

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

**APPLICATION OF FAE II OPERATING, LLC FOR
PRE-APPROVAL OF DOWNHOLE COMMINGLING
OF PRODUCTION FROM THE YATES, SEVEN
RIVERS, QUEEN, AND GRAYBURG FORMATIONS
ON AN AREA-WIDE BASIS, LEA COUNTY, NEW
MEXICO.**

CASE NO. 22919

PRE-HEARING STATEMENT

FAE II, LLC (“FAE” or “Applicant”) submits its Pre-Hearing Statement pursuant to the rules of the Oil Conservation Division.

APPLICANT

FAE II, LLC

ATTORNEYS

Dana S. Hardy
Jaclyn McLean
Jeremy Ian Martin
Hinkle Shanor LLP
P.O. Box 2068
Santa Fe, NM 87504-2068
Phone: (505) 982-4554
dhardy@hinklelawfirm.com
jmclean@hinklelawfirm.com
jmartin@hinklelawfirm.com

INTERESTED PARTIES

COG Operating LLC and ConocoPhillips

ATTORNEYS

Ocean Munds-Dry
Elizabeth Ryan
Joby Rittenhouse
1048 Paseo de Peralta
Santa Fe, NM 87501
Phone: (505) 780-8000
Ocean.munds-dry@conocophillips.com
Beth.ryan@conocophillips.com
Joby.rittenhouse@conocophillips.com

STATEMENT OF THE CASE

In accordance with 19.15.12.11(D) NMAC, FAE applies for an order pre-approving downhole commingling of production from the Yates, Seven Rivers, Queen, and Grayburg formations on an area-wide basis in Lea County that includes: Township 20 South, Ranges 36 and 37 East; Township 21 South, Ranges 35 and 36 East; Township 22 South, Ranges 35 and 36 East; Township 23 South, Ranges 35, 36, and 37 East; Township 24 South, Ranges 36 and 37 East; Township 25 South, Ranges 36 and 37 East; and Township 26 South, Range 37 East (“Commingling Area”). As shown on the State A A/C #116 well log (API #30-025-28396), the approximate intervals of the Yates, Seven Rivers, Queen, and Grayburg formations within the Commingling Area are: Yates – 3119’ to 3315’; Seven Rivers – 3315’ to 3740’; Queen – 3740’ to 4020’; and Grayburg – 4020’ to 4363.’

FAE currently operates approximately 600 oil wells in the Commingling Area that produce from the Yates, Seven Rivers, Queen, and Grayburg formations. The pools from which these wells produce, and that FAE seeks to commingle, are:

YATES

Code	Pool Name
22800	EUMONT;YATES-7 RVRS-QUEEN (OIL)
33820	JALMAT;TAN-YATES-7 RVRS (OIL)
52250	RHODES;YATES-SEVEN RIVERS
53770	SAN SIMON;YATES
53790	SAN SIMON;YATES, NORTH (ASSOC)
55560	SCARBOROUGH;YATES-SEVEN RIVERS
56610	SIOUX;TANSILL-YATES-SEVEN RIVERS
64600	WILSON;YATES-SEVEN RIVERS (ASSOC)
76480	EUMONT;YATES-7 RVRS-QUEEN (GAS)
79240	JALMAT;TAN-YATES-7 RVRS (GAS)
83810	RHODES;YATES-SEVEN RIVERS (GAS)
96090	SWD;YATES
96141	SWD;YATES-SEVEN RIVERS
96397	SAN SIMON;YATES, WEST
97726	URSSEY TANK;YATES-SEVEN RIVERS

SEVEN RIVERS

Code	Pool Name
22800	EUMONT;YATES-7 RVRS-QUEEN (OIL)
24130	EUNICE;SEVEN RIVERS-QUEEN, SOUTH
33820	JALMAT;TAN-YATES-7 RVRS (OIL)
37240	LANGLIE MATTIX;7 RVRS-Q-GRAYBURG
52250	RHODES;YATES-SEVEN RIVERS
55560	SCARBOROUGH;YATES-SEVEN RIVERS
64600	WILSON;YATES-SEVEN RIVERS (ASSOC)
76480	EUMONT;YATES-7 RVRS-QUEEN (GAS)
79240	JALMAT;TAN-YATES-7 RVRS (GAS)
83810	RHODES;YATES-SEVEN RIVERS (GAS)
96131	SWD;SEVEN RIVERS
96132	SWD;SEVEN RIVERS-QUEEN
96141	SWD;YATES-SEVEN RIVERS
96981	WSW;SEVEN RIVERS
97726	URSSEY TANK;YATES-SEVEN RIVERS

QUEEN

Code	Pool Name
18810	DOLLARHIDE;QUEEN
22800	EUMONT;YATES-7 RVRS-QUEEN (OIL)
24130	EUNICE;SEVEN RIVERS-QUEEN, SOUTH
37240	LANGLIE MATTIX;7 RVRS-Q-GRAYBURG
38760	LEONARD;QUEEN, SOUTH
76480	EUMONT;YATES-7 RVRS-QUEEN (GAS)
96117	SWD;QUEEN
96132	SWD;SEVEN RIVERS-QUEEN
97447	SWD;QUEEN-GRAYBURG-SAN ANDRES

GRAYBURG

Code	Pool Name
03040	ARROWHEAD;GRAYBURG
23000	EUNICE MONUMENT;GRAYBURG-SAN ANDRES
37240	LANGLIE MATTIX;7 RVRS-Q-GRAYBURG
50350	PENROSE SKELLY;GRAYBURG
57380	SKAGGS;GRAYBURG
96108	SWD;GRAYBURG
96111	SWD;GRAYBURG-SAN ANDRES-GLORIETA
97447	SWD;QUEEN-GRAYBURG-SAN ANDRES
97518	ARROWHEAD;GRAYBURG, SOUTHWEST
97564	ARROWHEAD;GRAYBURG, SOUTH

The Division routinely administratively approves the downhole commingling of production from the Yates, Seven Rivers, Queen, and Grayburg formations in the above pools within the Commingling Area. In accordance with Division Rule 19.15.12.11(A) NMAC, FAE will establish that:

- a) The fluids from each pool are compatible and combining the fluids will not damage the pools.
- b) The commingling will not jeopardize the efficiency of present or future secondary recovery operations in the pools to be commingled.
- c) The bottom perforation of the lower zone is within 150 percent of the depth of the top perforation in the upper zone and the lower zone is at or below normal pressure with normal pressure assumed to be 0.433 psi per foot of depth.
- d) The commingling will not result in the permanent loss of reserves due to cross-flow in the well bore.
- e) Fluid-sensitive formations that may be subject to damage from water or other produced liquids are protected from contact with the liquids produced from other pools in the well.
- f) If any of the pools being commingled is prorated, or the well's production has been restricted by division order in any manner, the allocated production from each producing pool in the commingled well bore shall not exceed the top oil or gas allowable rate for a well in that pool or rate restriction applicable to the well.
- g) The commingling will not reduce the value of the total remaining production.

h) Correlative rights will not be violated.

FAE will also provide: the data required by Form C-107-A; a list of the names and addresses of operators in the pools; previous orders authorizing commingling for the pools and area; and a map showing the location of wells in the pools or area that identifies wells that have been approved for commingling.

There is sufficient data within the Yates, Seven Rivers, Queen, and Grayburg formations within the Commingling Area to support the granting of exceptions from the criteria required by Rule 19.15.12.11(A) or as set forth on Form C-107-A. Pre-approval of downhole commingling of production from the Yates, Seven Rivers, Queen, and Grayburg formations on an area-wide basis is in the best interest of conservation, the prevention of waste and the protection of correlative rights.

PROPOSED EVIDENCE

Witness	Occupation	Estimated Time	Exhibits
Steven Lehrbass	Landman	10 minutes	Approx. 2
Charles Hooper	Geologist	20 minutes	Approx. 9
Vanessa Neal	Engineer	20 minutes	Approx. 4

PROCEDURAL MATTERS

Applicant will present its case by affidavit if there is no opposition to its application. However, FAE’s witnesses will be available for questions.

Respectfully submitted,

HINKLE SHANOR, LLP

/s/ Dana S. Hardy
Dana S. Hardy
Jaclyn McLean
Jeremy Ian Martin
P.O. Box 2068
Santa Fe, NM 87504-2068

Phone: (505) 982-4554
Facsimile: (505) 982-8623
dhardy@hinklelawfirm.com
jmclean@hinklelawfirm.com
jmartin@hinklelawfirm.com
Counsel for FAE II, LLC

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Pre-Hearing Statement was sent to the following counsel of record by electronic mail on June 30, 2022.

Ocean Munds-Dry
Elizabeth Ryan
Joby Rittenhouse
1048 Paseo de Peralta
Santa Fe, NM 87501
Phone: (505) 780-8000
Ocean.munds-dry@conocophillips.com
Beth.ryan@conocophillips.com
Joby.rittenhouse@conocophillips.com
Counsel for COG Operating, LLC and ConocoPhillips

Dana S. Hardy

District I
 1625 N. French Dr., Hobbs, NM 88240
 Phone:(575) 393-6161 Fax:(575) 393-0720

District II
 811 S. First St., Artesia, NM 88210
 Phone:(575) 748-1283 Fax:(575) 748-9720

District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 Phone:(505) 334-6178 Fax:(505) 334-6170

District IV
 1220 S. St Francis Dr., Santa Fe, NM 87505
 Phone:(505) 476-3470 Fax:(505) 476-3462

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

QUESTIONS

Action 122042

QUESTIONS

Operator: FAE II Operating LLC 11757 Katy Freeway, Suite 725 Houston, TX 77079	OGRID: 329326
	Action Number: 122042
	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>