

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

**APPLICATION OF FAE II OPERATING, LLC
FOR APPROVAL OF A WATERFLOOD
PROJECT AND TO QUALIFY THE PROJECT
FOR THE RECOVERED OIL TAX RATE,
LEA COUNTY, NEW MEXICO**

Case No. 21118

**FAE II OPERATING, LLC'S
PRE-HEARING STATEMENT**

FAE II Operating, LLC ("FAE") submits its Pre-Hearing Statement pursuant to the rules of the Oil Conservation Division.

APPEARANCES

FAE is the applicant in this case. Its business address is 11757 Katy Freeway, Suite 1000, Houston, TX 77079. FAE is represented by the undersigned counsel.

STATEMENT OF THE CASE

FAE requests an order authorizing it to implement the Arnott Ramsay Waterflood Project ("Project") by injecting produced water into the Seven Rivers formation for secondary recovery. The Project will be located on State lands, and the Project area will include 640 acres, more or less, comprised of Section 32, Township 25 South, Range 37 East in Lea County. FAE also requests approval to qualify the project for the recovered oil tax rate under the Enhanced Oil Recovery Act, NMSA 1978, § 7-29A-1 *et seq.* and 19.15.6 NMAC.

To implement the Project, FAE proposes to convert its Arnott Ramsay NCT-B #11 well from a producer to an injector. The well is located in Unit L in Section 32, Township 25 South, Range 37 East in Lea County. The proposed injection interval is located in the Seven Rivers formation at a depth of approximately 3,170 to 3,290 feet, and the proposed maximum injection

rate is 800 barrels per day at a maximum injection pressure of 634 psi. Pending results of a Step-Rate Test, maximum injection pressure may increase.

FAE also proposes to drill and complete the following new injection wells within the Project area: (a) Arnott Ramsay NCT-B #14 well, which will be located in Unit D in Section 32, Township 25 South, Range 37 East; (b) Arnott Ramsay NCT-B #15 well, which will be located in Unit E in Section 32, Township 25 South, Range 37 East; (c) Arnott Ramsay NCT-B #16 well, which will be located in Unit G in Section 32, Township 25 South, Range 37 East; (d) Arnott Ramsay NCT-B #17 well, which will be located in Unit J in Section 32, Township 25 South, Range 37 East; (e) Arnott Ramsay NCT-B #18 well, which will be located in Unit C in Section 32, Township 25 South, Range 37 East; and (f) Arnott Ramsay NCT-B #19 well, which will be located in Unit I in Section 32, Township 25 South, Range 37 East. The proposed injection intervals are located in the Seven Rivers formation at depths of approximately 3,050 to 3,300 feet, and the proposed maximum injection rates are 800 barrels per day at a maximum injection pressure of 610 to 620 psi, depending on the depth of the well. Pending results of Step-Rate Tests, maximum injection pressures may increase.

FAE also requests that, pursuant to 19.15.26.8.F(5), NMAC, the Division permit FAE to obtain administrative approval of additional injection wells within the Project area without the necessity of additional hearings.

The creation and operation of the Project will serve the interests of conservation, the protection of correlative rights, and the prevention of waste.

PROPOSED EVIDENCE

<u>WITNESS</u>	<u>ESTIMATED TIME</u>	<u>EXHIBITS</u>
Huxley Song (Engineer)	20 minutes	Approximately 6
Jessica LaMarro (Geologist)	15 minutes	Approximately 6
Kevin Woolley (Landman)	15 minutes	Approximately 6

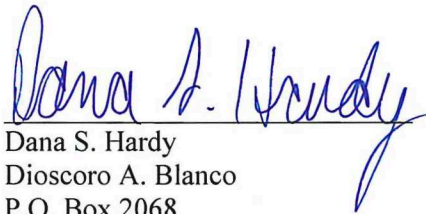
FAE reserves the right to call a rebuttal witness(es) if appropriate.

PROCEDURAL MATTERS

FAE is not aware of any procedural matters to be resolved prior to the hearing.

Respectfully submitted,

HINKLE SHANOR, LLP



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