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Southland Royalty Company

October 11, 1979

CERTIFIED RETURN RECEIPT

Mr. Joe D. Ramey, Director
Energy and Minerals Department
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

RE: Southland Royalty Company
State "14-A" Com. No. 1
1320' FNL & 2300' FEL
Section 14
T-19-S. R-29-E
Eddy County, New Mexico

Dear Sir:

Your administrative approval is requested for an exception to Rule 104-F to drill the above 11,850' Morrow gas well at an unorthodox location caused by proximity to Amax Chemical Corporation potash mine. The entire proration unit that will be assigned to this well will be within a designated R-111 Potash Area.

The attached plat shows the location of the existing mined out area; this area having been "second mined". The well will be a vertically drilled hole with casing and all drilling procedures to conform to the R-111 Potash Area Rule. The plat indicated that the proposed well site will be 1000 feet horizontally from the nearest open mine workings.

Please refer to New Mexico Oil Conservation Division Case No. 6495 in which Amax Chemical Corporation has applied for extension of R-111 Potash Area and the "Stipulation" being filed concurrently with the NMOCD. Item 10(b) of the "Stipulation" sets out that a surface location in the SW/4 of NE/4 Section 14, T-19-S, R-29-E is satisfactory with Amax provided that it is not less than 1000 feet from open mine workings as determined by mine surveys and drilling surveys. Amax has conceded the non-existence of commercial potash in the area.

Southland Royalty Company is in agreement with Amax in that for reasons of mine safety, the well bore should not be located any closer than 1000 feet from an open mine working. The location as selected is considered optimum location to drain the gas