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AUG 14 P 3:09

August 14, 2013

Ms. Jami Bailey, Director  
NM Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87501

**Hand-Delivered**

**Re: NMOCD Case No. 15036: Application of Capstone Natural Resources LLC  
for Reinstatement of Authorization to Inject for Waterflood Project  
Operations, Eddy County, New Mexico**

Dear Ms. Bailey:

On behalf of Capstone Natural Resources LLC ("Capstone"), enclosed for filing is an original and one copy of Capstone's Pre-Hearing Statement in the above-referenced case.

Thank you.

Very truly yours,

Karen Williams  
Assistant to J. Scott Hall

:kw  
Enclosure

493875

**REPLY TO:**

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

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**APPLICATION OF CAPSTONE NATURAL  
RESOURCES LLC FOR REINSTATEMENT  
OF AUTHORIZATION TO INJECT FOR  
WATERFLOOD PROJECT OPERATIONS,  
EDDY COUNTY, NEW MEXICO**

**Case No. 15036**

**PRE-HEARING STATEMENT**

Capstone Natural Resources LLC ("Capstone") provides this Pre-Hearing Statement as required by the rules of the Division.

**APPEARANCES**

**APPLICANT**

Capstone Natural Resources LLC

**APPLICANT'S ATTORNEY**

J. Scott Hall  
Montgomery & Andrews  
P.O. Box 2307  
Santa Fe, NM 87504-2307  
(505) 982-3873

**OTHER PARTY**

N.A.

**OTHER PARTY'S ATTORNEY**

**STATEMENT OF THE CASE**

**APPLICANT**

Applicant seeks an order authorizing the injection of water in the San Andres formation, Grayburg-Jackson-San Andres Pool (28509), for its Lea "C" Waterflood project comprised of Section 11, Township 17 South, Range 31 East through the following wells:

Lea "C" Federal Well No. 4

API No. 30-015-05132  
1980' FSL and 1980' FWL (Unit J)  
Section 11  
T-17-S, R-31-E, NMPM

Lea "C" Federal Well No. 7

API No. 30-015-20627  
1980' FNL and 1980' FWL (Unit F)  
Section 11  
T-17-S, R-31-E, NMPM

Lea "C" Federal Well No. 15

API No. 30-015-20706  
1980' FNL and 660' FEL (Unit H)  
Section 11  
T-17-S, R-31-E, NMPM

Applicant proposes to support production from its project area by converting the three wells and utilizing them for injection of water through a closed system into the Grayburg and San Andres members through perforations at depths of 3,407 to 3,682' (Grayburg) and 3,700 to 4,014 or open hole (San Andres), respectively. Injection operations through the wells will be conducted at the previously authorized maximum injection pressures of 662 to 672 psi or as may be permitted by the Division. Applicant proposes injection of water at rates of between 200 to 300 bbls per day.

**PROPOSED EVIDENCE**

APPLICANT

WITNESSES

Sherman Hyatt (Petroleum Engineer)

EST. TIME

30 min.

EXHIBITS

3

OPPONENT

WITNESSES

EST. TIME


EXHIBITS

**PROCEDURAL MATTERS**

The Bureau of Land Management Carlsbad Field Office has requested the Applicant to provide additional information regarding the waterflood project. It is not known at this time whether the BLM plans to attend the hearing on the Application in this matter.

Montgomery and Andrews, P. A.

By:



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shall@montand.com  
Attorneys for Capstone Natural Resources LLC

**Certificate of Service**

I hereby certify that a true and correct copy of the foregoing was served to counsel of record by electronic mail this \_\_\_\_ day of \_\_\_\_, 2013.

N.A.