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June 10, 1987

HAND DELIVERED
RECEIVED

JUN 10 1987

OIL CONSERVATION DIVISION

Bill Lemay, Director
New Mexico Oil Conservation Division
New Mexico State Land Office Bldg.
Santa Fe, New Mexico 87501

Re: Case Nos. 9148 and 9158 : Application of Texaco
Producing, Inc.

Dear Mr. Lemay:

In accordance with your letter of June 2, 1987, Texaco Producing, Inc. submits the following: (1) Statement of Issues (2) Identification of Witnesses, and (3) Identification of Exhibits. Also enclosed is a list of Stipulated Issues agreed to with Charles High, attorney for the opponents.

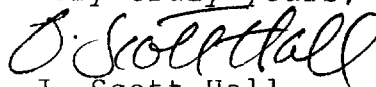
Texaco Producing, Inc. (Texaco), summarizes its case as follows:

Texaco has the right to drill wells at its two proposed locations in the Potash-Oil area, subject to approval of the NMOCD and OCC. The proposed wells will likely be capable of producing oil and gas in paying quantities, the royalties from which will be payable to the Commissioner of Public Lands. The drilling and producing of the wells at the proposed locations will have little or no effect on potash mining in the area. Texaco believes that the likelihood of potash ever being mined from near the well locations is slight. In any event, the value of recoverable hydrocarbons greatly exceeds the value of economically recoverable potash reserves affected, if any.

Texaco will also show it has attempted to accommodate and compromise with the potash leaseholders, but that those efforts have been unsuccessful. Other locations are not practicable due to increased geologic risks and topographic limitations.

I estimate applicants direct case can be completed in one-half day. Of course, the time required for cross-examination cannot be anticipated.

Very truly yours,


J. Scott Hall

JSH/dmg

cc: Charles High, Esq.
John Seeman

BEFORE THE
OIL CONSERVATION COMMISSION
DEPARTMENT OF ENERGY AND MINERALS

RECEIVED

JUN 10 1967

OIL CONSERVATION DIVISION

APPLICATION OF TEXACO PRODUCING, INC.
FOR PERMITS TO DRILL IN POTASH-OIL
AREA, EDDY COUNTY, NEW MEXICO

Case No. 9148
Case No. 9158

STATEMENT OF ISSUES
TEXACO PRODUCING, INC.

1. Texaco Producing, Inc. has the right to drill on Section 16, T-23 S, R-30 E, N.M.P.M., Eddy County, New Mexico at locations 2310' FNL and 1980' FWL and 2310' FNL and FEL. The right to drill is subject to the approval of the New Mexico Oil Conservation Division and Oil Conservation Commission.

2. The Wells proposed by Texaco Producing, Inc. at both proposed locations will likely be commercially successful.

3. Compliance with the casing, cementing and completion requirements of NMOCD Order No. R-111A is adequate to protect the safety of the underground potash mining operations in the area.

4. Locations other than those proposed by Texaco Producing, Inc. are infeasible due to: (1) increased geologic risks and, (2) topographic limitations.

5. The directional drilling of wells from a surface location near the Skelly State Forty-Niner Ridge Unit No. 1 Well is not practicable.

6. The drilling and completion of the wells at the locations proposed by Texaco Producing, Inc. will not result in the loss of significant potash reserves.

7. The value of hydrocarbon reserves likely to be produced from wells drilled and completed at the proposed locations exceeds the value of potash reserves to be lost, if any.

8. The likelihood that the Potash reserves underlying Section 16 will ever be mined is slight.

9. Royalties from production from the proposed wells will be received by the State of New Mexico.

10. Unless Texaco Producing, Inc. is allowed to implement its drilling and development plan on its State Lease, it is threatened with the elimination of those lands from the Forty-Niner Ridge Unit participating area.

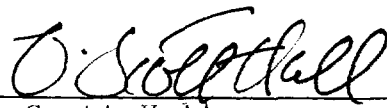
11. Approval of both applications for permits to drill are necessary for the prevention of waste, the protection of correlative rights and is otherwise in the interest of conservation.

12. Texaco Producing, Inc. requires approval of its applications on an expedited basis in order to avoid the irreparable harm which would result from the loss of valuable property interests.

Respectfully submitted:

CAMPBELL & BLACK

By


J. Scott Hall
P.O. Box 2208
Santa Fe, New Mexico 87504-2208
(505) 988-4421

Attorneys for Texaco Producing, Inc.

BEFORE THE
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Case No. 9148
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CERTIFICATE OF SERVICE

I hereby certify that I mailed a copy of the foregoing
pleading to Charles High, Esq. on this 10th day of June, 1987.

Respectfully submitted:

CAMPBELL & BLACK

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J. Scott Hall
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IDENTIFICATION OF EXHIBITS
TEXACO PRODUCING, INC.

Unit Operating Agreement, Forty Niner Ridge Unit, Eddy County,
New Mexico

State of New Mexico Oil and Gas Lease No. E-5229 (and all
pertinent assignments)

State of New Mexico Potassium Lease No. M-19794 (and all
pertinent applications, assignments and amendments)

Surface plat with locations and ownership

Geologic plat

Engineering plat

Wellbore schematics showing casing and cement program

Blow-out preventer diagram

Topographic map

1984 Bureau of Land Management/USGS Map of Potash Producing Areas

State Land Office Approval: March 24, 1987 plan of development,
Forty Nine Ridge Unit

Correspondence and invoicing concerning production and royalty
payments, potash leases M-19794 and M-2618-2, New Mexico State
Land Office

Demand for development, New Mexico State Land Office, March 5,
1987

Tabulations of potash reserves and hydrocarbon reserves

Core log information, Lease M-19749

Copies of Service of Notice, OCC Cases 9148 and 9158

Texaco Producing, Inc. also reserves the right to introduce exhibits from documents subpoenaed from the opponents but which have not yet been produced for inspection. Texaco Producing, Inc. may introduce additional exhibits of its own that are not yet identified.

Respectfully submitted:

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By J. Scott Hall
J. Scott Hall
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to Charles High, Esq. on this
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J. Scott Hall
J. Scott Hall

BEFORE THE
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IDENTIFICATION OF WITNESSES
FOR
TEXACO PRODUCING, INC.

1. Russell Pool
Petroleum Engineer
2. Banker Cade
Petroleum Engineer
3. Tom Bryla
Landman
4. Terry McCance
Geologist
5. John Seeman
Petroleum Engineer
6. Consulting Mining Engineer

Texaco Producing, Inc. also reserves the right to call any
or all of the witnesses identified or called by the opponents.

Respectfully submitted:

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