

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

**APPLICATION OF OXY USA INC. TO
AMEND ORDER NO. R-22101 TO EXPAND
THE APPROVED CLOSED LOOP GAS
CAPTURE INJECTION PILOT PROJECT
AREA, ADD ADDITIONAL INJECTION
WELLS, INCREASE THE MAXIMUM
ALLOWABLE SURFACE INJECTION
PRESSURE, EXTEND THE PILOT
PROJECT FOR TWO YEARS, AND
DISMISS ORDER NO. R-22102, LEA
COUNTY, NEW MEXICO.**

CASE NO. 23427

OXY'S PRE-HEARING STATEMENT

OXY USA Inc. ("Oxy") (OGRID No. 16696) submits this Pre-Hearing Statement, pursuant to the rules of the Oil Conservation Division.

APPEARANCES

APPLICANT

OXY USA Inc.

ATTORNEY

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OTHER PARTIES

None

APPLICANT'S STATEMENT OF THE CASE

OXY seeks an order amending Order No. R-22101 to (1) expand the approved closed loop gas capture injection project area; (2) authorize eleven additional injection wells for intermittent, temporary produced gas injection within the Bone Spring formation; (3) increase the authorized maximum allowable surface injection pressure from 1,200 psi to 1,300 psi; and (4) extend the pilot project, and all deadlines under Order No. R-22101, for an additional two years from issuance of an order in this case. All other terms and provisions in Order No. R-22101 are proposed remain unchanged. Because the proposed expansion of the pilot project area in Order No. R-22101 includes the project area and wells authorized for injection in Order No. R-22102, OXY seeks to dismiss Order No. R-22102.

The Division approved Order No. R-22101 on April 6, 2022, authorizing OXY to engage in a closed loop gas capture injection pilot project ("pilot project") for intermittent and temporary injection of produced natural gas into the Bone Spring formation in the Red Tank; Bone Spring, East Pool (Pool Code 51687), within a 1,280-acre, more or less, project area (the "Avogato" project) comprised of all of Sections 30 and 31, Township 22 South, Range 33 East, NMPM, Lea County, New Mexico.

Separately, the Division approved Order No. R-22102 on April 6, 2022, authorizing OXY to engage in a closed loop gas capture injection pilot project for intermittent and temporary injection of produced natural gas into the Bone Spring formation in the Red Tank; Bone Spring, East Pool (Pool Code 51687), within a 320-acre, more or less, project area (the "Taco Cat" project) consisting of the W/2 W/2 of Sections 27 and 34, Township 22 South, Range 32 East, NMPM, Lea County, New Mexico.

Following issuance of Order Nos. R-22101 and R-22102, OXY's Avogato and Taco Cat gas gathering networks were combined to improve operational efficiency. The Division issued a new gas surface commingling permit, PLC-835-A, authorizing surface commingling of gas within both systems. In addition, OXY is planning development of additional horizontal wells in this area.

An expanded project area and authorization to inject through additional closed loop gas capture injection wells will increase OXY's capacity to occasionally inject produced natural gas to help prevent waste and reduce adverse impacts from temporary interruptions of gas pipeline capacity.

Because OXY has combined its Avogato and Taco Cat gas gathering systems and is seeking additional closed loop gas capture injection capacity, it now seeks to amend Order No. R-22101 to address these system changes and add wells authorized for injection.

OXY proposes to expand the Avogato project area to include all the existing Taco Cat project area, as well as the E/2 E/2 of Sections 27 and 34, Township 22 South, Range 32 East. See **Exhibit A** at 6. The new expanded project area is proposed to comprise approximately 1,920 acres, more or less, consisting of the following, non-contiguous lands:

Township 22 South, Range 32 East

Section 27	W/2
Section 34	W/2

Township 22 South, Range 33 East

Section 30	All
Section 31	All

As part of the expansion, OXY also seeks authority to occasionally inject produced gas authorized for commingling under PLC-835-A into the Bone Spring formation [Red Tank; Bone Spring, East Pool (Pool Code 51687)] through the wells previously authorized under Order Nos. R-22101 and R-22102, as well as the following additional wells:

- **Taco Cat 27-34 Federal Com #21H well** (API No. 30-025-44934), with a surface location NW/4 NW/4 (Unit D) in Section 27, and a bottom hole location SW/4 SW/4 (Unit M) in Section 34;
- **Red Tank 30 31 State Com #24Y** (API No. 30-025-44161) with a surface location NE/4 NE/4 (Unit A) in Section 30, and a bottom hole location SE/4 SE/4 (Unit P) in Section 31;
- **Red Tank 30 31 State Com #14H** (API No. 30-025-44193) with a surface location NE/4 NE/4 (Unit A) in Section 30, and a bottom hole location SE/4 SE/4 (Unit P) in Section 31;
- **Avogato 30 31 State Com #4H well** (API No. 30-025-45923), with a surface location NE/4 NE/4 (Unit A) in Section 30, and a bottom hole location SE/4 SE/4 (Unit P) in Section 31;
- **Avogato 30 31 State Com #12H well** (API No. 30-025-45957), with a surface location NW/4 NW/4 (Lot 1) in Section 30, and a bottom hole location SE/4 SW/4 (Unit N) in Section 31;
- **Avogato 30 31 State Com #21H well** (API No. 30-025-45924), with a surface location NE/4 NW/4 (Unit C) in Section 30, and a bottom hole location SW/4 SW/4 (Lot 4) in Section 31;
- **Avogato 30 31 State Com #22H well** (API No. 30-025-45925), with a surface location NE/4 NW/4 (Unit C) in Section 30, and a bottom hole location SE/4 SW/4 (Unit N) in Section 31;
- **Avogato 30 31 State Com #23H well** (API No. 30-025-45926), with a surface location NE/4 NW/4 (Unit C) in Section 30, and a bottom hole location SE/4 SW/4 (Unit N) in Section 31;
- **Avogato 30 31 State Com #24H well** (API No. 30-025-45960), with a surface location NW/4 NE/4 (Unit B) in Section 30, and a bottom hole location SW/4 SE/4 (Unit O) in Section 31;
- **Avogato 30 31 State Com #25H well** (API No. 30-025-45961), with a surface location NW/4 NE/4 (Unit B) in Section 30, and a bottom hole location SE/4 SE/4 (Unit P) in Section 31; and

- **Avogato 30 31 State Com #74H well** (API No. 30-025-45964), with a surface location NE/4 NE/4 (Unit A) in Section 30, and a bottom hole location SE/4 SE/4 (Unit P) in Section 31.

The proposed average injection rate for each well is 3 MMSCFD with a maximum injection rate of 4 MMSCFD during injection. The source of gas for injection will be from OXY's wells producing in the Bone Spring and Wolfcamp formations. The maximum achievable surface pressure (MASP) for all wells in the pilot project is proposed to be increased from 1,200 psi to 1,300 psi to provide for increased operational flexibility.

Reservoir modeling indicates anticipated horizontal movement of injected gas will be approximately 100 feet or less from each additional injection wellbore within the Bone Spring formation. OXY has prepared calculations estimating the stimulated reservoir volume based on supporting empirical data and a reservoir model to evaluate potential effects on wells adjacent to the pilot project area. OXY's analysis concludes that there will be no change in the oil recovery from each of its additional proposed injection wells or from any of the offsetting wells.

Approval of this Application is in the best interests of conservation, the prevention of waste, and the protection of correlative rights.

APPLICANT'S PROPOSED EVIDENCE

WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Stephen Janacek, Petroleum Engineer	Approx. 1 hour	Approx. 15
Jared Rountree, Petroleum Geologist	Approx. 20 minutes	Approx. 2
Xueying Xie, Reservoir Engineer	Affidavit	Approx. 2

PROCEDURAL MATTERS

OXY intends to present this case through the presence of live witnesses except for its reservoir engineer, who is unavailable on the day of the hearing. Her testimony will be presented through a self-affirmed statement. OXY intends to pre-file her self-affirmed statement and additional exhibits for the hearing on April 4, 2023.

Respectfully submitted,

HOLLAND & HART LLP



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State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
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QUESTIONS

Action 202310

QUESTIONS

Operator: OXY USA INC P.O. Box 4294 Houston, TX 772104294	OGRID: 16696
	Action Number: 202310
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

QUESTIONS

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