

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

2006 NOV 22 PM 12 11

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF HEARING:**

**APPLICATION OF RANGE OPERATING NEW MEXICO, INC.
TO INCREASE THE GOR TO 10,000 CUBIC FEET OF GAS
PER BARREL OF OIL PRODUCED FOR THE SOUTHWEST
EUNICE-SAN ANDRES POOL
EDDY COUNTY, NEW MEXICO**

CASE 13820

PRE-HEARING STATEMENT

Range Operating New Mexico, Inc. submits this pre-hearing statement as required by the New Mexico Oil Conservation Division.

APPEARANCES OF THE PARTIES

APPLICANT

Range Operating New Mexico, Inc.
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Attn: Robert Ebeier
817-870-2601

ATTORNEY

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OPPONENTS

ATTORNEY

STATEMENT OF THE CASE

APPLICANT:

Range Operating New Mexico, Inc. ("Range") seeks an order from the New Mexico Oil Conservation Division to amend the Special rules for the Southwest Eunice-San Andres Pool to increase the gas-oil-ratio from 5,000 to 10,000 cubic feet of gas per barrel of oil produced.

Range's will evidence to demonstrate that:

(1) Range is the largest operator in the Southwest Eunice-San Andres having 39 wells of the 60 wells in the pool as of June 1, 2006. With Range's active drilling program in the locale, these numbers continue to increase. See Exhibit B attached to its application.

(2) By Order R-6766, dated September 10, 1980, in Case 6861, the Division, without explanation, provided for a gas-oil ratio limitation of 5000 cubic feet of gas per barrel of oil produced from the Southwest Eunice-San Andres Pool.

(3) The Southwest Eunice San Andres pool wells are GOR restricted relative to those offset pool wells being produced at an overall 10,000 GOR.

(a) In a San Andres only well, the daily basis top allowable for gas is 80 BOPD x 5000 GOR = 400 MCF/D.

(b) In a Grayburg only well, the daily basis top allowable for gas is 80 BOPD x 10,000 GOR = 800 MCF/D.

(4) Range is experiencing an economic disadvantage and further drilling and development is being discouraged.

(5) There no longer continues to be any material benefit to conserving the energy in the reservoir-pool by limiting the GOR to 5,000 to one:

(a) Numerous wells are commingled with production from the Grayburg pool with a 10,000 GOR and the San Andres pool with a 5,000 GOR.

(b) The Grayburg and San Andres are adjacent geologic horizons. It is common to have wells perforated and stimulated in both the Grayburg and the San Andres wherein the production is commingled. Due to the close proximity these horizons, it is likely these horizons are communicated by stimulation particularly when either horizon is frac'd.

- (c) The efficiency of oil and gas recovery from an oil well with a high water-cut is made practical and economic by the use of a rod-pump or ESP (electric submersible pump). The overall gas-liquid ratio becomes an important factor even over the GOR to keep the well working fluid level down so as to produce both oil and gas at higher daily rates.
- (d) Considering correlative rights for mineral and royalty owners in those wells having only San Andres ownership and production compared to the 10,000 GOR Limit in the Grayburg, the 5,000 GOR Limit is disadvantage on withdrawal rates thus the revenue generated on behalf of all ownership.
- (e) Using bottom hole pressures measured in the Cole State # 17 (10/31/05 upon initial completion 343 psi @ 3905') and the Greenwood # 22 (8/18/05 upon initial completion 580 psi at 3938'), the San Andres dolomite is partially depleted and highly compartmentalized from the complex geologic deposition. These two new wells with the San Andres test data plotted illustrate the producing character of this reservoir. Two additional new wells, the Federal "2-17" #4 (San Andres only) and the Cole State #19 (both Grayburg and San Andres) show typical production from these horizons.

(5) The Southwest Eunice-San Andres Pool currently includes the following acreage:

Township 22 South, Range 37 East
 Sec. 4: W/2; W/2 of SE/4
 Sec. 5: E/2
 Sec. 6: SE/4; NW/4 of NE/4; SE/4 of NE/4
 Sec. 7: NE/4
 Sec. 8: E/2; S/2 of NW/4; N/2 of SW/4
 Sec. 9: W/2; SE/4; S/2 of NE/4
 Sec. 15: NW/4; S/2 of NE/4
 Sec. 16: All
 Sec. 17: E/2; NW/4; N/2 of SW/4
 Sec. 18: E/2

This pool boundary and the wells dedicated to the pool are located on the plat attached to its application.

(6) By owning San Andres horizon rights and not the Grayburg horizon rights, Range is restricted to a 5,000 GOR in the following areas of the Southwest Eunice San Andres Pool:

Sec 6: SW/4SE/4
 Sec 7: NE/4NE/4
 Sec 9: S/2
 Sec 17: NE/4NW/4 & SW/4NE/4
 Sec 18: SE/4

(7) Currently available reservoir production performance and geologic evidence demonstrates that the gas-oil-ratio can be increased in this pool to a maximum of 10,000 cubic feet of gas per barrel of oil without causing waste recoverable hydrocarbons, reservoir energy or resulting in the impairment of correlative rights.

(8) The operators within the pool and the operators of San Andres wells within one mile of the outer boundary of this pool were notice of this application.

PROPOSED EVIDENCE

APPLICANT

WITNESSES	EST. TIME	EST. EXHIBITS
Robert Ebeier (Land)	20 min.	@ 10 exhibits
Russ Hensley (PE)	30 min	@ 8
Martin Emery, geologist	20 min	@ 8

PROCEDURAL MATTERS

None

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CERTIFICATE OF SERVICE

I certify that on November 22, 2006, I served a copy of the foregoing documents by:

- US Mail, postage prepaid
- Hand Delivery
- Facsimile

to the following:

Gail MacQuesten, Esq.
Attorney for OCD



W/Thomas Kellahin