

HOLLAND & HART<sup>LLP</sup>



**Michael H. Feldewert**  
Recognized Specialist in the Area of  
Natural Resources - oil and gas law -  
New Mexico Board of Legal  
Specialization

mfeldewert@hollandhart.com

March 31, 2008

**VIA HAND DELIVERY**

Mark E. Fesmire, P. E., Director  
Oil Conservation Division  
N.M. Department of Energy,  
Minerals and Natural Resources  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

*Case 14116*

RECEIVED  
2008 MAR 31 AM 11:12

**Re: Application Of Fasken Oil & Ranch, Ltd., For An Order Authorizing  
An Additional Well In The "Potash Area" At An Unorthodox Well  
Location, Lea County, New Mexico.**

Dear Mr. Fesmire :

Enclosed is the Application of Fasken Oil & Ranch, Ltd. in the above-referenced case as well as a copy of a legal advertisement. Fasken requests that this application be placed on the docket for the May 1, 2008 Examiner hearings.

Sincerely,

Michael H. Feldewert

MHF  
Enclosure

**Holland & Hart<sup>LLP</sup>**

Phone [505] 988-4421 Fax [505] 983-6043 [www.hollandhart.com](http://www.hollandhart.com)

110 North Guadalupe Suite 1 Santa Fe, NM 87501 **Mailing Address** P.O. Box 2208 Santa Fe, NM 87504-2208

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

**RECEIVED  
2008 MAR 31 AM 11 12**

**APPLICATION OF FASKEN OIL &  
RANCH Ltd., FOR AN ORDER AUTHORIZING  
AN ADDITIONAL WELL IN THE "POTASH AREA"  
AT AN UNORTHODOX WELL LOCATION,  
LEA COUNTY, NEW MEXICO**

**CASE NO. 14116**

**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. 2 at an unorthodox well location in the SE/4 NW/4 (Unit F) of Section 16, Township 20 South, Range 32 East, NMPM, Lea County, New Mexico. In support of this application, Fasken states:

1. Under a Joint Operating Agreement, Fasken is the designated operator of the the W/2 of Section 16, T-20-S, R-32-E, subject to an oil and gas lease from the State of New Mexico (NM Lease No. VO-6707). 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. All of Section 16 is within the "Potash Area" as defined in Division Order R-111-P.

3. On May 18, 2007, Fasken submitted to the Division's district office an Application for Permit to Drill (form C-101) for its proposed Laguna "16" State Well No. 2. The application dedicated the W/2 of Section 16 to the proposed well, proposed to drill at a location 1930 FNL and 2030 FWL, and noted that the well is to be drilled as a Morrow gas well to a total depth of approximately 13,400 feet.

4. By letter dated June 7, 2007, the Division's district office informed Fasken that it had denied the application after receiving an objection to the proposed well from Intrepid Potash and determining that the proposed well is within a potash "buffer zone."

6. There are at least nineteen well bores in Section 16, many of which are located in the W/2 of Section 16, including the NW/4. In addition, there are at least four well bores in the S/2 S/2 of adjacent Section 19 to the north.

7. In September of 2003, the Division entered Order No. R-12031 dedicating the E/2 of Section 16 to the Laguna 16 Well No. 1. The Division's Order contains a number of findings concerning the extensive oil and gas development in Section 16, including the following:

(11) Before the hearing in this matter, the Division Examiner received a telephone message via recorded voice mail from IMC's representative stating that since the New Mexico State Land Office denied IMC's request for a potash lease in Section 16, IMC's status to object to Fasken's well had been "seriously eroded." This message was played at the hearing and made a part of the record in this matter.

(12) IMC did not appear at the hearing or present any evidence in this matter.

(13) Fasken presented evidence that it discussed its proposed well with Mississippi Potash and was informed that Mississippi Potash, Inc. has to plans to mine in Section 16 due to the extensive oil and gas development in the area. Mississippi Potash did not object to Fasken's proposed well and did not appear at the hearing.

(14) The evidence establishes that it is highly unlikely that commercial potash mining will take place in Section 16.

8. Intrepid Potash is the successor to IMC and does not hold any leasehold interest in Section 16.

9. 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 recoverable commercial potash reserves.

10. Fasken's request for approval of an unorthodox well location 2030 feet from the West line (610 feet from the adjoining E/2 spacing unit) is necessitated by surface conditions and will result in a well bore located nearer the existing well bores in the NW/4 than would occur under a standard gas well location.

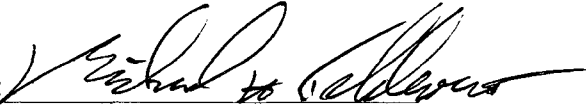
11. Approval of this application will afford Fasken the opportunity to produce its just and equitable share of hydrocarbons underlying state lands, will prevent waste and protect correlative rights.

12. Fasken has provided a copy of this application to the parties listed in Exhibit A.

WHEREFORE, Fasken requests that this application be set for hearing before an Examiner of the Oil Conservation Division on May 1, 2008, and that, after notice and hearing, the Division enter its order authorizing Fasken to drill its proposed Laguna "16" State Well No. 2 at an unorthodox location in the SE/4 NW/4 (Unit F) of Section 16, Township 20 South, Range 32 East.

Respectfully submitted,

HOLLAND & HART, LLP

By: 

Michael H. Feldewert  
Post Office Box 2208  
Santa Fe, New Mexico 87504  
(505) 988-4421  
(505) 983-6043 Facsimile

**ATTORNEYS FOR  
FASKEN OIL & RANCH, LTD.**

CASE 14116 :

**Application of Fasken Oil & Ranch Ltd for an order authorizing the drilling of an additional well at an unorthodox location in the "Potash Area," Lea County, New Mexico.** Applicant seeks an order authorizing the drilling of it proposed Laguna "16" State Well No. 2 at an unorthodox gas well location in the SE/4 NE/4 (Unit F) of Section 16, Township 20 South, Range 32 East. The W/2 of said Section 16 is to be dedicated to this proposed well. Said location is located within the "Potash Area" as defined by Division Order R-111-P and is approximately 2 miles northwest of Halfway, New Mexico.

**EXHIBIT A**

**APPLICATION OF FASKEN OIL & RANCH Ltd., FOR AN ORDER AUTHORIZING  
AN ADDITIONAL WELL IN THE "POTASH AREA" AT AN UNORTHODOX WELL  
LOCATION, LEA COUNTY, NEW MEXICO**

Mosaic Potash Company  
Post Office Box 71  
Carlsbad, New Mexico 88221-0071

Jeff Albers  
State of New Mexico  
Commissioner of Public Lands  
Post Office Box 1148  
Santa Fe, New Mexico 87504-1148

Ms. Katie Keller  
The Intrepid Companies  
Attention: Land Department  
700 17th Street, Suite 1700  
Denver, Colorado 80202

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mfeldewert@hollandhart.com

March 31, 2008

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

Ms. Katie Keller  
The Intrepid Companies  
Attention: Land Department  
700 17th Street, Suite 1700  
Denver, Colorado 80202

**Re: Application Of Fasken Oil & Ranch, Ltd., For An Order Authorizing  
An Additional Well In The "Potash Area" At An Unorthodox Well  
Location, Lea County, New Mexico.**

Ladies and Gentlemen:

This letter is to advise you that Fasken Oil & Ranch, Ltd. has filed the enclosed application with the New Mexico Oil Conservation Division seeking approval of a non-standard spacing unit.

This application has been set for hearing before a Division Examiner on May 1, 2008 at 8:15 a.m. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Pre-Hearing Statement with the Oil Conservation Division's Santa Fe office located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505, four days in advance of a scheduled hearing, but at least on the Thursday preceding the hearing. This statement must include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Sincerely,

Michael H. Feldewert

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**RETURN RECEIPT REQUESTED**

Mosaic Potash Company  
Post Office Box 71  
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