

**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:**

CASE NOS. 13367, 13368 and 13372 (DE NOVO)

**APPLICATIONS OF BASS ENTERPRISES PRODUCTION
CO. and DEVON ENERGY PRODUCTION COMPANY, L.P.
FOR ORDERS AUTHORIZING THE DRILLING OF SPECIFIC
WELLS IN THE POTASH AREA, EDDY COUNTY, NEW MEXICO.**

PRE-HEARING STATEMENT

This Pre-Hearing Statement is submitted by Mosaic Potash Carlsbad Inc. as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANTS

Bass Enterprises Production Co.
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Ft. Worth, TX 76102
(817) 390-8671

Devon Energy Production Company, L.P.
Attn: Ken Gray
20 North Broadway, Suite 1500
Oklahoma City, OK 73102-8260
(405) 552-4633

OTHER PARTY

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267 Smith Ranch Road
Hobbs, New Mexico 88240
(505) 887-3374

OPPOSITION

Mosaic Potash Carlsbad Inc.
Attn: Dan Morehouse
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Carlsbad, NM 88220
(505) 887-2871

ATTORNEY

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Holland & Hart LLP
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ATTORNEY

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& C. B. Burns, Esq.
Kemp Smith LLP
221 N. Kansas, Suite 1700
El Paso, TX 79901
(915) 533-4424

STATEMENT OF CASE

OPPOSITION POSITION

Opposition seeks an order denying the APD's at issue in these cases. Drilling wells at the proposed locations has the intended result of conducting oil and high pressure natural gas through naturally sealed horizons immediately adjacent to ore bodies held by Mosaic Potash and will result in an undue waste of potash. The Commission's Order R-111-P is specifically intended to control such drilling near potash. The land owner's petroleum mineral rights at issue in each APD can be developed from alternate locations.

PROPOSED EVIDENCE

OPPOSITION

WITNESS	ESTIMATED TIME	EXHIBITS
Dan Morehouse, Mine Engineering Superintendent	Approx. 30 Minutes	4

Mr. Morehouse will review potash mineralization in the areas in question and outline mining plans that would be affected by the drilling of these wells. His testimony will show that Mosaic Potash holds legitimate rights to mine potassium ores and has an approved LMR within ¼ mile of the proposed locations. He will testify that Mosaic is not asking the Commission to deny the owners of the oil and gas minerals the right to develop their oil and gas interests, only that the oil and gas be developed in a manner that is not injurious to mineral deposits on adjacent properties.

Mr. Morehouse will ask the Commission to deny the APD's and find that:

- A. While the Commission has held that "Order No. R-111-P makes no provision for an LMR [...] on fee lands ..." the Order does mandate that "All drilling of oil and gas wells in the Potash Area shall be subject to these Rules and Regulations" and that "Applications to drill outside the LMR will be approved as indicated below [...] (a) a shallow well shall be drilled no closer to the LMR than [1/4] mile [...] (b) A deep well shall be drilled no closer than [1/2] mile from the LMR."

Pre-Hearing Statement

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- B. The proposed wells, even if on fee land and outside an existing LMR, are within $\frac{1}{4}$ mile of an approved LMR and are prohibited by Order R-111-P.
- C. The proposed wells can be drilled directionally from alternate sites.
- D. The consent of the owner of both the oil and gas and other mineral interest on fee land is insufficient to allow the development of either interest on the fee land where, as here, the proposed method of development will adversely affect mineral interests on adjacent lands owned by others, such as Mosaic and the Bureau of Land Management.
- E. While the fee land owners have consented to the proposed wells, not all affected mineral owners have consented. Neither the BLM nor Mosaic have consented to these locations.
- F. The APDs are denied without prejudice to the filing of new APDs for an alternate location that will not adversely affect the mineral interest owners on adjacent lands.

Dan Morehouse
Mine Engineering Superintendent
Mosaic Potash Carlsbad Inc.

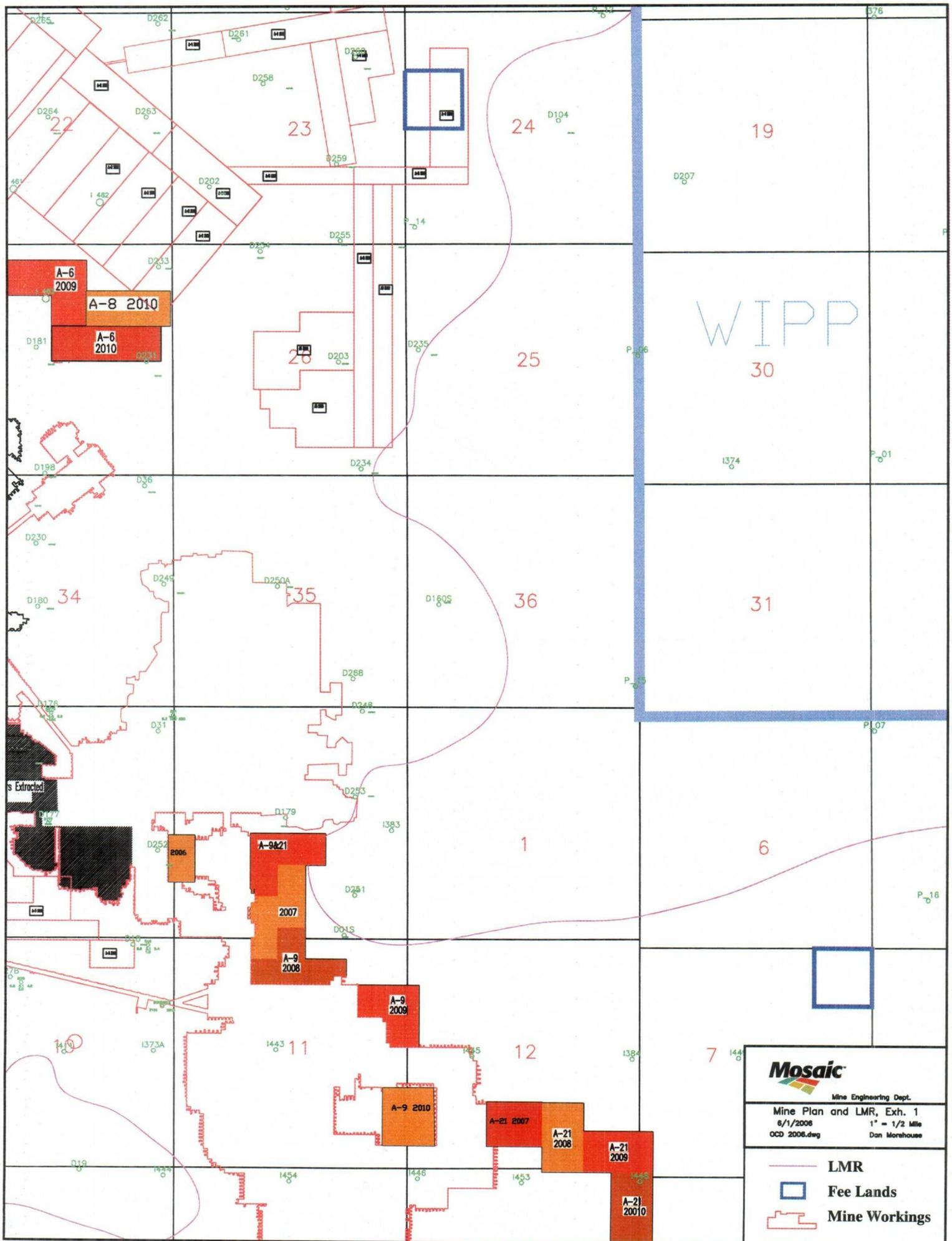
Mosaic Potash Carlsbad Inc.
Index of Exhibits

Exhibit No. 1	Map showing LMR, Mine Plan, and Workings
Exhibit No. 2	Map showing existing and proposed well locations
Exhibit No. 3	Map showing BLM designated Measured Ore
Exhibit No. 4	Calculations showing value of ore lost

CERTIFICATE OF SERVICE

I certify that I have sent a copy of the foregoing pleading by e-mail to Florene Davidson, Secretary for the Oil Conservation Commission [florene.davidson@state.nm.us], William F. Carr, Holland & Hart, LLP, attorney for the Applicants [wcarr@hollandhart.com], and to Charles C. High, Jr., Esq., Kemp Smith, LLP, attorney for the Opposition [chigh@kempsmith.com] on this 1st day of June 2006.

Dan Morehouse



Mosaic

Mine Engineering Dept.

Mine Plan and LMR, Exh. 1
 6/1/2006 1" = 1/2 Mile
 OCD 2006.dwg Dan Morehouse

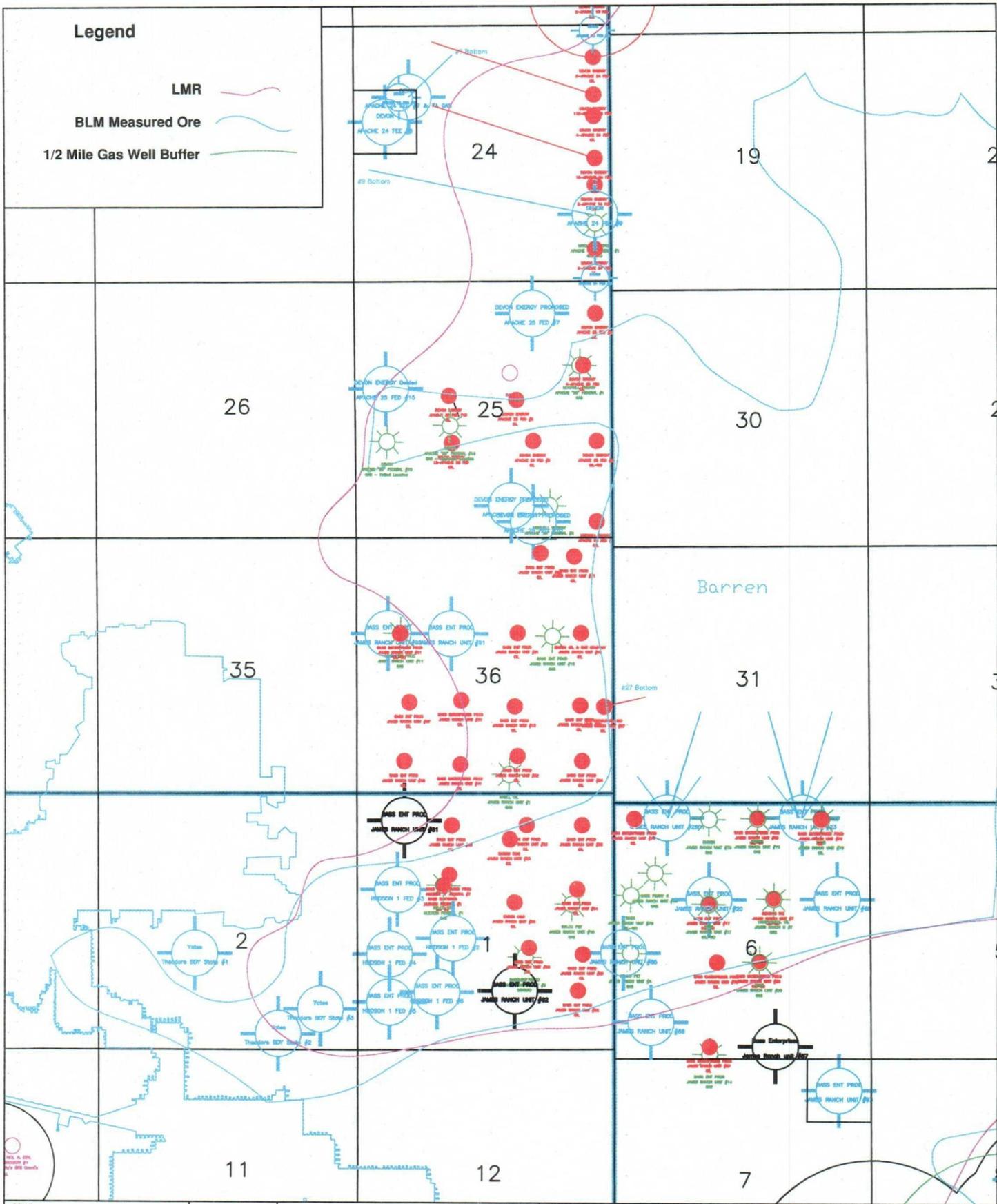
-  LMR
-  Fee Lands
-  Mine Workings

Legend

LMR

BLM Measured Ore

1/2 Mile Gas Well Buffer

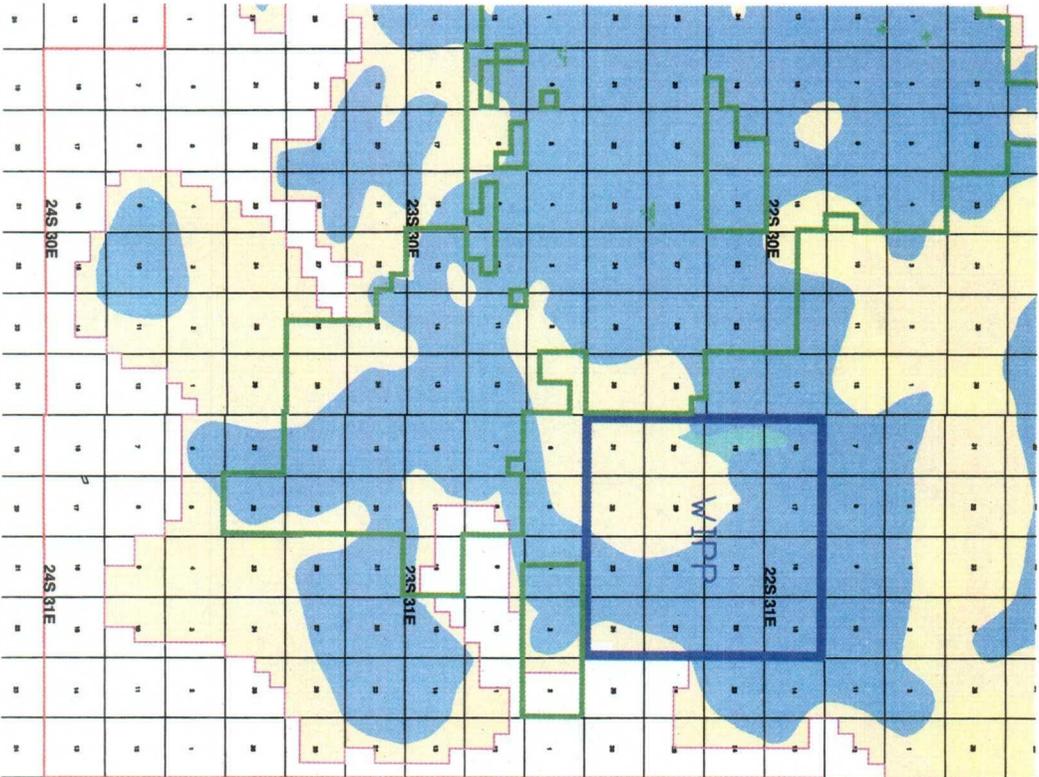


SCALE	1" = 1/2 Mile
DRAWN BY	Don Morehouse
DATE	6/1/2006
CHECKED BY	
DATE	



Mine Engineering Dept.
 PO Box 71
 1361 Potash Mines Rd
 Carlsbad, NM 88220

TITLE	Existing and Proposed Well Locations
	Exhibit No. 2
	OCC Hearing



BLM Enclave Map
 6/1/2006
 Basin Blue Drilling
 Don Monahan

1 mile

- MEASURED POTASH RESERVES (POTASH ENCLAVE)
- INDICATED POTASH RESERVES
- INFERRED POTASH RESOURCE
- BARREN AND/OR MINOR POTASH MINERALIZATION AREAS
- SECRETARY'S ORDER FOR THE POTASH AREA
- CARLSBAD KNOWN POTASH LEASING AREA
- WIPP BOUNDARY
- MOSAIC LEASES