

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

**APPLICATION OF FAE II OPERATING, LLC FOR
APPROVAL OF AN ENHANCED OIL RECOVERY
PROJECT AND TO QUALIFY THE PROJECT FOR
THE RECOVERED OIL TAX RATE,
LEA COUNTY, NEW MEXICO.**

CASE NO. 24605

**APPLICATION OF FAE II OPERATING, LLC
FOR STATUTORY UNITIZATION,
LEA COUNTY, NEW MEXICO.**

CASE NO. 24606

PRE-HEARING STATEMENT

This Pre-hearing Statement is submitted by FAE II Operating, LLC by and through its undersigned counsel, Ernest L. Padilla, PADILLA LAW FIRM, P.A., as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT:

FAE II Operating, LLC

ATTORNEY:

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OPPOSITION OR OTHER PARTY:

OXY USA, Inc., OXY USA WTP
LP, and Kerr McGee Oil & Gas
Onshore, LP

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STATEMENT OF CASE

Applicant is a working interest owner in the proposed North Jal Unit (the "Unit Area"), which comprises 3,154.37 acres of the following federal, state, and fee lands located in Lea County, New Mexico.

The captioned Application for Statutory Unitization is brought pursuant to the Statutory Unitization Act, NMSA 1978, Sections 70-7-1 to -21, and the rules of the Oil Conservation Division. FAE also applies for an order approving an enhanced oil recovery project (secondary and tertiary recovery) in the North Jal Unit Area, by the injection of water and gas into the Yates-Seven Rivers-Queen formation, in wells located on approximately 3,154.37 acres that include the following federal, state, and fee lands located in Lea County, New Mexico:

Township 24 South, Range 36 East, N.M.P.M.

Section 25: S/2
Section 26: E2SE
Section 35: E2NE
Section 36: ALL

Township 24 South, Range 37 East, N.M.P.M.

Section 19: E/2
Section 20: SW/4, SWNW
Section 29: W/2
Section 30: NE/4, S/2
Section 31: N2NW

Township 25 South, Range 36 East, N.M.P.M.

Section 1: All

The "Unitized Formation" is defined as: "That interval underlying the Unit Area, the vertical limits of which extended from an upper limit described as the top of the Yates Formation to a lower limit at the base of the Queen Formation; the geologic markers having been previously found to occur at 2,879 feet and 3,691 feet, respectively, in Skelly Oil Company's Sherrill No. 7 well (later renamed the Langlie Jal Unit #017) API #30-025-11301, located 1,980 feet FSL and 1,930 feet FEL of Section 31, T-24-S, R-37-E, Lea County, New Mexico) as recorded on the Frontier Perforators, Inc., Gamma Ray-Neutron log run on September 1, 1957 and measured from a Kelly Bushing elevation of 3,241 feet above sea level".

The plan of unitization for the Unit Area is embodied in the Unit Agreement. The plan of unitization is fair, reasonable, and equitable, and the participation formula contained therein allocates the produced and saved hydrocarbons to the separately owned tracts in the Unit Area on a fair, reasonable, and equitable basis.

The operating plan for the Unit Area, establishing the manner in which the Unit Area will be supervised and managed, and costs allocated and paid, is contained in the Unit Operating Agreement.

FAE also requests that the enhanced oil recovery project be qualified for the recovered oil tax rate, pursuant to the Enhanced Oil Recovery Act, NMSA 1978, Sections 7-29A-1 to -5, and New Mexico Oil Conservation Division regulations.

FAE proposes to institute an enhanced oil recovery project (secondary and tertiary recovery) in the Unit Area through the injection of water and gas (natural gas and/or carbon dioxide).

Applicant proposes to initially inject water into the Yates – Seven Rivers – Queen formations through the following wells:

Existing Langlie Mattix; Seven Rivers – Queen Wells to be Converted to Injection

API NUMBER: 30-025-25608 Well: CITIES THOMAS #3 Location: 24S-37E Sec 19 Footages:660 FEL 2310 FNL	API NUMBER: 30-025-25755 Well: ADELE SOWELL #2 Location: 24S-37E Sec 19 Footages:660 FEL 1650 FSL
API NUMBER: 30-025-25630 Well: ADELE SOWELL #1 Location: 24S-37E Sec 19 Footages:990 FEL 330 FSL	API NUMBER: 30-025-26437 Well: KIMMY #3 Location: 24S-37E Sec 29 Footages:330 FWL 1650 FSL
API NUMBER: 30-025-33881 Well: C D WOOLWORTH #10 Location: 24S-37E Sec 30 Footages:2630 FEL 1400 FSL	

Proposed New Drill Injection Wells

Well: FLUOR HARRISON #2 Location: 24S-37E Sec 20 Footages:1158 FSL 1136 FWL	Well: KIMMY #5 Location: 24S-37E Sec 29 Footages:201 FNL 1120 FWL
Well: KIMMY #6 Location: 24S-37E Sec 29 Footages:1085 FSL 1299 FWL	Well: JACK B 30 #5 Location: 24S-37E Sec 30 Footages:1030 FNL 1416 FEL

Well: JACK B 30 #6 Location: 24S-37E Sec 30 Footages:1348 FNL 250 FEL	Well: JACK B 30 #7 Location: 24S-37E Sec 30 Footages:2320 FNL 248 FEL
Well: JACK B 30 #8 Location: 24S-37E Sec 30 Footages:2523 FNL 1340 FEL	Well: C D WOOLWORTH #12 Location: 24S-37E Sec 30 Footages:1461 FSL 1210 FEL
Well: C D WOOLWORTH #13 Location: 24S-37E Sec 30 Footages:1323 FSL 1212 FWL	Well: C D WOOLWORTH #14 Location: 24S-37E Sec 30 Footages:109 FSL 1249 FWL

PROPOSED EVIDENCE

WITNESSES		EST. TIME	EXHIBITS
Name	Title	Exhibits	
Joseph Kent	Landman	Self-Affirmed Statements 30 minutes	
Charles Hooper	Geologist	Self-Affirmed Statements 30 minutes	
Vanessa Heal	Reservoir Engineer	Self-Affirmed Statements 30 minutes	

PROCEDURAL MATTERS

None

PADILLA LAW FIRM, P.A.

/s/ Ernest L. Padilla

Ernest L. Padilla

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Pre-Hearing Statement was served by e-mail to the following listed below on this 22nd day of August, 2024:

Michael H. Felderwert
Adam G. Rankin
Paula M. Vance

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State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

QUESTIONS

Action 376443

QUESTIONS

Operator: FAE II Operating LLC 11757 Katy Freeway, Suite 725 Houston, TX 77079	OGRID: 329326
	Action Number: 376443
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

QUESTIONS

Testimony	
<i>Please assist us by provide the following information about your testimony.</i>	
Number of witnesses	<i>Not answered.</i>
Testimony time (in minutes)	<i>Not answered.</i>