some pointing out that the number of **oil or gas wells** which could be **drilled** under the terms of the committee report would be reduced but no comments addressed the possible waste of potash as a result of **additional** drilling.

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(19) One member of the work committee from the potash industry testified the proposed revision of Order R-111-A failed to prohibit drilling in the commercial ore areas and was therefore contrary to the work committee report and the Oil and Gas Act.

(20) The Commission cannot abdicate its discretion to consider applications to drill as exceptions to its rules and orders but in the interest of preventing waste of potash should deny any application to drill in commercial potash areas as recommended in the work committee report, unless a clear demonstration is made that commercial potash will not be wasted unduly as a result of the drilling of the well.

(21) Confusion can be reduced and efficiencies can be obtained by making the area covered by Order R-111 coterminous with the KPLA as determined by the BLM, and the area should be expanded and contracted by the regular pool nomenclature procedure rather than by separate hearings and further revisions of Order R-111.

(22) Expansion of the R-111 area to coincide with the KPLA 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.

(23) The proposed revision of Order R-111-A will permit the drilling of wells for oil or gas in areas previously not available for such drilling and will prevent waste of potash, and further, will serve to reduce confusion and uncertainty in the conduct of operations by both the potash and oil/gas industries, all to the benefit of the state and its citizens.

IT IS THEREFORE ORDERED THAT:

This order shall be known as The Rules and Regulations Governing the Exploration and Development of Oil and Gas in Certain Areas Herein Defined, Which Are Known To Contain Potash Reserves.

A. OBJECTIVE

The objective of these Rules and Regulations is to prevent waste, protect correlative rights, assure maximum conservation of the oil, gas and potash resources of New Mexico, and permit the economic recovery of oil, gas and potash minerals in the area hereinafter defined.

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B. THE POTASH AREA

(1) The Potash Area, as described in Exhibit A attached hereto and made a part hereof, represents the area in various parts of which potash mining operations are now in progress, or in which core tests indicate commercial potash reserves. Such area is coterminous with the Known Potash Leasing Area (KPLA) as determined by the U.S. Bureau of Land Management (BLM).

(2) The Potash Area, as described in Exhibit "A" may be revised by the Division after due notice and hearing at the regular pool nomenclature hearings, to reflect changes made by BLM in its KPLA.

C. DRILLING IN THE POTASH AREA

(1) All drilling of oil and gas wells in the Potash Area shall be subject to these Rules and Regulations.

(2) No wells shall be drilled for oil or gas at a location which, in the opinion of the Division or its duly authorized representative, would result in undue waste of potash deposits or constitute a hazard to or interfere unduly with mining of potash deposits.

No mining operations shall be conducted in the Potash Area that would, in the opinion of the Division or its duly authorized representative, constitute a hazard to oil or gas production, or that would unreasonably interfere with the orderly development and production from any oil or gas pool.

(3) Upon discovery of oil or gas in the Potash Area, the Oil Conservation Division may promulgate pool rules for the affected area after due notice and hearing in order to address conditions not fully covered by these rules and the general rules.

(4) The Division's District Supervisor may waive the requirements of Sections D and F 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.

(5) AM encounters with flammable gas, including hydrogen sulfide, during drilling operations shall be reported immediately to the appropriate OCD District office followed by a written report of same.

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D. DRILLING AND CASING PROGRAM

(1) For the purpose of the regulations and the drilling of wells for oil and gas, shallow and deep zones are defined as follows:

(a) The shallow zone shall include all formations above the base of the Delaware Mountain Group or, above a depth of 5,000 feet, whichever is lesser.

(b) The deep zone shall include all formations below the base of the Delaware Mountain Group or, below a depth of 5,000 feet, whichever is lesser.

(c) For the purpose of identification, the base of the Delaware Mountain Group is hereby identified as the geophysical log marker found at a depth of 7485 feet in the Richardson and Bass No. 1 Rodke well in Section 27, Township 20 South, Range 31 East, NMPM, Eddy County, New Mexico.

(2) Surface Casing String:

(a) A surface casing string of new or used oil field casing in good condition shall be set in the "Red Bed" section of the basal Rustler formation immediately above the salt section, or in the anhydrite at the top of the salt section, as determined necessary by the regulatory representative approving the drilling operations, and the cement shall be circulated to the surface.

(b) Cement shall be allowed to stand a minimum of twelve (12) hours under pressure and a total of twenty-four (24) hours before drilling the plug or initiating tests.

(c) Casing and water-shut-off tests shall be made both before and after drilling the plug and below the casing seat as follows:

(i) If rotary tools are used, the mud shall be displaced with water and a hydraulic pressure of six hundred (600) pounds per square inch shall be applied. If a drop of one hundred (100) pounds per square inch or more should occur within thirty (30) minutes, corrective measures shall be applied.

(ii) If cable tools are used, the mud shall be bailed from the hole, and if the

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hole does not remain dry for a period of one hour, corrective measures **shall** be applied.

(d) The above requirements for the surface casing string **shall** be applicable to both the shallow and deep zones.

(3) Salt Protection String:

(a) A salt protection string of new or used oil field casing in good condition **shall** be set not less than one hundred (100) feet nor more than six hundred (600) feet **below** the base of the salt section; provided that such string **shall** not be set **below** the top of the highest known oil or gas zone. **With prior approval** of the OCD District Supervisor the wellbore may be deviated from the vertical after completely penetrating Marker Bed No. 126 (USGS) but that section of the casing set in the deviated portion of the **wellbore** shall be centralized at each joint.

(b) The salt protection string **shall** be cemented, as follows:

(i) For wells drilled to the shallow zone, the string may be cemented with a nominal volume of cement for testing purposes only. If the exploratory test well is completed as a productive well, the string **shall** be re-cemented with sufficient cement to fill the annular space back of the pipe from the top of the first cementing to the surface or to the bottom of the cellar, or may be cut and pulled if the production string is cemented to the surface as provided in sub-section D (5) (a) (i) below.

(ii) For wells drilled to the deep zone, the string must be cemented with sufficient cement to fill the annular space back of the pipe from the casing seat to the surface or to the bottom of the cellar.

(c) If the cement fails to reach the surface or the bottom of the cellar, where required, the top of the cement **shall** be located by a temperature, gamma ray or other survey and additional cementing **shall** be done **until** the cement is brought to the point required.

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(d) The fluid used to mix with the cement shall be saturated with the salts common to the zones penetrated and with suitable proportions but not less than 1% of calcium chloride by weight of cement.

(e) Cement shall be allowed to stand a minimum of twelve (12) hours under pressure and a total of twenty-four (24) hours before drilling the plug or initiating tests.

(f) Casing tests shall be made both before and after drilling the plug and below the casing seat, as follows:

(i) If rotary tools are used, the mud shall be displaced with water and a hydraulic pressure of one thousand (1000) pounds per square inch shall be applied. If a drop of one hundred (100) pounds per square inch or more should occur within thirty (30) minutes, corrective measures shall be applied.

(ii) If cable tools are used, the mud shall be bailed from the hole and if the hole does not remain dry for a period of one hour, corrective measures shall be applied.

(g) The Division, or its duly authorized representative, may require the use of centralizers on the salt protection string when in their judgment the use of such centralizers would offer further protection to the salt section.

(h) Before drilling the plug a drilling spool installed below the bottom blowout preventer or the wellhead casing outlet shall be equipped with a rupture disc or other automatic pressure-relief device set at 80% of the API-rated burst pressure of new casing or 60% of the API-rated burst pressure of used casing. The disc or relief device should be connected to the rig choke manifold system so that any flow can be controlled away from the rig. The disc or relief device shall remain installed as long as drilling activities continue in the well until the intermediate or production casing is run and cemented.

(i) The above requirements for the salt protection string shall be applicable to both the shallow and deep zones except for sub-section D (3) (b) (i) and (ii) above.

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(4) Intermediate String:

(a) In drilling wells to the deep zone for oil or gas, the operator shall have the option of running an intermediate string of pipe, unless the Division requires an intermediate string be run.

(b) Cementing procedures and casing tests for the intermediate string shall be the same as provided under sub-sections D (3) (c), (e) and (f) for the salt protection string.

(5) Production String:

(a) A production string shall be set on top or through the oil or gas pay zone and shall be cemented as follows:

(i) For wells drilled to the shallow zone the production string shall be cemented to the surface if the salt protection string was cemented only with a nominal volume for testing purposes, in which case the salt protection string can be cut and pulled before the production string is cemented; provided, that if the salt protection string was cemented to the surface, the production string shall be cemented with a volume adequate to protect the pay zone and the casing above such zone.

(ii) For wells drilled to the deep zone, the production string shall be cemented with a volume adequate to protect the pay zone and the casing above such zone; provided, that if no intermediate string shall have been run and cemented to the surface, the production string shall be cemented to the surface.

(b) Cementing procedures and casing tests for the production string shall be the same as provided under sub-section D (3) (c), (e) and (f) for the salt protection string; however if high pressure oil or gas production is discovered in an area, the Division may promulgate the necessary rules to prevent the charging of the salt section.

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Case No. 9316
Order No. R-111-P

E. DRILLING FLUID FOR SALT SECTION

The fluid used while drilling the salt section shall consist of water, to which has been added sufficient salts of a character common to the zone penetrated to completely saturate the mixture. Other admixtures may be added to the fluid by the operator in overcoming any specific problem. This requirement is specifically intended to prevent enlarged drill holes.

F. PLUGGING AND ABANDONMENT OF WELLS

(1) All wells heretofore and hereafter drilled within the Potash Area shall be plugged in a manner and in accordance with the general rules or field rules established by the Division that will provide a solid cement plug through the salt section and any water-bearing horizon and prevent liquids or gases from entering the hole above or below the salt section.

(2) The fluid used to mix the cement shall be saturated with the salts common to the salt section penetrated and with suitable proportions but not more than three (3) percent of calcium chloride by weight of cement being considered the desired mixture whenever possible.

G. DESIGNATION OF DRILLABLE LOCATION FOR WELLS

(a) Within ninety (90) days following effective date of this Order and annually thereafter by January 31 if revised, each potash lessee, without regard to whether the lease covers State or Federal lands, shall file with the District Manager, BLM, and the State Land Office (SLO), a designation of the potash deposits considered by the potash lessee to be its life-of-mine reserves ("LMR"). For purposes of this Agreement, "life-of-mine reserves" means those potash deposits within the Potash Area reasonably believed by the potash lessee to contain potash ore in sufficient thickness and grade to be mineable using current day mining methods, equipment and technology. Information used by the potash lessee in identifying its LMR shall be filed with the BLM and SLO but will be considered privileged and confidential "trade secrets and commercial information" within the meaning of 43 C.F.R. §2.13(c) (4) (1986), Section 19-1-2.1 NMSA 1978, and not subject to public disclosure.

(b) Authorized officers of the BLM and SLO shall review the information submitted by each potash lessee

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Case No. 9316

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in support of its LMR designation on their respective lands and verify upon request, that the data used by the potash lessee in establishing the boundaries of its LMR is consistent with data available to the BLM and SLO. Any disputes between the BLM and potash lessee concerning the boundary of a designated LMR shall be resolved in accordance with the Department of Interior's Hearings and Appeals Procedures, 43 C.F.R. Part 4 (1986).

(c) A potash lessee may amend its designated LMR by filing a revised designation with the BLM and SLO accompanied by the information referred to in Section A above. Such amendments must be filed by January 31 next following the date the additional data becomes available.

(d) Authorized officers of the BLM and SLO shall commit the designated LMR of each potash lessee to a map(s) of suitable scale and thereafter revise the map(s) as necessary to reflect the latest amendments to any designated LMRs. These maps shall be considered privileged and confidential and exempt from disclosure under 43 C.F.R. Part 2 and §19-1-2.1 NMSA 1978, and will be used only for the purposes set forth in this Order.

(e) The foregoing procedure can be modified by policy changes within the BLM and State Land Office.

(2) Before commencing drilling operations for oil or gas on any lands within the Potash Area, the well operator shall prepare a map or plat showing the location of the proposed well, said map or plat to accompany each copy of the Notice of Intention to Drill. In addition to the number of copies required by the Division, the well operator shall send one copy by registered mail to each potash operator holding potash leases within a radius of one mile of the proposed well, as reflected by the plats submitted under paragraph I (2). The well operator shall furnish proof of the fact that said potash operators were notified by registered mail of his intent by attaching return receipt to the copies of the Notice of Intention to Drill and plats furnished the Division.

(3) Drilling applications on federal lands will be processed for approval by BLM. Applications on state or patented lands will be processed by the Division and, in the case of state lands, in collaboration with the SLO. The Division will first ascertain from the BLM or SLO that the location is not within the LMR area. Active mine workings and mined-out areas shall also be treated as LMR. Any application to drill in the LMR area, including buffer zones, may be approved only by mutual agreement of lessor and lessees of

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Case No. 9316

Order No. R-111-P

both potash and oil and gas interests. Applications to drill outside the LMR will be approved as indicated below; provided there is no protest from potash lessee within 20 days of his receipt of a copy of the notice:

- (a) a shallow well shall be drilled no closer to the LMR than one-fourth (1/4) mile or 110% of the depth of the ore, whichever is greater.
- (b) A deep well shall be drilled no closer than one-half (1/2) mile from the LMR.

H. INSPECTION OF DRILLING AND MINING OPERATIONS

A representative of any potash lessee within a radius of one mile from the well location may be present during drilling, cementing, casing, and plugging of any oil or gas wells to observe conformance with these regulations. Likewise, a representative of the oil and gas lessee may inspect mine workings on his lease to observe conformance with these regulations.

I. FILING OF WELL SURVEYS, MINE SURVEYS AND POTASH DEVELOPMENT PLANS

(1) Directional Surveys:

The Division may require an operator to file a certified directional survey from the surface to a point below the lowest known potash-bearing horizon on any well drilled within the Potash Area.

(2) Mine Surveys:

Within 30 days after the adoption of this order and thereafter on or before January 31st of each year, each potash operator shall furnish the Division two copies of a plat of a survey of the location of his leaseholdings and all of his open mine workings, which plat shall be available for public inspection and on a scale acceptable to the Division.

J. APPLICABILITY OF STATEWIDE RULES AND REGULATIONS

All general statewide rules and regulations of the Oil Conservation Division governing the development, operation, and production of oil and gas in the State of New

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Case No. 9316
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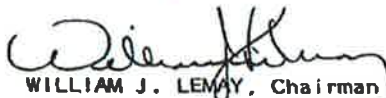
Mexico not inconsistent or in **conflict** herewith, are hereby adopted and made **applicable** to the areas described herein.

IT IS FURTHER ORDERED THAT:

- (1) Order R-111 and amendments through R-111-O are hereby rescinded.
- (2) Jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

Done at Santa Fe, New Mexico on the day and year **hereinabove** designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



WILLIAM J. LEMAY, Chairman
and Sec

EXHIBIT "A"
CASE 9316
ORDER R-111-P

CONSOLIDATED LAND DESCRIPTION OF THE KNOWN POTASH
LEASING AREA, AS OF FEBRUARY 3, 1988

EDDY COUNTY, NEW MEXICO

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM

Section 10: SE/4 SE/4
Section 11: S/2 SW/4
Section 13: W/2 SW/4 and SE/4 SW/4
Section 14: W/2 NE/4, NW/4 and S/2
Section 15: E/2 NE/4, SE/4 SW/4 and SE/4
Section 22: N/2, N/2 SW/4, SE/4 SW/4 and SE/4
Section 23: All
Section 24: N/2 NW/4, SW/4 NW/4 and NW/4 SW/4
Section 26: NE/4, N/2 NW/4 and SE/4 NW/4
Section 27: N/2 NE/4 and NE/4 NW/4

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM

Section 11: SE/4 SE/4
Section 12: SE/4 NE/4 and S/2
Section 13: All
Section 14: NE/4, SE/4 NW/4 and S/2
Section 15: SE/4 SE/4
Section 22: NE/4, E/2 W/2 and SE/4
Section 23: All
Section 24: All
Section 25: NW/4 NW/4
Section 26: N/2 NE/4 and NW/4
Section 27: NE/4 and E/2 NW/4

TOWNSHIP 19 SOUTH, RANGE 30 EAST, NMPM

Section 2: SW/4
Section 3: W/2 SW/4, SE/4 SW/4, S/2 SE/4 and NE/4 SE/4
Section 4: Lots 3 and 4. SW/4 NE/4, S/2 NW/4 and S/2
Section 5: Lots 1, 2, and 3, S/2 NE/4. S/2 NW/4 and S/2
Section 6: S/2 SE/4 and NE/4 SE/4
Sections 7 to 10 inclusive
Section 11: S/2 NE/4, NW/4 NW/4 and S/2
Section 12: NE/4, S/2 NW/4 and S/2
Section 13: NE/4, W/2, N/2 SE/4 and SW/4 SE/4
Sections 14 to 18 inclusive
Section 19: Lots 1, 2, and 3, NE/4, E/2 NW/4, NE/4 SW/4, E/2 SE/4 and NW/4 SE/4
Sections 20 to 23 inclusive
Section 24: NW/4. NW/4 SW/4 and S/2 SW/4

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EXHIBIT "A" con'd

Section 25: NW/4 NW/4
 Section 26: NE/4 NE/4, W/2 NE/4, W/2, W/2 SE/4
 and SE/4 SE/4
 Section 27: A1 I
 Section 28: A1 I
 Section 29: E/2, E/2 NW/4 and NW/4 NW/4
 Section 32: E/2 and SE/4 SW/4
 Section 33 to 35 inclusive
 Section 36: NW/4 NW/4, S/2 NW/4 and S/2

TOWNSHIP 19 SOUTH, RANGE 31 EAST, NMPM

Section 7: Lots 1, 2, and 3 and E/2 NW/4
 Section 18: Lots 1, 2, and 3 and SW/4 NE/4,
 E/2 NW/4 and NE/4 SW/4
 Section 31: Lot 4
 Section 34: SE/4 SE/4
 Section 35: S/2 SW/4 and SW/4 SE/4
 Section 36: S/2 SE/4

LEA COUNTY, NEW MEXICO

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM

Section 31: Lot 4
 Section 33: Lots 1 to 4 inclusive and N/2 S/2
 Section 34: Lots 1 to 4 inclusive and N/2 S/2
 Section 35: Lots 1 to 4 inclusive and N/2 S/2
 Section 36: Lots 1 to 4 inclusive, SE/4 NE/4,
 NW/4 SW/4 and NE/4 SE/4

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM

Section 22: SE/4 NE/4, E/2 SW/4 and SE/4
 Section 23: S/2 NW/4, SW/4, W/2 SE/4 and
 SE/4 SE/4
 Section 25: SW/4 NW/4, W/2 SW/4 and SE/4 SW/4
 Section 26: A1 I
 Section 27: A1 I
 Section 28: S/2 SE/4 and NE/4 SE/4
 Section 30: Lots 2 to 4 inclusive, S/2 NE/4,
 SE/4 NW/4, E/2 SW/4 and SE/4
 Section 31: A1 I
 Section 32: NE/4, S/2 NW/4 and S/2
 Sections 33 to 35 inclusive
 Section 36: W/2 NE/4, SE/4 NE/4, NW/4 and S/2

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM

Section 31: Lots 3 and 4

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EXHIBIT "A" con'd

EDDY COUNTY, NEW MEXICO

TOWNSHIP 20 SOUTH, RANGE 29 EAST, NMPM

Section 1: SE/4 NE/4 and E/2 SE/4
 Section 13: SW/4 NW/4, W/2 SW/4 and SE/4 SW/4
 Section 14: NW/4 NE/4, S/2 NE/4, NW/4 and S/2
 Section 15: E/2 E/2, SE/4 SW/4 and W/2 SE/4
 Section 22: E/2 and E/2 NW/4
 Section 23: All
 Section 24: SW/4 NE/4, W/2, W/2 SE/4 and SE/4 SE/4
 Section 25: N/2, SW/4, W/2 SE/4 and NE/4 SE/4
 Section 26: All
 Section 27: E/2
 Section 34: NE/4
 Section 35: N/2
 Section 36: W/2 NE/4 and NW/4

TOWNSHIP 20 SOUTH, RANGE 30 EAST, NMPM

Sections 1 to 4 inclusive
 Section 5: Lots 1 to 3 inclusive, S/2 N/2 and S/2
 Section 6: Lots 5, 6, and 7, S/2 NE/4, E/2 SW/4 and SE/4
 Section 7: Lots 1 and 2, E/2 and E/2 NW/4
 Sections 8 to 17 inclusive
 Section 18: E/2
 Section 19: E/2 and SE/4 SW/4
 Sections 20 to 29 inclusive
 Section 30: Lots 1 to 3 inclusive, E/2 and E/2 W/2
 Section 31: NE/4 and E/2 SE/4
 Sections 32 to 36 inclusive

TOWNSHIP 20 SOUTH, RANGE 31 EAST, NMPM

Section 1: Lots 1 to 3 inclusive, S/2 N/2 and S/2
 Section 2: All
 Section 3: Lots 1 and 2, S/2 NE/4 and SE/4
 Section 6: Lots 4 to 7 inclusive, SE/4 NW/4, E/2 SW/4, W/2 SE/4 and SE/4 SE/4
 Section 7: All
 Section 8: S/2 N/2 and S/2
 Section 9: S/2 NW/4, SW/4, W/2 SE/4 and SE/4 SE/4
 Section 10: E/2 and SW/4
 Sections 11 to 36 inclusive

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EXHIBIT "A" con'd

LEA COUNTY, NEW MEXICO

TOWNSHIP 20 SOUTH, RANGE 32 EAST, NMPM

Sections 1 to 4 inclusive

Section 5: S/2 SE/4

Section 6: Lots 4 to 7 inclusive, SE/4 NW/4,
E/2 SW/4 and SW/4 SE/4

Sections 7 to 36 inclusive

TOWNSHIP 20 SOUTH, RANGE 33 EAST, NMPM

Sections 1 to 36 inclusive

TOWNSHIP 20 SOUTH, RANGE 34 EAST, NMPMSection 6: Lots 3 to 7 inclusive, SE/4 NW/4,
E/2 SW/4, W/2 SE/4 and
SE/4 SE/4

Section 7: All

Section 8: SW/4, S/2 NW/4, W/2 SE/4 and
SE/4 SE/4Section 16: W/2 NW/4, SE/4 NW/4, SW/4 and
S/2 SE/4

Sections 17 to 21 inclusive

Section 22: N/2 NW/4, SW/4 NW/4, SW/4, W/2 SE/4,
and SE/4 SE/4

Section 26: SW/4, W/2 SE/4 and SE/4 SE/4

Sections 27 to 35 inclusive

Section 36: SW/4 NW/4 and W/2 SW/4

EDDY COUNTY, NEW MEXICO

TOWNSHIP 21 SOUTH, RANGE 29 EAST, NMPM

Sections 1 to 3 inclusive

Section 4: Lots 1 through 16, NE/4 SW/4 and
SE/4

Section 5: Lot 1

Section 10: N/2 NE/4, SE/4 NE/4 and SE/4 SE/4

Sections 11 to 14 inclusive

Section 15: E/2 NE/4 and NE/4 SE/4

Section 23: N/2 NE/4

Section 24: E/2, N/2 NW/4 and SE/4 NW/4

Section 25: NE/4 NE/4 and S/2 SE/4

Section 35: Lots 2 to 4 inclusive, S/2 NE/4,
NE/4 SW/4 and N/2 SE/4Section 36: Lots 1 to 4 inclusive, NE/4,
E/2 NW/4 and N/2 S/2TOWNSHIP 21 SOUTH, RANGE 30 EAST, NMPM

Sections 1 to 36 inclusive

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EXHIBIT "A" con'd

TOWNSHIP 21 SOUTH, RANGE 31 EAST, NMPM
Sections 1 to 36 inclusive

LEA COUNTY, NEW MEXICO

TOWNSHIP 21 SOUTH, RANGE 32 EAST, NMPM

Sections 1 to 27 inclusive

Section 28: N/2 and N/2 S/2

Sections 29 to 31 inclusive

Section 32: NW/4 NE/4, NW/4 and NW/4 SW/4

Section 34: N/2 NE/4

Section 35: N/2 N/2

Section 36: E/2. N/2 NW/4, SE/4 NW/4 and
NE/4 SW/4**TOWNSHIP 21 SOUTH, RANGE 33 EAST, NMPM**Section 1: Lots 2 to 7 inclusive, Lots 10 to
14 inclusive. N/2 SW/4 and
SW/4 SW/4

Sections 2 to 11 inclusive

Section 12: NW/4 NW/4 and SW/4 SW/4

Section 13: N/2 NW/4, S/2 N/2 and S/2

Sections 14 to 24 inclusive

Section 25: N/2. SW/4 and W/2 SE/4

Sections 26 to 30 inclusive

Section 31: Lots 1 to 4 inclusive, NE/4,
E/2 W/2, N/2 SE/4 and
SW/4 SE/4

Section 32: N/2 and NW/4 SW/4

Section 33: N/2

Section 34: NE/4, N/2 NW/4 and E/2 SE/4

Section 35: All

Section 36: W/2 NE/4, NW/4 and S/2

TOWNSHIP 21 SOUTH, RANGE 34 EAST, NMPM**Section 17:** W/2**Section 18:** AllSection 19: Lots 1 to 4 inclusive, NE/4,
E/2 W/2. N/2 SE/4 and
SW/4 SE/4**Section 20:** NW/4 NW/4

Section 30: Lots 1 and 2 and NE/4 NW/4

Section 31: Lots 3 and 4

EDDY COUNTY, NEW MEXICO

TOWNSHIP 22 SOUTH, RANGE 28 EAST, NMPM

Section 36: E/2 E/2

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EXHIBIT "A" con'd

TOWNSHIP 22 SOUTH, RANGE 29 EAST, NMPM

Sections 1 and 2 inclusive
 Section 3 SE/4 SW/4 and SE/4
 Section 9 S/2 NE/4 and S/2
 Sections 10 to 16 inclusive
 Section 17 S/2 SE/4
 Section 19 SE/4 NE/4 and E/2 SE/4
 Sections 20 to 28 inclusive
 Section 29 N/2 N/2, S/2 NE/4 and SE/4
 Section 30 NE/4 NE/4
 Section 31 Lots 1 to 4 inclusive, S/2 NE/4,
 E/2 W/2 and SE/4
 Sections 32 to 36 inclusive

TOWNSHIP 22 SOUTH, RANGE 30 EAST, NMPM

Sections 1 to 36 inclusive

TOWNSHIP 22 SOUTH, RANGE 31 EAST, NMPM

Sections 1 to 11 inclusive
 Section 12: NW/4 NE/4, NW/4 and NW/4 SW/4
 Section 13: S/2 NW/4 and SW/4
 Sections 14 to 23 inclusive
 Section 24: W/2
 Section 25: NW/4
 Section 26: NE/4 and N/2 NW/4
 Sections 27 to 34 inclusive

LEA COUNTY, NEW MEXICO

TOWNSHIP 22 SOUTH, RANGE 32 EAST, NMPM

Section 1: Lot 1
 Section 6: Lots 2 to 7 inclusive and SE/4 NW/4

TOWNSHIP 22 SOUTH, RANGE 33 EAST, NMPM

Section 1: Lots 1 to 4 inclusive, S/2 N/2 and
 N/2 S/2
 Section 2: All
 Section 3: Lot 1, SE/4 NE/4 and SE/4
 Section 6: Lot 4
 Section 10: NE/4
 Section 11: NW/4 NE/4 and NW/4

TOWNSHIP 22 SOUTH, RANGE 34 EAST, NMPM

Section 6: Lots 4 to 6 inclusive

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EXHIBIT "A" con'd

EDDY COUNTY, NEW MEXICO

TOWNSHIP 23 SOUTH, RANGE 28 EAST, NMPMSection 1: Lot 1TOWNSHIP 23 SOUTH, RANGE 29 EAST, NMPMSections 1 to 5 inclusive**Section 6:** Lots 1 to 6 inclusive, S/2 NE/4, SE/4NW/4, E/2SW/4 and SE/4**Section 7:** NE/4 and NE/4 NW/4**Section 8:** N/2, N/2SW/4, SE/4SW/4 and SE/4Sections 9 to 16 inclusive**Section 17:** NE/4 and E/2 SE/4Sections 21 to 23 inclusive**Section 24:** N/2, SW/4 and N/2 SE/4**Section 25:** W/2NW/4 and NW/4 SW/4**Section 26:** All**Section 27:** All**Section 28:** N/2, N/2 SW/4, SE/4 SW/4 and SE/4**Section 33:** N/2NE/4 and NE/4NW/4**Section 34:** NE/4, E/2NW/4, NW/4NW/4, NE/4 SW/4 and SE/4**Section 35:** All**Section 36:** W/2 NE/4, NW/4 and N/2 SW/4TOWNSHIP 23 SOUTH, RANGE 30 EAST, NMPMSections 1 to 18 inclusive**Section 19** N/2, N/2 SW/4, SE/4 SW/4 and SE/4**Section 20** All**Section 21** All**Section 22** N/2, S/2 SW/4, N/2 S/2 and SE/4 SE/4Sections 23 to 25 inclusive**Section 26** E/2, SE/4 NW/4 and SW/4**Section 27** N/2 NW/4, SW/4 NW/4, SE/4 SW/4, S/2 SE/4 and NE/4 SE/4**Section 28** N/2 and SW/4**Section 29** N/2 and SE/4**Section 30** N/2 NE/4**Section 32** N/2 NE/4**Section 33** SE/4 NE/4, N/2 NW/4, NE/4 SE/4 and S/2 SE/4Sections 34 to 36 inclusiveTOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM**Section 2:** Lot 4, SW/4 NW/4 and W/2 SE/4Sections 3 to 7 inclusive**Section 8:** NE/4 NE/4, W/2 NE/4 and W/2**Section 9:** N/2 N/2**Section 10:** NW/4 NW/4 and SE/4 SE/4**Section 11:** S/2 NE/4, S/2 SW/4 and SE/4

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EXHIBIT "A" con'd

Section 12: SW/4 NW/4 and SW/4
 Section 13: SW/4 NE/4, W/2 and W/2 SE/4
 Section 14: All
 Section 15: E/2, SE/4 NW/4 and SW/4
 Section 16: SW/4 and S/2 SE/4
 Section 17: NW/4 and S/2
 Sections 18 to 23 inclusive
 Section 24: W/2 NE/4 and W/2
 Section 25: W/2 NE/4, NW/4, N/2 SW/4 and NW/4 SE/4
 Sections 26 to 34 inclusive
 Section 35: N/2 NW/4 and SW/4 NW/4

TOWNSHIP 24 SOUTH, RANGE 29 EAST, NMPM

Section 2: Lots 2 to 4 inclusive
 Section 3: Lot 1

TOWNSHIP 24 SOUTH, RANGE 30 EAST, NMPM

Section 1: Lots 1 to 4 inclusive, S/2 N/2, SW/4 and NW/4 SE/4
 Section 2: All
 Section 3: All
 Section 4: Lots 1 and 2, S/2 NE/4, SE/4 NW/4, SW/4 SW/4, E/2 SW/4 and SE/4
 Section 9: N/2, N/2 SW/4, SE/4 SW/4 and SE/4
 Section 10: All
 Section 11: All
 Section 12: W/2 NW/4 and NW/4 SW/4
 Section 14: W/2 NE/4 and NW/4
 Section 15: NE/4 and N/2 NW/4

TOWNSHIP 24 SOUTH, RANGE 31 EAST, NMPM

Section 3: Lots 2 to 4 inclusive, SW/4 NE/4, S/2 NW/4, SW/4 and W/2 SE/4
 Section 4: All
 Section 5: Lots 1 to 4 inclusive, S/2 N/2, N/2 S/2 and SE/4 SE/4
 Section 6: Lots 1 to 6 inclusive, S/2 NE/4, SE/4 NW/4, NE/4 SW/4 and N/2 SE/4
 Section 9: E/2 and NW/4
 Section 10: W/2 NE/4 and W/2
 Section 35: Lots 1 to 4 inclusive, S/2 N/2 and N/2 S/2
 Section 36: Lots 1 and 2, SW/4 NW/4 and N/2 SW/4

TOWNSHIP 25 SOUTH, RANGE 31 EAST, NMPM

Section 1: Lots 3 and 4 and S/2 NW/4
 Section 2: Lots 1 to 4 inclusive and S/2 N/2

PadillaLawNM@outlook.com

From: Mark Hajdik <MHajdik@colgateenergy.com>
Sent: Wednesday, June 2, 2021 9:59 AM
To: Ernest Padilla
Subject: FW: [EXTERNAL] Potash Boundary Ques

Mark Hajdik | Colgate Energy | Senior Landman
300 N. Marienfeld St. | Suite 1000 | Midland, TX 79701
O: (432) 257-3886 | C: (832) 904-6006
Email: mhajdik@colgateenergy.com

From: Rutley, James S <JRutley@blm.gov>
Sent: Wednesday, June 2, 2021 8:52 AM
To: Mark Hajdik <MHajdik@colgateenergy.com>
Subject: Re: [EXTERNAL] Potash Boundary Ques

*** Attention: This is an external email, use caution. ***

Good Morning Mark,

If your surface or bottom hole traverses the orange line (State's Potash Boundary), we require development area notification. In your case here, a development area notice is not required.

Best,

Jim

From: Mark Hajdik <MHajdik@colgateenergy.com>
Sent: Wednesday, June 2, 2021 7:42 AM
To: Rutley, James S <JRutley@blm.gov>
Subject: [EXTERNAL] Potash Boundary Ques



This email has been received from outside of DOI - Use caution before clicking on links, opening attachments, or responding.

Jim, could you provide me a quick refresher on the difference between the red and the orange boundary lines. For example if I have development that crosses the red line but does not traverse the orange line will I need a Dev Area?