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Natural Resources - oil and gas law
New Mexico Board of Legal Specialization
46676-0002**

June 26, 2003

VIA HAND DELIVERY

Lori Wrotenbery
Director - OCD
NM Energy, Minerals & Natural Resources Dept.
1220 South St. Francis Drive
Santa Fe, NM 87505

RECEIVED

JUN 26 2003

Oil Conservation Division

Case 13107

Re: Application of Fasken Oil & Ranch Ltd. for an Order Authorizing the
Drilling of a Well in the Potash Area, Lea County, New Mexico

Dear Ms. Wrotenbery:

Enclosed in triplicate is the Application of Fasken Oil & Ranch Ltd. in the
above-referenced case as well as a copy of the proposed legal advertisement. Fasken
requests that this matter be placed on the docket for the July 24, 2003 Examiner
hearings.

Sincerely,



Michael H. Feldewert

MHF:jlj

cc: Jimmy D. Carlile

Enclosures

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

**APPLICATION OF FASKEN OIL & RANCH Ltd
FOR AN ORDER AUTHORIZING THE DRILLING
OF A WELL IN THE POTASH AREA,
LEA COUNTY, NEW MEXICO**

RECEIVED

JUN 20 2003

Oil Conservation Division
CASE NO. 13107

APPLICATION

FASKEN OIL & RANCH Ltd. ("Fasken"), through its undersigned attorneys, applies to the New Mexico Oil Conservation Division for an order approving the drilling of its Laguna "16" State Well No. 1 to be located at a standard location in the SE/4 SE/4 (Unit P) of Section 16, Township 20 South, Range 32 East, NMPM, Lea County, New Mexico. In support of this application, Fasken states:

1. Fasken holds an interest in an oil and gas lease from the State of New Mexico (NM Lease No. V-6719) encompassing the E/2 of Section 16, T-20-S, R-32-E, and is the designated operator of property under a Joint Operating Agreement. Fasken therefore has the right to develop the oil and gas reserves underlying this property on behalf of itself, the State of New Mexico and other parties.

2. The E/2 of Section 16 is within the Potash Area and therefore governed by Division Order R-111-P.

3. Pursuant to Division Order R-111-P, Fasken submitted to the Division's district office an Application for Permit to Drill (form C-101) along with a plat showing the location of its proposed Laguna "16" State Well No. 1, to drilled as a wildcat Morrow gas well to a total depth of

APPLICATION

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13,200 feet in the SE/4 SE/4 (Unit P) of Section 16. The E/2 of Section 16 is to be dedicated to this proposed well.

4. Pursuant to Division Order R-111-P, Fasken served a copy of its Application for Permit to Drill and plat by registered mail on all potash leaseholders within one mile of the proposed well location.

5. By letter dated May 14, 2003, IMC Potash Carlsbad, Inc. ("IMC") objected to Fasken's proposed well claiming that it is "in the process" of securing a lease from the State of New Mexico for the E/2 of Section 16, and that Fasken's proposed well is "inside IMC's 'Life of Mine Reserves' LMR and will interfere with the development of potash resources controlled by IMC."

6. As a result of IMC's objection, the Division's district office denied Fasken's application for a permit to drill.

7. IMC's potash lease in Section 16 expired in 1995, and recent efforts by IMC to lease the E/2 of Section 16 from the State of New Mexico has been delayed because of existing wellbores in the area.

8. There are at least ten wellbores in the E/2 of Section 16, with at least three of those wellbores located in the SE/4 of Section 16 where Fasken intends to drill its well. In addition, at least one wellbore exists in the SW/4 SW/4 of Section 15 and at least two wellbores exist in the N/2 N/2 of Section 21.

9. IMC does not appear to have a mine plan to compensate for the existing wellbores in Section 16, and this area does not appear to contain potash reserves in sufficient thickness and grade to be commercially mineable.

10. IMC's nearest mining operations are approximately 8 miles to the southwest of

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Fasken's proposed well location.

11. Mississippi Potash, Inc. holds potash leases in the sections to the West and to the North of Section 16, and has mining operations in the area, but served no objection to Fasken's efforts to further develop Section 16.


12. Approval of this application will not result in undue waste of potash deposits or constitute a hazard to or interfere with the mining of existing potash reserves.

13. Approval of this application will afford Fasken the opportunity to produce its just and equitable share of hydrocarbons underlying state lands, will prevent waste and protect correlative rights.

WHEREFORE, Fasken requests that this application be set for hearing before an Examiner of the Oil Conservation Division on the next available docket and that, after notice and hearing, the Division enter its order authorizing Fasken to drill its proposed Laguna "16" State Well No. 1 at a standard location in the SE/4 SE/4 (Unit P) of Section 16, Township 20 South, Range 32 East.

Respectfully submitted,

HOLLAND & HART, LLP

By: 

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