

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

**APPLICATION OF MELROSE OPERATING COMPANY
TO EXPAND ITS ARTIESIA UNIT WATERFLLOOD
PROJECT AND AMEND DIVISION ADMINISTRATIVE
ORDER WFX-768, EDDY COUNTY, NEW MEXICO**

CASE 12709

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Melrose Operating Company ("Melrose") as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

Melrose Operating Company
P. O. Box 953
Midland, Texas 79702
attn: Anne Ritchie
915-684-6381

ATTORNEY

W. Thomas Kellahin
KELLAHIN & KELLAHIN
Santa Fe, NM 87504
(505) 982-4285

STATEMENT OF THE CASE

(1) Melrose is the current operator of the Artesia Unit Waterflood Project which is approved by the Division for water injection into the Queen, Grayburg and San Andres formations of the Artesia Queen-Grayburg-San Andres Pool. See Division Orders No. R-2869, R-2876, R-3311, R-3494, R-4027 and Administrative Orders WFX-733 and WFX-768.

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(2) The Project Area contains approximately 2240 acres with approximately 16 injection wells and approximately 35 producing wells within portions of Sections 25, 26, 34, 35, 36 of Township 17 South, Range 28 East and Sections 2 and 3 of Township 18 South, Range 28 East, NMPM.

(3) Melrose seeks to expand its Artesia Unit Waterflood project and amend Division Administrative Order WFX-768, Eddy County, New Mexico. Applicant seeks approval to inject water into the Queen, Grayburg and San Andres formations of the Artesia Queen-Grayburg-San Andres Pool in the following injection wells:

Unit Well No. 2. 330 feet FSL & 330 feet FWL, Section 26, T17S, R28E
Unit Well No. 3. 330 feet FSL & 1750 feet FWL, Section 26, T17S, R28E
Unit Well No. 10. 330 feet FNL & 1950 feet FWL, Section 35, T17S, R28E
Unit Well No. 11. 360 feet FNL & 360 feet FWL, Section 35, T17S, R28E
Unit Well No. 12. 1980 feet FNL & 660 feet FWL, Section 35, T17S, R28E
Unit Well No. 13. 1980 feet FNL & 1980 feet FWL, Section 35, T17S, R28E
Unit Well No. 16. 1980 feet FNL & 660 feet FWL, Section 36, T17S, R28E
Unit Well No. 18. 1980 feet FSL & 1980 feet FWL, Section 36, T17S, R28E
Unit Well No. 19. 1980 feet FSL & 660 feet FWL, Section 36, T17S, R28E
Unit Well No. 22. 1980 feet FSL & 1980 feet FWL, Section 35, T17S, R28E
Unit Well No. 23. 1980 feet FSL & 660 feet FWL, Section 35, T17S, R28E
Unit Well No. 28. 990 feet FEL & 330 feet FSL, Section 35, T17S, R28E
Unit Well No. 44. 1980 feet FNL & 1070 feet FWL, Section 3, T17S, R28E
Unit Well No. 46. 2310 feet FNL & 2267 feet FWL, Section 3, T18S, R28E
Unit Well No. 54. 1654 feet FSL & 2272 feet FWL, Section 3, T18S, R28E
Unit Well No. 57. 1570 feet FSL & 1070 feet FWL, Section 3, T18S, R28E

(4) The Division orders applicable in the project area are as follows:

(1) Artesia Unit

OCD Order R-2869 dated February 11, 1965
OCD Order R-2876 dated March 5, 1965
OCD Order R-3311 dated September 11, 1967
OCD Order R-3494 dated September 12, 1968
OCD Order R-4027 dated September 10, 1970
OCD Administrative Order WFX-733 dated March 4, 1998
OCD Administrative Order WFX-768 dated November 28, 2000

(5) Division form C-108 has been submitted and applicant believes there are no problem wells within the area of review.

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PROPOSED EVIDENCE

APPLICANT

WITNESSES

EST. TIME EXHIBITS

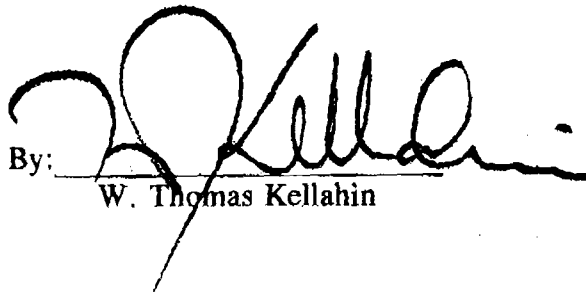
Tony Beilman (petroleum engineer)	20 min.	@ 5
Robert Lee (petroleum engineer)	30-45 Min.	@ 6
Ann Ritchie (land)	10 min.	@ 3

PROCEDURAL MATTERS

None

KELLAHIN AND KELLAHIN

By:



W. Thomas Kellahin