

(10) Section 4 is not located within an "LMR" or a buffer zone as defined by Order R-111-P.

(11) The nearest potash mine (New Mexico Potash) is approximately five miles southwest of Section 4.

(12) Of the ten wells which have been drilled in Section 9, Township 20 South, Range 33 East, NMPM, to the West Teas Yates-Seven Rivers Pool, nine of those wells have been authorized to be drilled without the salt protection string. Two of those wells, the Stevens & Tull, Inc. Federal "9" Well Nos. 3 and 5, are located only 330 feet from the southern boundary of Section 4.

(13) Mitchell's correlative rights will be impaired because they will be at a competitive disadvantage with other operators in this pool unless they are granted a waiver of the "salt protection string."

(14) Mitchell's geologic and reservoir engineering evidence demonstrated that:

- (a) based upon conventional geologic investigation utilizing cross sections, structure map, isopachs, there is a reasonable scientific probability that the proposed well locations are a geologically logical extension of the north end of the Yates formation of the West Teas Yates-Seven Rivers Pool;
- (b) the expected average ultimate recovery for all wells which have produced from the Yates formation of the pool is approximately 63,000 barrels of oil;
- (c) the total cost of a well with the salt protection string but without the external-casing packer would be \$341,000 and with an external-casing packer but without the salt protection string would be \$290,500;
- (d) the deletion of the salt protection string results in almost doubling the discount profitability index for this project and directly affects the economic viability of this project;
- (e) the deletion of the salt protection string significantly improves Mitchell's opportunity to drill these wells and to recover oil that might otherwise be lost or subject to drainage;

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