

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION FOR THE PURPOSE OF
CONSIDERING:

APPLICATION OF NEARBURG EXPLORATION
COMPANY, LLC FOR TWO NON-STANDARD
GAS SPACING AND PRORATION UNITS,
LEA COUNTY, NEW MEXICO

CASE NO. 12622 (~~DE~~ **NOVO**)

OIL CONSERVATION COM.
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APPLICATION OF THE OIL CONSERVATION
DIVISION FOR AN ORDER CREATING AND
EXTENDING CERTAIN POOLS,
LEA COUNTY, NEW MEXICO

CASE NO. 12908

PRE-HEARING STATEMENT

This prehearing statement is submitted by Applicant, Raptor Natural Pipeline, LLC as required by the Oil Conservation Commission.

APPEARANCES OF PARTIES

OPPOSITION
OF OTHER PARTIES
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STATEMENT OF CASE

APPLICANT

In Case No. 12622, Nearburg Exploration Company, LLC seeks an exception to well spacing and acreage dedication requirements of Rule 104.C(2) to create two 160-acre non-standard proration units located in the NE/4 and SE/4 of Section 34, T-21-S, R-34-E, respectively, within the East Grama Ridge Morrow Gas Pool. Nearburg has been unable to dedicate an otherwise standard N/2 laydown spacing and proration unit in the well for the reason that the NW/4 of Section 34 is in a separate pool, the Grama Ridge Morrow Gas Pool. Similarly, Nearburg contends that it has been unable to dedicate an E/2 standup unit to the well due to the location of the EOG Resources, Inc. Llano "34" State No. 1 well, also a Morrow formation well, located in the SE/4 of Section 34.

In Case No. 12908-A, a nomenclature proceeding brought at the instance of Nearburg Exploration Company, LLC, it is proposed that the pool boundaries of the Grama Ridge Morrow Gas Pool be extended one-half section to the east to include the entirety of Section 34 while simultaneously contracting the western boundary of the East Grama Ridge Morrow Gas Pool to eliminate those same lands. Should the boundaries of those respective pools be so revised, Nearburg would be able to dedicate either a N/2 or E/2 spacing and proration unit to its well.

OPPOSITION OR OTHER PARTY

Raptor Natural Pipeline LLC is the Unit Operator of the Grama Ridge Morrow Gas Storage Unit utilized for the purposes of the injection, storage and withdrawal of gas in the Unitized Formation consisting of those Morrow formation sands encountered between log depths of 12,722' and 13,208' in the Shell Oil Company State GRA Well No. 1, located 1,980' from the north line and 660' from the west line, Section 3, T-22-S, R-34-E, NMPM, in Lea County, New Mexico.

The Unit, as originally approved by the Division on January 29, 1973, pursuant to Order No. R-4473, and as subsequently amended, unitized the above-referenced interval of the Morrow Formation underlying the following lands:

T-21-S, R-34-E

Section 33: All

Section 34: All

T-22-S, R-34-E

Section 3: All

Section 4: All

Section 10: All

Unit operations originally began in 1964 as a conventional production unit authorized by the Division, under Order No. R-2792. In 1973, the Division, by Order No. R-4491, authorized the conversion of the Unit from primary recovery to gas storage pursuant to a three-phase plan consisting first of pilot pressure testing to determine the limits of the Morrow reservoir, followed by the installation of permanent compression equipment and fill-up operations, and subsequently, by installation of additional compression to facilitate fill-up to 2,500 psig surface pressure.

In 1979, in Case No. 6557, the Commission issued Order No. R-6050, creating the East Grama Ridge-Morrow Gas Pool in the area. In Order No. R-6050, the Division found that the Morrow producing interval in the area does not constitute a broad, continuous producing body, but instead is composed of numerous and separate isolated sand bodies. Subsequently, in Case No. 8088, the Commission found, in Order No. R-7582 that the boundaries of the Grama Ridge Storage Reservoir could not be precisely determined. The issuance of Order No. R-7582 in Case No. 8088 was precipitated by the proposed location of the L&B Oil Company Federal Well No. 1 at a location 660' from the south line and 1,980' from the east line of Section 5, T22S, R34E NMPM, directly offsetting the Grama Ridge Morrow Gas Storage Unit. At the instance of the Unit Operator, then Llano, Inc., the Commission ordered L&B Oil Company to permit Llano to run an RFT log in the Federal Well No. 1 in order to establish the pressure in each Morrow stringer and thereby determine if the well was in communication with the gas storage project. The Commission further ordered L&B Oil Company to provide Llano with certain information on the Federal Well No. 1, including drilling data, time, weight, bit changes, *etc.*; copies of drill stem tests; mud log information; samples or drilling cuttings; and copies of the CNL-FDC porosity log or equivalent porosity log. L&B was further ordered to delay running casing into the well until Llano had the opportunity to run the RFT log. Order No. R-7582 finally prohibited L&B Oil Company from producing gas from those Morrow stringers that the RFT log data showed as having pressure similar to Llano's gas storage project.

In 2000, Nearburg Exploration Company LLC drilled and completed its Nearburg East Grama Ridge Morrow State 34 No. 1 well within the horizontal limits of the Unit at a location approximately 990' from the east line and 1,548' from the north line of Section 34, T-21-S, R-34-E NMPM, Lea County, New Mexico. The Nearburg East Grama Ridge Morrow State 34 No.

1 well was also drilled to a total depth and completed within the vertical limits of the structural equivalent of the Unitized Formation.

To date, Raptor has taken the position that based on current data made available to it, it appears that the Nearburg East Grama Ridge Morrow State 34 No. 1 well has not adversely affected Unit Operations, although the possibility of actual communication with the Unitized Formation cannot be precluded with absolute certainty. The known geologic and engineering evidence indicates that the exact boundaries of the storage reservoir still cannot be precisely determined. Moreover, it appears that the precise location of faults in the area and the apparent boundary or boundaries between the storage reservoir and the East Grama Ridge Morrow Gas Pool continues to be uncertain. The elicitation of additional data in the future may subsequently cause Raptor to change its position.

Due to these concerns, and in view of the potential additional drilling and development within the horizontal limits of the Unit Area which may result in wells being completed in Morrow Formation reservoirs that are in communication with that portion of the formation dedicated to the Grama Ridge Morrow Gas Storage Unit, Raptor made application to the Division in Case Nos. 12588 and 12441 for the adoption of Special Project Rules establishing new advance notification, casing, cementing and completion requirements for new drills and recompletions in the vicinity of the Unit. Those Special Project Rules were adopted by the Division on September 3, 2001 in Order No. R-11611.

The primary purpose of Raptor's appearance in these consolidated proceedings is to see that the integrity and safe operation of the Gas Storage Unit is ensured and that its correlative rights, specifically its rights in the injected gas stored in the reservoir, are protected. As evidence is provided in this proceeding, and as future production, pressure and other relevant data may

subsequently become available, Raptor reserves the right to seek further relief from the Division as it may deem appropriate.

PROPOSED EVIDENCE

APPLICANT

WITNESSES

EST. TIME

EXHIBITS

(Name and expertise)

OPPOSITION

WITNESSES

EST. TIME

EXHIBITS

(Name and expertise)

Raptor Natural Pipeline LLC does not plan on presenting witness testimony at this time.

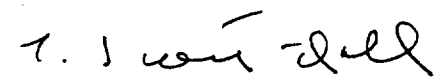
PROCEDURAL MATTERS

(Please identify any procedural matters which need to be resolved prior to the hearing)

Raptor Natural Pipeline LLC has questioned the adequacy of notice in this proceeding.

MILLER, STRATVERT & TORGERSON, P.A.

By: _____

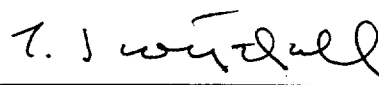

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CERTIFICATE OF SERVICE

I hereby certify that on the 4 day of September, 2002, a copy of the foregoing pleading was forwarded to:

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