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March 4, 2005

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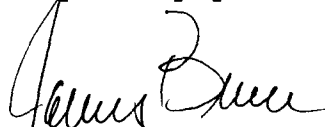
Mark E. Fesmire, P.E.
Director
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Case No. 13,351 (Edge Petroleum Exploration Company)

Dear Mr. Fesmire:

Enclosed, with respect to Tuesday's de novo hearing, are (a) five copies of applicant's pre-hearing statement, and (b) five sets of applicant's exhibits.

Very truly yours,



James Bruce

Attorney for Edge Petroleum Exploration Company

cc: William F. Carr w/encls.

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION 2005 MAR 4 PM 3 56

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

APPLICATION OF EDGE PETROLEUM
EXPLORATION COMPANY TO RESTRICT
THE EFFECT OF THE SPECIAL RULES
AND REGULATIONS FOR THE DOS
HERMANOS-MORROW GAS POOL, EDDY
COUNTY, NEW MEXICO.

Case No. 13,351 (de novo)
Order No. R-3022-C

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Edge Petroleum
Exploration Company as required by the Oil Conservation Commission.

APPEARANCES

APPLICANT

Edge Petroleum Exploration Company
Suite 2000
1301 Travis
Houston, Texas 77002

Attention: Jeff Sikora
(713) 427-8843

APPLICANT'S ATTORNEY

James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
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OPPONENT

V-F Petroleum, Inc.

OPPONENT'S ATTORNEY

William F. Carr

STATEMENT OF THE CASE

APPLICANT

The Dos Hermanos-Morrow Gas Pool (the "Pool") currently encompasses
Sections 21, 22, 27, and 28, Township 20 South, Range 30 East,
NMPM. The Pool has special rules which provide for 640 acre
spacing, one well per spacing unit, and wells to be located no
closer than 1650 feet to the outer boundary of a section.

Applicant Edge Petroleum Exploration Company ("Edge") owns a
working interest in the N½ of Section 29, adjoining the Pool, and
desires to develop the N½ of Section 29 on a 320 acre basis (on
statewide rules).

Edge applied to the Division for an order limiting the effect of the special pool rules to the current Pool boundaries (Sections 21, 22, 27, and 28). The Division, in its order, found that: (1) there are three other Morrow pools in 20S-30E which are spaced and developed on statewide rules (i.e., 320 acre well units, with wells to be no closer than 660 feet to the outer boundary of a quarter section). **Finding Paragraph (11)**; and (2) developing the Morrow formation in the twelve sections adjoining the Pool on 320 spacing is proper. **Finding Paragraph (20)**.

The order then went on to:

(a) grant Edge's application, limiting the effect of the special rules for the Pool to Sections 21, 22, 27, and 28. **Ordering Paragraph (1)**;

(b) provide for wells in the Morrow formation in the twelve sections adjoining the Pool to be developed on 320 spacing, with wells to be no closer than 660 feet to a quarter section line nor closer than 10 feet to a quarter-quarter section line, provided that if a well is closer than 1650 feet to the Pool, an application must be filed with the Division, and notice be given to the affected operator(s) in the Pool. **Ordering Paragraph (2)**; and

(c) deny Edge's "application" to drill a well 660 feet from the north and east lines of Section 29, and requiring Edge to drill its well 1650 feet from the north and east lines of Section 29. **Ordering Paragraph (3)**.

The evidence will show that the common source of supply in the Morrow formation in this township is no different than in other Morrow pools in southeast New Mexico, and all acreage outside of the four sections currently in the Pool should be spaced and drilled on statewide rules. Therefore, there is no need for any special provisions for sections adjoining the Pool,¹ and Ordering Paragraph (2) must be deleted from the order.

In addition, Edge never applied for a location 660 feet from the north and east lines of Section 29. Thus, Ordering Paragraph (3) is improper because it was not within the scope of the application, and must be deleted from the order.

Moreover, by requiring Edge to drill its well 1650 feet from the north and east lines of Section 29, the Division has created four

¹ Edge does not object to the continuation of 640 acre spacing within the four sections comprising the Pool, in order to avoid any adverse effect on equities in current production. However, Edge notes that only Section 21 has any production.

sets of rules for the Pool and the sections adjoining the Pool:

(i) 640 acre spacing (with 1650 foot setbacks) in the four sections within the Pool;²

(ii) 320 acre spacing (with 660 foot setbacks) in the adjoining twelve sections if an operator in the Pool does not object to the location;

(iii) 320 acre spacing (with 1650 foot setbacks) in the adjoining twelve sections if an operator in the Pool does object to the location; and

(iv) 320 acre spacing with 1650 foot setbacks only for Edge's proposed well in the N¼ of Section 29.³

The Division's order is improper and illogical, considering the Division found that the Morrow formation in this township is no different from other Morrow pools in southeast New Mexico. As a result, the Division's order should be amended by deleting Ordering Paragraphs (2) and (3).

OPPONENT

PROPOSED EVIDENCE

APPLICANT

<u>WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
Howard Creasey (geologist)	30 min.	Approx. 6
Jim Keisling (engineer)	30 min.	Approx. 4

² It is Edge's position that wells within the Pool should be allowed to be drilled on statewide setbacks (660 feet from a quarter section line).

³ This was done allegedly to protect V-F Petroleum, Inc.'s ("V-F's") newly drilled well in the SW¼ of Section 21. However, any effect that Edge's proposed well would have on Section 21 is minimal: Drainage, if any, would not be limited solely to Section 21. In addition, V-F drilled its well in Section 21 at its geologically preferred location, and made a good well, so it is difficult to see how V-F will be adversely affected.

OPPONENT

WITNESSES

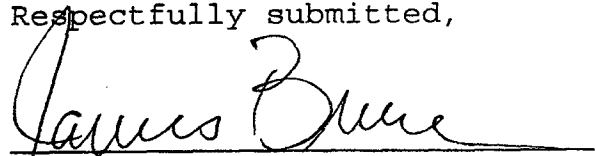
EST. TIME

EXHIBITS

PROCEDURAL MATTERS

-None-

Respectfully submitted,




James Bruce
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(505) 982-2043

Attorney for Edge Petroleum
Exploration Company

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon the following counsel of record via hand delivery this 4th day of March, 2005:

William F. Carr
Holland & Hart LLP
Suite 1
110 North Guadalupe
Santa Fe, New Mexico 87501


James Bruce