

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

IN THE MATTER OF THE APPLICATION  
OF TXO PRODUCTION CORP. FOR  
DIRECTIONAL DRILLING.  
EDDY COUNTY, NEW MEXICO

CASE NO. 9831

CERTIFICATE OF MAILING

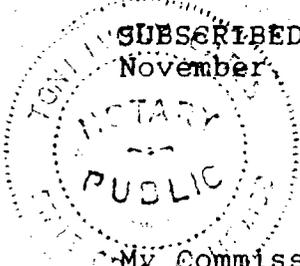
AND

COMPLIANCE WITH ORDER R-8054

In accordance with Division Rule 1207 (Order R-8054), I hereby certify that on November 8, 1989, I caused to be mailed by certified mail, return-receipt requested, a notice of this hearing and a copy of the application for the above referenced case along with the cover letter, at least twenty days prior to the hearing set for November 29, 1989, to the parties shown in the Application as evidenced by the attached copy of the return receipt cards.

  
W. Thomas Kellanin

SUBSCRIBED AND SWORN to before met this 28th day of  
November, 1989.



  
Notary Public

My Commission Expires:

7-6-91

BEFORE EXAMINER STOGNER	
OIL CONSERVATION DIVISION	
TXO	EXHIBIT NO. 7
CASE NO.	9831

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to: Harvey E. Yates, Company P.O. Box 1933 Roswell, New Mexico 88202  TXO / Directional Drilling Burton Flat Fed #1 WTK	4. Article Number P 572 125 275  Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise  Always obtain signature of addressee or agent and <u>DATE DELIVERED</u> .
5. Signature - Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X <i>W. Morrison</i>	
7. Date of Delivery 11-13-89	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
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3. Article Addressed to: Cibola Energy Corp. P.O. Box 1668 Albuquerque, N.M. 87103  TXO / Directional Drilling Burton Flat Fed #1 WTK	4. Article Number P 572 125 276  Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise  Always obtain signature of addressee or agent and <u>DATE DELIVERED</u> .
5. Signature - Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X <i>Martha Kinsley</i>	
7. Date of Delivery	

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3. Article Addressed to: Yates Petroleum Corp. 105 S. 4th Street Artesia, N. M. 88210  Txo / Directonal Drilling Burton Flat Fed #1 WTK	4. Article Number P 572 125 278  Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise  Always obtain signature of addressee or agent and <u>DATE DELIVERED</u> .
5. Signature - Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X <i>Robert Hunt</i>	
7. Date of Delivery 11-10-89	

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<p>3. Article Addressed to:</p> <p>J.C. Williamson  P.O. Box 16  Midland, TX 79702  TXO / Directional Drilling  Burton Flat Fed #1  WTK</p>	<p>4. Article Number  P 572 125 274</p> <p>Type of Service:</p> <p><input type="checkbox"/> Registered <input type="checkbox"/> Insured  <input type="checkbox"/> Certified <input type="checkbox"/> COD  <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise</p> <p>Always obtain signature of addressee or agent and DATE DELIVERED.</p>
<p>5. Signature - Address  X</p>	<p>8. Addressee's Address (ONLY if requested and fee paid)</p>
<p>6. Signature - Agent  X <i>M. Williamson</i></p>	
<p>7. Date of Delivery  NOV 13 1988</p>	

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<p>3. Article Addressed to:</p> <p>Yates Energy Company  P.O. Box 2323  Roswell, N.M. 88202  TXO / Directional Drilling  Burton Flat Fed #1  WTK</p>	<p>4. Article Number  P 572 125 277</p> <p>Type of Service:</p> <p><input type="checkbox"/> Registered <input type="checkbox"/> Insured  <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD  <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise</p> <p>Always obtain signature of addressee or agent and DATE DELIVERED.</p>
<p>5. Signature - Address  X</p>	<p>8. Addressee's Address (ONLY if requested and fee paid)</p>
<p>6. Signature - Agent  X <i>Misty Starling</i></p>	
<p>7. Date of Delivery  NOV 13 1988</p>	

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<b>5. Signature - Address</b> X	<b>8. Addressee's Address (ONLY if requested and fee paid)</b>
<b>6. Signature - Agent</b> X <i>J. Morrison</i>	
<b>7. Date of Delivery</b> 11-13-89	

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<b>5. Signature - Address</b> X	<b>8. Addressee's Address (ONLY if requested and fee paid)</b>
<b>6. Signature - Agent</b> X <i>Matthew Hensley</i>	
<b>7. Date of Delivery</b> 11-10-89	

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<b>5. Signature - Address</b> X	<b>8. Addressee's Address (ONLY if requested and fee paid)</b>
<b>6. Signature - Agent</b> X <i>Robert H. Hays</i>	
<b>7. Date of Delivery</b> 11-10-89	

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3. Article Addressed to:  
 J.C. Williams  
 P.O. Box 154  
 Midland, TX 79702  
 TXO / Directional Drilling  
 Burton Flat Fed #1  
 WTK

4. Article Number  
 P 572 125 274

Type of Service:  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Address  
 X

8. Addressee's Address (ONLY if requested and fee paid)

6. Signature - Agent  
 X *J.C. Williams*

7. Date of Delivery  
 NOV 13 1988

PS Form 3811, Mar. 1988 U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

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 P.O. Box 2323  
 Roswell, N.M. 88202  
 TXO / Directional Drilling  
 Burton Flat Fed #1  
 WTK

4. Article Number  
 P 572 125 277

Type of Service:  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Address  
 X

8. Addressee's Address (ONLY if requested and fee paid)

6. Signature - Agent  
 X *Walter Martinez*

7. Date of Delivery  
 NOV 21 1988

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

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

IN THE MATTER OF THE APPLICATION  
OF TXO PRODUCTION CORP. FOR  
DIRECTIONAL DRILLING.  
EDDY COUNTY, NEW MEXICO

CASE NO. 9831

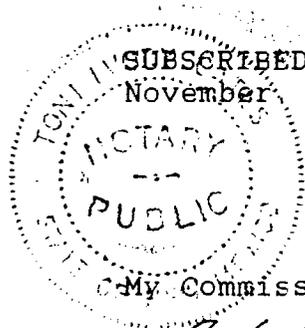
CERTIFICATE OF MAILING  
AND  
COMPLIANCE WITH ORDER R-8054

In accordance with Division Rule 1207 (Order R-8054). I hereby certify that on November 8, 1989. I caused to be mailed by certified mail, return-receipt requested, a notice of this hearing and a copy of the application for the above referenced case along with the cover letter, at least twenty days prior to the hearing set for November 29, 1989. to the parties shown in the Application as evidenced by the attached copy of the return receipt cards.

Original signed by  
W. THOMAS KELLAHIN

W. Thomas Kellahin

SUBSCRIBED AND SWORN to before met this 28th day of  
November 1989.



My Commission Expires:

7-6-91

*Toni Ivory Cates*  
Notary Public

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

IN THE MATTER OF THE APPLICATION  
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CASE NO. 9831

CERTIFICATE OF MAILING

AND

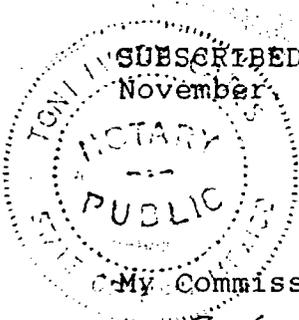
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W. THOMAS KELLAHIN

W. Thomas Kellahin

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Notary Public

My Commission Expires:

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6. Signature - Agent X <i>J.C. Williams</i>	
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PS Form 3811, Mar. 1988 NOV 13 1988 U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

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6. Signature - Agent X <i>Walter Martinez</i>	
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CASE NO. 9831

CERTIFICATE OF MAILING  
AND  
COMPLIANCE WITH ORDER R-8054

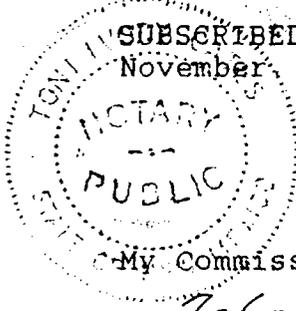
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<p>6. Signature - Agent  X <i>Wesley Martinez</i></p>	
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Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to: Harvey E. Yates, Company P.O. Box 1933 Roswell, New Mexico 88202  TXO / Directional Drilling Burton Flat Fed #1 WTK	4. Article Number P 572 125 275  Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise  Always obtain signature of addressee or agent and <u>DATE DELIVERED</u> .
5. Signature - Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X <i>Morrison</i>	
7. Date of Delivery 11-13-89	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to: Cibola Energy Corp. P.O. Box 1668 Albuquerque, N.M. 87103  TXO / Directional Drilling Burton Flat Fed #1 WTK	4. Article Number P 572 125 276  Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise  Always obtain signature of addressee or agent and <u>DATE DELIVERED</u> .
5. Signature - Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X <i>Martin Kewley</i>	
7. Date of Delivery NOV 10 1989	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to: Yates Petroleum Corp. 105 S. 4th Street Artesia, N. M. 88210  Txo / Directional Drilling Burton Flat Fed #1 WTK	4. Article Number P 572 125 278  Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise  Always obtain signature of addressee or agent and <u>DATE DELIVERED</u> .
5. Signature - Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X <i>Carl Hunt</i>	
7. Date of Delivery 11-10-89	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

# TXO

## PRODUCTION CORP.

415 WEST WALL, SUITE 900  
MIDLAND, TEXAS 79701-4468  
(915) 682-7992

October 13, 1989

Eddy Potash, Inc.  
P.O. Box 31  
Carlsbad, NM 88220

Attn: Mr. Jim Ryan

Dear Mr. Ryan:

We wish to notify your company that TXO Production Corp. is filing an amended Application for Permit to Drill a Strawn formation gas test to be located in the SE $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 11, T20S, R29E, Eddy County, New Mexico. From this surface location, the well is to be vertically drilled to below the potash ore zones and then directionally drilled in a southerly direction to bottom in the SE $\frac{1}{4}$ NW $\frac{1}{4}$  of Section 14 on Federal oil and gas lease NM-0506771.

We have been advised that your company is the owner of record of certain potash leases that are within one mile of the proposed well site. We respectfully request that you waive any objection you may have to the proposed well and so indicate by signing and returning one copy of this letter in the enclosed, stamped, self-addressed envelope. We have enclosed, for your information, a copy of the amended Application for Permit to Drill being filed with the Bureau of Land Management in Carlsbad.

Your favorable consideration of this request will be greatly appreciated.

Sincerely,



Robert F. Scott  
Dist. Safety & Environmental Coord.

RFS:llk  
89/10:1229  
CERTIFIED  
Enclosure

NO OBJECTION OFFERED  
EDDY POTASH, INC.

By: *Jim Ryan*

Date: 10/13/89

BEFORE EXAMINER-STOGNER	
OIL CONSERVATION DIVISION	
TXO	EXHIBIT NO. 8
FILE NO.	9831

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. 9831  
ORDER NO. R-9103

APPLICATION OF TXO PRODUCTION  
CORPORATION FOR DIRECTIONAL  
DRILLING AND AN UNORTHODOX GAS  
WELL LOCATION, EDDY COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on November 29, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 24th day of January, 1990, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

(2) The applicant, TXO Production Corporation, seeks authority to directionally drill its proposed Burton Flat Federal Well No. 1 from a surface location 900 feet from the South line and 1815 feet from the West line (Unit N) of Section 11, Township 20 South, Range 29 East, NMPM, Eddy County, New Mexico, in such a manner as to penetrate the top of the Undesignated East Burton Flat-Strawn Gas Pool at a point within 150 feet of a target point 2145 feet from the North line and 1815 feet from the West line and continue drilling in such a manner as to bottom the well at the base of the Strawn formation within 150 feet of a target point 2345 feet from the North line and 1815 feet from the West line, both in Section 14, Township 20 South, Range 29 East, NMPM, Eddy County, New Mexico, said bottomhole location being an unorthodox gas well location for said pool.

(3) The W/2 of said Section 14 is to be dedicated to the well forming a 320-acre gas spacing and proration unit for said pool.

Case No. 9831  
Order No. R-9103  
Page No. 2

(4) Only a small portion of the target zone at the bottom of the deviated wellbore is unorthodox, inasmuch as it is crowding the internal quarter section line.

(5) The Potash Area, governed under Division Order No. R-111-P, encompasses the proposed proration unit; however, the proposed surface location lies outside of this area and the proposed bottomhole location is within the designated Life-of-Mine Reserve (L.M.R.), as described by the United States Bureau of Land Management.

(6) The applicant is requesting directional drilling for the purposes of meeting the requirements of part G(e)(b) of said Order No. R-111-P which states that "a deep well shall be drilled no closer than one-half (1/2) mile from the L.M.R.)".

(7) No offset operator or interested party objected to the proposed directional drilling and unorthodox location.

(8) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the affected pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

(9) Approval of such application will afford the applicant the opportunity to produce its just and equitable share of the gas in the Pennsylvanian formation, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

(10) The applicant should be required to determine the subsurface location of the kick-off point in the wellbore prior to directional drilling and should subsequently be required to conduct an accurate wellbore survey during or upon completion of drilling operations from a kick-off point to total depth to determine its true depth and course.

(11) The applicant should be required to notify the supervisor of the Artesia district office of the Division of the date and time said directional surveys are to be conducted so that they may be witnessed. The applicant should further be required to provide a copy of said directional surveys to the Santa Fe and Artesia offices of the Division upon completion.

Case No. 9831  
Order No. R-9103  
Page No. 3

IT IS THEREFORE ORDERED THAT:

(1) The applicant, TXO Production Corporation, is hereby authorized to directionally drill its Burton Flat Federal Well No. 1 from a surface location 900 feet from the South line and 1815 feet from the West line (Unit N) of Section 11, Township 20 South, Range 29 East, NMPM, Eddy County, New Mexico, in such a manner as to penetrate the top of the Undesignated East Burton Flat-Strawn Gas Pool at a point within 150 feet of a target point 2145 feet from the North line and 1815 feet from the West line and continue drilling in such a manner as to bottom the well at the base of the Strawn formation within 150 feet of a target point 2345 feet from the North line and 1815 feet from the West line, both in Section 14, Township 20 South, Range 29 East, NMPM, Eddy County, New Mexico, said bottomhole location being an unorthodox gas well location for said pool.

PROVIDED HOWEVER THAT, prior to the above-described directional drilling, the applicant shall establish the location of the kick-off point by conducting a continuous multi-shot directional survey of the well.

PROVIDED FURTHER THAT, during or upon completion of directional drilling operations, the applicant shall conduct an accurate wellbore survey from the kick-off point to total depth in order that the subsurface bottomhole location, as well as the wellbore's true depth and course, may be determined.

(2) The applicant shall notify the supervisor of the Artesia district office of the Division of the date and time said wellbore surveys are to be conducted so that they may be witnessed. The applicant shall further provide a copy of said wellbore surveys to the Santa Fe and Artesia offices of the Division upon completion.

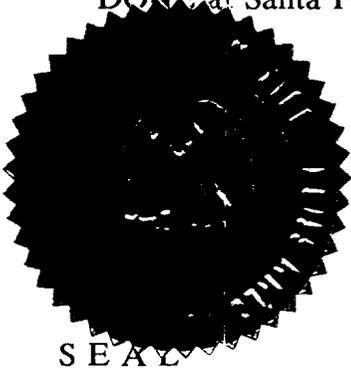
(3) Form C-105 shall be filed in accordance with Division Rule 1105 and the operator shall indicate thereon true vertical depth in addition to measured depths.

(4) The W/2 of said Section 14 shall be dedicated to the above-described well forming a 320-acre gas spacing and proration unit for said pool.

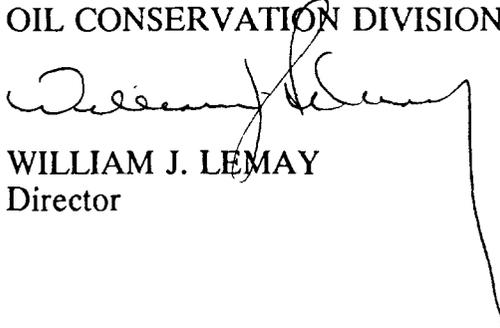
(5) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Case No. 9831  
Order No. R-9103  
Page No. 4

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



STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY  
Director