

"Decretory Paragraph C. (4) provides that "the Division's District Supervisor may waive the requirements of Section D and F (dealing with drilling, casing and plugging) which are more rigorous than the general rules upon satisfactory showing that a location is outside the Life of the Mine Reserves (LMR) and surrounding buffer zone as defined hereinbelow and that no commercial potash reserves will be unduly diminished."

(12) According to applicant's testimony, exceptions to the requirement for salt protection casing strings were routinely approved by the United States Bureau of Land Management (BLM) on Federal lands until recently at which time BLM advised the applicant that concurrent OCD approval would be required.

(13) Exceptions to the requirement for salt protection casing strings have been approved by the BLM for approximately ten wells within Section 9, and exceptions have previously been granted by the OCD (Division Order No. R-10122 issued in Case No. 10858 on May 31, 1994) for nine wells located in Section 4, Township 20 South, Range 33 East, NMPM.

(14) According to applicant's evidence, eight wells have been drilled within Sections 9 and 16 with salt protection casing strings, however, according to applicant's testimony, exceptions for these wells were not requested.

(15) The applicant's geologic and reservoir engineering evidence demonstrated that:

- (a) it is likely that wells drilled within the proposed "excepted area" will encounter oil and gas production within the Upper Yates portion of the West Teas Yates-Seven Rivers Pool;
- (b) the expected average ultimate recovery for wells drilled and completed in the Upper Yates portion of the West Teas Yates-Seven Rivers Pool ranges from approximately 20,000-70,000 barrels of oil per well;
- (c) the total cost of a well drilled with the salt protection casing string would be approximately \$226,000. The total cost of a well drilled without the salt protection casing string would be approximately \$162,000.