

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

**APPLICATION OF OXY USA INC.
FOR A CLOSED LOOP GAS
CAPTURE INJECTION PILOT
PROJECT, EDDY COUNTY, NEW
MEXICO.**

CASE NO. 23501

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. OXY proposes to create a 2,640-acre, more or less, project area for this Pilot Project consisting of all of Sections 25, 26, 35 and 36, and the S/2 SW/4 of Section 24, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico (the "Project Area"). OXY seeks authority for this Pilot Project to avoid the temporary flaring of gas or the shut-in of producing wells during pipeline capacity constraints, mechanical difficulties, plant shutdowns, or other events impacting the ability to deliver gas into a pipeline.

Within the proposed Project Area, OXY seeks authority to utilize the following producing wells to occasionally inject produced gas into the Bone Spring formation:

- The **Corral Canyon 36-25 Fed Com 21H well** (API No. 30-015-44631) with a surface location 381 feet FNL and 1493 feet FWL (Lot 3) in Section 1, Township 25 South, Range 29 East, and a bottom hole location 1120 feet FSL and 456 feet FWL (Unit M) in Section 24, Township 29 South, Range 29 East, NMPM, all in Eddy County, New Mexico.

- The **Corral Canyon 36-25 Fed Com 22H well** (API No. 30-015-44632) with a surface location 381 feet FNL and 1528 feet FWL (Lot 3) in Section 1, Township 25 South, Range 29 East, and a bottom hole location 1143 feet FSL and 1414 feet FWL (Unit N) in Section 24, Township 24 South, Range 29 East, NMPM, all in Eddy County, New Mexico.
- The **Corral Canyon 36-25 Fed Com 23H well** (API No. 30-015-44633) with a surface location 381 feet FNL and 1563 feet FWL (Lot 3) in Section 1, Township 25 South, Range 29 East, and a bottom hole location 1167 feet FSL and 2192 feet FWL (Unit N) in Section 24, Township 24 South, Range 29 East, NMPM, all in Eddy County, New Mexico.
- The **Corral Canyon 36-25 Fed Com 24H well** (API No. 30-015-44634) with a surface location 940 feet FNL and 1283 feet FEL (Lot 1) in Section 1, Township 25 South, Range 29 East, and a bottom hole location 195 feet FNL and 2174 feet FEL (Unit B) in Section 25, Township 24 South, Range 29 East, NMPM, all in Eddy County, New Mexico.
- The **Corral Canyon 36-25 Fed Com 25H well** (API No. 30-015-44635) with a surface location 940 feet FNL and 1248 feet FEL (Lot 1) in Section 1, Township 25 South, Range 29 East, and a bottom hole location 212 feet FNL and 1293 feet FEL (Unit A) in Section 25, Township 24 South, Range 29 East, NMPM, all in Eddy County, New Mexico.
- The **Corral Canyon 36-25 Fed Com 26H well** (API No. 30-015-44636) with a surface location 940 feet FNL and 1213 feet FEL (Lot 1) in Section 1, Township 25 South, Range 29 East, and a bottom hole location 198 feet FNL

and 477 feet FEL (Unit A) in Section 25, Township 24 South, Range 29 East, NMPM, all in Eddy County, New Mexico.

- The **Corral Fly 35-26 Fed Com 21H well** (API No. 30-015-44702) with a surface location 694 feet FNL and 1248 feet FWL (Lot 4) in Section 2, Township 25 South, Range 29 East, and a bottom hole location 158 feet FNL and 433 feet FWL (Unit D) in Section 26, Township 24 South, Range 29 East, NMPM, all in Eddy County, New Mexico.
- The **Corral Fly 35-26 Fed Com 22H well** (API No. 30-015-44703) with a surface location 694 feet FNL and 1278 feet FWL (Lot 4) in Section 2, Township 25 South, Range 29 East, and a bottom hole location 140 feet FNL and 1347 feet FWL (Unit C) in Section 26, Township 24 South, Range 29 East, NMPM, all in Eddy County, New Mexico.
- The **Corral Fly 35-26 Fed Com 23H well** (API No. 30-015-44704) with a surface location 694 feet FNL and 1308 feet FWL (Lot 4) in Section 2, Township 25 South, Range 29 East, and a bottom hole location 204 feet FNL and 2213 feet FWL (Unit C) in Section 26, Township 24 South, Range 29 East, NMPM, all in Eddy County, New Mexico.
- The **Corral Fly 35-26 Fed Com 24H well** (API No. 30-015-44705) with a surface location 314 feet FNL and 1307 feet FEL (Lot 1) in Section 2, Township 25 South, Range 29 East, and a bottom hole location 202 feet FNL and 2207 feet FEL (Unit B) in Section 26, Township 24 South, Range 29 East, NMPM, all in Eddy County, New Mexico.

- The **Corral Fly 35-26 Fed Com 25H well** (API No. 30-015-44683) with a surface location 314 feet FNL and 1277 feet FEL (Lot 1) in Section 2, Township 25 South, Range 29 East, and a bottom hole location 208 feet FNL and 1240 feet FEL (Unit A) in Section 26, Township 24 South, Range 29 East, NMPM, all in Eddy County, New Mexico.
- The **Corral Fly 35-26 Fed Com 26H well** (API No. 30-015-44684) with a surface location 314 feet FNL and 1247 feet FEL (Lot 1) in Section 2, Township 25 South, Range 29 East, and a bottom hole location 208 feet FNL and 428 feet FEL (Unit A) in Section 26, Township 24 South, Range 29 East, NMPM, all in Eddy County, New Mexico.

The proposed average injection rate for each well is 3 MMSCFD with a maximum injection rate of 4 MMSCFD during injection. The maximum achievable surface pressure (MASP) for the wells in the Pilot Project is proposed to be 1,300 psi. The current average surface pressures under normal operations for the proposed injection wells range from approximately 675 psi to 981 psi. Injection along the horizontal portion of the wellbores will be within the Bone Spring formation, Pierce Crossing; Bone Spring East Pool (Pool Code 96473), at true vertical depths of between approximate 8,879 to 9,197 feet.

The proposed maximum achievable surface pressure will not exert pressure at the top perforation in the wellbore of any injection well with a full fluid column of reservoir brine water in excess of 90% of the burst pressure for the production casing or production liner. In addition, the proposed maximum achievable surface pressure will not exert pressure at the topmost perforation in excess of 90% of the formation parting pressure. Reservoir modeling indicates anticipated horizontal movement of injected gas will be

approximately 100 feet or less from each injection wellbore within the Bone Spring formation. The source of gas for injection will be from OXY's Corral Canyon wells producing from the Delaware, Bone Spring, and Wolfcamp formations. OXY has examined the available geologic and engineering data and found no evidence of open faults or other hydrologic connections between the injection zone and any underground source of drinking water. OXY has also examined the available geologic and engineering data and determined that the total recoverable volume of hydrocarbons from the reservoir will not be adversely affected by the Pilot Project.

APPEARANCES

APPLICANT

OXY USA Inc.

ATTORNEY

Michael H. Feldewert
Adam G. Rankin
Julia Broggi
Paula M. Vance
Holland & Hart LLP
Post Office Box 2208
Santa Fe, New Mexico 87504
(505) 988-4421
(505) 983-6043 Facsimile

OTHER PARTIES

None

APPLICANT'S STATEMENT OF THE CASE

OXY seeks an order authorizing OXY to engage in a closed loop gas capture injection pilot project in the Bone Spring formation ("Pilot Project").

APPLICANT'S PROPOSED EVIDENCE

WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Stephen Janacek, Petroleum Engineer	Approx. 1 hour	Approx. 15
Seth Brazell, Petroleum Geologist	Approx. 20 minutes	Approx. 2
Rahul Joshi, Reservoir Engineer	Approx. 40 minutes	Approx. 2

PROCEDURAL MATTERS

OXY intends to present this case through in-person witnesses. OXY expects to file additional exhibits in advance of the hearing.

Respectfully submitted,

HOLLAND & HART LLP



Michael H. Feldewert
Adam G. Rankin
Julia Broggi
Paula M. Vance
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
(505) 988-4421
(505) 983-6043 Facsimile
mfeldewert@hollandhart.com
agrarkin@hollandhart.com
jbroggi@hollandhart.com
pmvance@hollandhart.com

ATTORNEYS FOR OXY USA INC.

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 211061

QUESTIONS

Operator: OXY USA INC P.O. Box 4294 Houston, TX 772104294	OGRID: 16696
	Action Number: 211061
	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.