

September 15, 2011

William C. Scott  
505.848.1824  
Fax: 505.449.2024  
bscott@modrall.com

**VIA HAND DELIVERY**

Ms. Florene Davidson, Commission Clerk  
Oil Conservation Commission  
1220 South St. Francis Drive  
Santa Fe, NM 87505

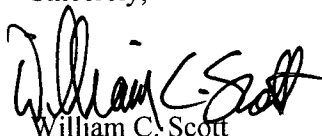
Re: In the Matter of the Hearing Called by the Oil Conservation Division  
For the Purpose of Considering Application of Targa Midstream Services,  
Limited Partnership to Amend Order No. R-13052  
Case No. 14161

Dear Ms. Davidson:

With this letter, I am forwarding to you six (6) copies of the Pre-Hearing Statement of Targa Midstream Services Limited Partnership, *n/k/a* Targa Midstream Services LLC, together with the supporting exhibits.

Please feel free to raise any questions you may have.

Sincerely,

  
William C. Scott

WCS/ndm  
Enclosures

Cc: Gabrielle Gerholt (w/encls.)  
James Bruce (w/encls.)

K:\dox\client\83265\0004\W1550870.DOCX

Modrall Sperling  
Roehl Harris & Sisk P.A.

Bank of America Centre  
500 Fourth Street NW  
Suite 1000  
Albuquerque,  
New Mexico 87102

PO Box 2168  
Albuquerque,  
New Mexico 87103-2168

Tel: 505.848.1800  
www.modrall.com

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

2011 SEP 15 P 4: 06

**IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING APPLICATION OF  
TARGA MIDSTREAM SERVICES,  
LIMITED PARTNERSHIP TO AMEND  
ORDER NO. R-13052**

**CASE NO. 14161**

**PRE-HEARING STATEMENT OF  
TARGA MIDSTREAM SERVICES LIMITED PARTNERSHIP**

In accordance with 19.15.4.13.B, NMAC Targa Midstream Services Limited Partnership *n/k/a* Targa Midstream Services LLC ("Targa") hereby submits its Pre-Hearing Statement.

1. Name of Party and Party's Attorney: The Party initiating this proceeding is Targa Midstream Services LLC. Modrall, Sperling, Roehl, Harris & Sisk, P.A. (William C. Scott) is counsel for the applicant.

2. Concise Statement of the Case: Through its Application to Amend Order No. R-13052 (the "Application"), Targa seeks to amend the Oil Conservation Division's November 18, 2008 Order No. R-13052 to (1) delete the requirement to re-enter and re-plug NMGSAU Well No. 285 (API 30-025-12481), and (2) retain the Graham State NCT-F Well No. 7 (API 30-025-12482) as an active saltwater disposal well into the San Andres formation per Oil Conservation Division Order Nos. SWD-561 and SWD-561-A. Specifically, Targa will demonstrate that:

a. Between February 24, 2011 and May 19, 2011, Targa made diligent and repeated efforts to re-enter the NMGSAU Well No. 285. Targa was able to drill out the NMGSAU Well No. 285 to a depth of approximately 4,100 feet but, despite repeated efforts over a period of 3 months, was unable to drill out the plug at approximately 4,100 feet or to re-enter

the well below that depth. *See* Ex. 1. Upon completion of its efforts to re-enter the NMGSAU Well No. 285, Targa set a plug from 3800 to 4250 feet. Examination of the well records for the NMGSAU Well No. 285 demonstrates that the plugs in that well were set shortly after the well was drilled by the drilling rig and are of good quality. *See* Ex. 2.

b. Targa has conducted an examination of the well data for the Monument AGI No. 1 Well to determine whether material injected into the Monument AGI No. 1 Well would be likely to migrate from the Monument AGI No. 1 Well to the NMGSAU Well No. 285. The well logs for the Monument AGI No. 1 Well, *see* Ex. 3, demonstrate that there are no resistive fractures, faults, or micro-faults and that the drilling induced fractures follow the NE to SW orientation. Those logs further establish that the average dip and that the natural fractures follow a NE to SW orientation. That orientation is cross-gradient to the NMGSAU Well No. 285, demonstrating that the materials injected in the Monument AGI No. 1 Well will follow the path of the fractures, in a direction 90° away from the NMGSAU No. 285 well. *See* Ex. 4. Thus, any materials injected into the Monument AGI No. 1 Well would unlikely impact the NMGSAU Well No. 285.

c. Further, Targa has conducted an examination of all wells within a one mile radius of the NMGSAU Well No. 285 to determine whether any well bores within that one-mile radius could potentially be impacted if injected material from the Monument AGI No. 1 Well were ever to reach the NMGSAU Well No. 285. That analysis identified 6 wells having depths between 6,000 feet and 8,200 feet (the "One Mile Radius Wells"). *See* Exs. 5, 6 & 7. As described above, given that the materials injected in the Monument AGI No. 1 Well will follow the NE to SW orientation of the fractures, and would thus move in a direction 90° away from the NMGSAU No. 285 well, it is unlikely that injected materials from the Monument AGI No. 1

Well would reach the NMGSAU No. 285 well. Even if injected materials did reach and enter the NMGSAU No. 285 well bore, the existing plugs in the NMGSAU No. 285 well appear to be adequate to prevent further migration from that well. Even if those plugs proved inadequate, the injected material would then have to migrate between 3500 and 5330 feet to reach the One Mile Radius Wells. A review of the well files for those wells, *see* Ex. 8, reveals that all 6 wells have good casing and good cement. Thus, it is unlikely that those wells could be impacted in the unlikely event of future communication between the Monument AGI No.1 and NMGSAU No. 285 wells.

d. Targa desires to keep the Graham State NCT-F Well No. 7 (API 30-025-12482) as an active saltwater disposal well into the San Andres formation per Division Order Nos. SWD-561 and SWD-561-A for back up water disposal from the plant in the event the Monument AGI well is down. Moreover, keeping the Graham State well active and available would allow Targa to divert waters that might cause operational problems for the Monument AGI well, such as produced water containing oil carry-over. No acid gas would be injected into the Graham State NCT-F Well No. 7.

e. In accordance with the Commission's notice requirements, Targa furnished notice to all operators within a one-mile radius of the wellbore of the proposed Monument AGI well. *See* Exs. 9 & 10.

3. Names of Witnesses: Targa anticipates calling the following witnesses to testify at the hearing:

- a. Mike Pierce. Mr. Pierce is the President of Peak Consulting Services and is an expert geologist.
- b. Clark White, Vice President, Targa Midstream Services LLC.

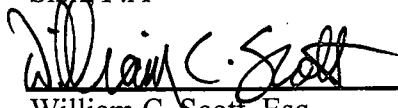
c. Cal Wrangham, Manager of Environmental Health and Safety, or Kim Peterson, or James Lignau of Targa Midstream Services LLC.

4. Approximate Time Needed to Present Case: Targa anticipates that it will need approximately three quarters of an hour (45 minutes) to present its main case and fifteen (15) minutes for any rebuttal.

5. Procedural Matters to be Resolved Prior to Hearing: None.

6. Exhibits: Targa has attached to this statement as Exhibits 1 through 10, the current copies of the Exhibits it proposes to offer in evidence at the hearing. Targa also intends to rely upon the Application and supporting exhibits already on file with the Commission. Targa has not attached a complete copy of the Application and supporting documents to this Pre-Hearing Statement given that those documents are already on file with the Commission.

MODRALL, SPERLING, ROEHL, HARRIS &  
SISK, P.A.



William C. Scott, Esq.  
Attorneys for Applicant Targa Midstream  
Services LLC  
500 Fourth Street  
Suite 1000  
Albuquerque, NM 87102  
(505) 848-1824 – Tel.  
(505) 848-8710 – Fax

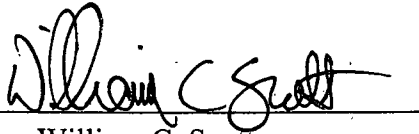
**CERTIFICATE OF SERVICE**

WE HEREBY CERTIFY that a true and correct copy of the foregoing Pre-Hearing Statement was served by electronic mail and hand delivery on this 15 day of September, 2011 to:

Gabrielle Gerholt  
Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505  
(505) 476-3462 – Facsimile

James Bruce  
P.O. Box 1056  
Santa Fe, New Mexico 87504-1056  
(505) 982-2151 -- Facsimile

MODRALL, SPERLING, ROEHL,  
HARRIS & SISK, P.A.

By:   
William C. Scott