

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

APPLICATION OF DUKE ENERGY FIELD
SERVICES, LP FOR AN ACID GAS INJECTION
WELL, LEA COUNTY, NEW MEXICO

CASE NO. 13589
ORDER NO. 12546-I

ORDER GRANTING DCP MIDSTREAM, LP'S MOTION TO AMEND
ORDER NO. R-12546

THIS MATTER came before the Oil Conservation Commission (Commission) on the motion of DCP Midstream, LP, previously known as Duke Energy Field Services, LP, to amend Order No. R-12546 issued on May 5, 2006 to remove the condition that requires an approved modification of a discharge permit. The Commission having reviewed and considered the motion and the testimony and evidence presented at the Commission's July 14, 2011 hearing;

FINDS THAT:

1. On May 5, 2006, the Commission entered Order No. R-12546, which granted Duke Energy Field Services, LP's application to inject acid gas into the Lower Bone Spring (Wolfcamp) formation through a well to be drilled 1980 feet from the South and West lines (Unit K) of Section 30, Township 18 South, Range 37 East, NMPM, Lea County, New Mexico subject to Duke Energy Field Services, LP, now DCP Midstream, LP, meeting certain conditions prior to commencing injection.
2. Paragraph N of Order No. R-12546 provided that prior to commencing injection into the Linam Ranch AGI well, DCP Midstream, LP had to secure Oil Conservation Division approval of an appropriate modification of the discharge permit for the Linam Gas Plant.
3. Paragraph Q provided that prior to commencing injection, DCP Midstream, LP had to submit to the Oil Conservation Division's Engineering Bureau written evidence of satisfaction of the conditions precedent to injection provided in Order No. R-12546.
4. The Commission Chair extended Order No. R-12546 on March 2, 2007 and October 31, 2008 to allow DCP Midstream, LP additional time to drill and complete the Linam Ranch AGI well and to construct surface facilities associated with the well. See Order No. R-12546-B and Order No. R-12546-C.

5. In Order No. R-12546-D, the Commission Chair authorized DCP Midstream, LP to temporarily inject acid gas into its Linam Ranch AGI well and stayed Paragraphs N and Q in Order No. R-12546 for a period of 90 days from the date of the Order No. R-12546-D.

6. As a condition of the authorization to temporarily inject acid gas into the Linam Ranch AGI well, the Commission Chair placed a temporary cap of 4 MMcfd on the injection rate and reduced the injection pressure.

7. In Order No. R-12546-E, the Commission Chair stayed Paragraphs N and Q in Order No. R-12546 for an additional 60 days and authorized DCP Midstream, LP to continue to temporarily inject acid gas into the Linam Ranch AGI well during the extended stay.

8. In Order No. R-12546-F, the Commission Chair stayed Paragraphs N and Q in Order No. R-12546 for an additional 90 days and authorized DCP Midstream, LP to continue to temporarily inject acid gas into the Linam Ranch AGI well during the extended stay.

9. In Order No. R-12546-G, the Commission Chair stayed Paragraphs N and Q in Order No. R-12546 until a hearing was held before the Commission and authorized DCP Midstream, LP to continue to temporarily inject acid gas into the Linam Ranch AGI well.

10. On June 8, 2011, DCP Midstream, LP filed a motion to amend Order No. R-12546 to remove the requirement of Paragraph N, which requires an approved modification of the discharge permit for the Linam Gas Plant or to amend Order No. R-12546-D to increase the temporary cap on the injection rate.

11. On May 10, 2011, the Oil Conservation Division issued "Revised OCD Discharge Plan Permit Requirements". It provides that the Oil Conservation Division will issue discharge permits for "processes that intentionally discharge" and other activities described in the Water Quality Act. Activities such as pits or surface waste management facilities that are covered by the Oil and Gas Act will not require a discharge plan.

12. On June 22, 2011, the Oil Conservation Division's Environmental Bureau notified DCP Midstream, LP that a discharge permit for the Linam Gas Plant is no longer required. See DCP Midstream, LP Exhibit 2.

13. At the Commission's July 14, 2011 hearing, Alberto Gutierrez testified on behalf of DCP Midstream, LP that DCP Midstream, LP had met the conditions contained in Order No. R-12546 except for installation of an audible alarm connected to the H₂S monitoring system at Randy Smith's home and modification of the discharge permit for the Linam Gas Plant, which is no longer required pursuant to the Oil Conservation Division's letter of June 22, 2011.

14. Randy Smith testified at the July 14, 2011 hearing that he did not want an audible alarm at his home.

15. At the July 14, 2011 hearing, after questioning by the Commission Chair, DCP Midstream, LP advised that it would be willing to pressure test the casing in the Linam Ranch AGI well from the surface to the packer-setting depth every two years as now required by the Oil Conservation Division rather than every five years as required by Paragraph F of Order No. R-12546.

16. Given that DCP Midstream, LP has met the requirements in Order No. R-12546 except for the modification of the discharge plant for the Linam Gas Plant, which is no longer required, and the installation of an audible alarm at Randy Smith's home, which he has testified that he does not want installed, DCP Midstream, LP's motion should be granted.

IT IS THEREFORE ORDERED THAT:

1. DCP Midstream, LP is no longer required to obtain a modification of its discharge for the Linam Gas Plant and Paragraph N of Order No. R-12546 no longer applies.

2. As of the date of this order, DCP Midstream, LP is authorized to inject acid gas into the Lower Bone Spring (Wolfcamp) formation through the Linam Ranch AGI well drilled 1980 feet from the South and West lines (Unit K) of Section 30, Township 18 South, Range 37 East, NMPM, Lea County, New Mexico. DCP Midstream, LP is not required to obtain an administrative order from the Oil Conservation Division as previously ordered in Paragraph Q of Order No. R-12546.

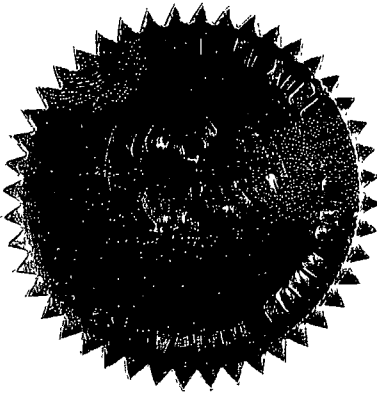
3. The conditions in Order No. R-12546-D, including the temporary cap of 4 MMcfd on the injection rate and the temporary requirement that well head pressure not exceed 1,800 psig, are no longer in effect as of the date of this Order. DCP Midstream, LP is now authorized to inject acid gas into the Linam Ranch AGI well pursuant to the conditions in Order No. R-12546 as modified by this order, including the pressure requirements specified in Paragraph J of Order No. R-12546.

4. Based upon Randy Smith's testimony that he does not want an audible alarm located at his home, the requirement in Paragraph O of Order No. R-12546 that required an audible alarm be placed at Randy Smith's home is removed and is replaced with the requirement that DCP Midstream, LP provide an audible alarm at the residence or business of any person located within the radius of exposure if the person requests that DCP Midstream, LP install an audible alarm.

5. Paragraph F of Order No. R-12546 is amended to require that DCP Midstream, LP pressure test the casing in the Linam Ranch AGI well from the surface to the packer-setting depth every two years instead of every five years.

DONE at Santa Fe, New Mexico on the 28th day of July 2011.

**STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION**



SEAL

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SCOTT DAWSON, Member

A handwritten signature in cursive script, appearing to read "Robert Balch".

ROBERT BALCH, Member

A handwritten signature in cursive script, appearing to read "Jami Bailey".

JAMI BAILEY, Chair