

HOLLAND & HART^{LLP}



Adam G. Rankin
Phone 505-954-7294
Fax 505-983-6043
agrarkin@hollandhart.com

December 13, 2012

VIA HAND DELIVERY

Florene Davidson
Oil Conservation Division
New Mexico Department of Energy
Minerals and Natural Resources
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

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**Re: Application of DCP Midstream, LP to Re-Open Case No. 13589 to Amend
Order No. R-12546 to Authorize a Second Acid Gas Injection Well, Lea
County, New Mexico.**

Dear Ms. Davidson:

Pursuant to Rule 19.15.4.13, please find enclosed with this letter for dissemination six copies of DCP Midstream, LP's prehearing statement and exhibits for filing with the Oil Conservation Commission in the above-referenced case. Copies of DCP Midstream, LP's prehearing statement and exhibits also have been served on all counsel of record. Thank you for your attention to this matter.

Sincerely,

Adam G. Rankin
ATTORNEYS FOR DCP MIDSTREAM LP

cc all counsel of record

Holland & Hart^{LLP}

Phone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

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

APPLICATION OF DCP MIDSTREAM, LP
TO RE-OPEN CASE NO. 13589 TO AMEND
ORDER NO. R-12546 TO AUTHORIZE A
SECOND ACID GAS INJECTION WELL,
LEA COUNTY, NEW MEXICO.

CASE NO. 13589

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PRE-HEARING STATEMENT OF DCP MIDSTREAM, LP

This Pre-hearing Statement is submitted on behalf of DCP Midstream, LP as required by
Oil Conservation Division Rule 19.15.14.1204.B NMAC:

APPEARANCES OF PARTIES

APPLICANT

DCP Midstream, LP

ATTORNEYS

Michael H. Feldewert, Esq.
Adam G. Rankin, Esq.
Holland & Hart, LLP
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
(505) 988-4421
(505) 983-6043 Facsimile
mfeldewert@hollandhart.com
agrarkin@hollandhart.com

OPPOSITION

**Randy Smith, Naomi Smith,
and the Smith Farm and Ranch**

ATTORNEYS

RICHARD L. ALVIDREZ
THOMAS J. BUNTING
Miller Stratvert P.A.
500 Marquette Ave., NW, Suite 1100
P. O. Box 25687 (87125)
Albuquerque, New Mexico 87102-5326
Phone: (505) 842-4737
Fax: (505) 243-4408

OTHER PARTIES

New Mexico Oil Conservation Division

ATTORNEYS

Gabrielle Gerholt, Esq.
David K. Brooks, Esq.
New Mexico Department of Energy,
Minerals and Natural Resources
1220 Saint Francis Drive
Santa Fe, New Mexico 87505
(505) 476-3450

STATEMENT OF THE CASE

DCP Midstream, LP ("DCP") seeks to re-open Case No. 13589 to amend Order No. R-12546 for the sole and limited purpose of approving DCP's C-108 application authorizing injection of treated acid gas for disposal through a second injection well, the proposed Linam Ranch AGI No. 2 well, to be located in proximity to the existing Linam Ranch AGI No. 1 well, specifically within Unit K of Section 30, Township 18 South, Range 37 East, N.M.P.M., Lea County, New Mexico.

Order No. R-12546, as amended, authorizes DCP to inject treated acid gas generated by its Linam Ranch Gas Plant into the Linam Ranch AGI No. 1 well for disposal at a location 1,980 feet from the South line and 1,980 feet from the West line (Unit K) of said Section 30. Under the Order, the Commission authorized injection into the Lower Bone Spring formation at a depth of 8,700 feet to 9,000 feet below the surface and at a maximum wellhead injection pressure of 2,644 psig. *See* Order No. R-12546. The AGI No. 1 well was drilled to replace the Linam Ranch Gas Plant's aging and inefficient sulfur recovery unit ("SRU"), which was used to reduce elemental sulfur from the treated acid gases generated from the sweetener units in the plant. Operation of the Linam Ranch Gas Plant is now entirely dependent on disposal of the plant's treated acid gas stream through the AGI No. 1 well. If the Linam Ranch Gas Plant were to experience interruptions or inoperability of the acid gas injection well, the Linam Ranch Gas

Plant, would have to cease operations and processing gas, forcing producers behind the plant to shut in production.

DCP has determined, in conjunction with the Division, that a second acid gas injection well, while not required and at a significant cost to DCP, would be helpful to prevent unscheduled shut downs of the plant or significant process interruptions that would adversely impact the many producers the plant serves, as well as the State of New Mexico. Accordingly, DCP seeks authority from the Commission to drill and operate a second acid gas injection well, the AGI No. 2 well, to serve as a secondary injection well.

The AGI No. 2 well will be located proximate to the existing AGI No. 1 well and will inject treated acid gas at the same maximum wellhead pressure (2,644 psig) into the same receiving formation (the Lower Bone Spring formation), and into the same target interval (approximately 8,710 feet to 9,140 feet below the surface), as the AGI No. 1 well approved under Order No. R-12546. DCP expressly does not request modification of the injection volumes, rates, or pressures approved by the Commission and in effect under Order No. R-12546. Rather, DCP requests that the proposed AGI No. 2 well be approved to inject treated acid gas under the existing limits and conditions already in place under Order No. R-12546. In the event DCP operates AGI No. 1 simultaneously with the proposed secondary well, AGI No. 2, DCP would do so such that injection would be within the existing limits and conditions in place under Order No. R-12546. DCP, therefore, requests that the Commission re-open Case No. 13589 to amend Order No. R-12546 for the sole and limited purpose of approving DCP's C-108 application, authorizing it to inject treated acid gas through its proposed AGI No. 2 well, to be operated as a second, or secondary, injection well under the Order.

PROPOSED EVIDENCE

DCP Midstream, LP may present the following witnesses and evidence:

<u>WITNESSES:</u> (Name and Expertise)	<u>ESTIMATED TIME</u>	<u>EXHIBITS</u>
Alberto Gutiérrez, Registered Geologist, Geolex, Inc.	Approx. 2 hours	6 Exhibits (one exhibit will be Mr. Gutiérrez's Power Point presentation)

Mr. Gutiérrez will testify on the technical aspects of the proposed AGI No. 2 well necessary to receive approval from the Commission for authorization to inject. In doing so, Mr. Gutiérrez will review the history of acid gas injection associated with the Linam Ranch Gas Plant through AGI No. 1 well under Order No. R-12546, as amended, and all issues relating to or arising out of DCP Midstream, LP's C-108 application for authorization to inject into the proposed AGI No. 2 well, including the basis and need for a second injection well. Mr. Gutiérrez's review of the C-108 will include a discussion, referring to corresponding exhibits, of the well data for the proposed second injection well, all the wells and leases within a two-mile radius of the proposed injection well, and a tabulation of the well data for all wells within the a one-mile area of review that penetrate the proposed injection zone. This discussion will include testimony regarding the proposed location for the AGI No. 2 well. Mr. Gutiérrez will then testify regarding the existing injection limits and conditions imposed by Order No. R-12546, which will remain in place and applicable to the second injection well. He will testify that the proposed injection zone is a closed-system reservoir capable of receiving the injected fluid under the conditions and limits currently imposed under Order No. R-12546. This discussion will include the results of a 2008 injection fall-off test and a step-rate test conducted on the AGI No. 1 well. He will further testify regarding the geologic and hydrologic characteristics of the target injection zone, including a chemical analysis of the target formation water and the injection fluid. Mr. Gutiérrez will testify regarding water wells and oil and gas wells within the vicinity of the proposed injection well and factors that mitigate against potential adverse impacts. Mr. Gutierrez also will testify whether well operations will result in waste or will impair correlative rights. Finally, Mr. Gutiérrez will testify regarding land-use issues, including pending right-of-way authorization from the State Land Office, and notice to affected parties.

Steve Boatenhamer, Linam Ranch Gas Plant Manager (fact witness)	Approx. 20 minutes	1 Demonstrative Exhibit consisting of a Power Point presentation summarizing testimony
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Mr. Boatenhamer is expected to testify on the need for a second injection well and DCP Midstream, LP's discussions and coordination with the New Mexico Oil Conservation Division regarding the planning for a second injection well.

**Roberto Torrico,
Petroleum Engineer,
DCP Midstream LP**

Approx. 20 minutes

1 Demonstrative Exhibit
consisting of a Power Point
presentation summarizing
testimony

Mr. Torrico is expected to testify on specific technical aspects regarding the configurations and operations of the acid gas injection wells, and on issues relating to the siting of the proposed AGI No. 2 injection well. Mr. Torrico may testify regarding whether well operations will result in waste or impair correlative rights.

**Any additional witnesses
necessary to rebut testimony
offered by any other party.**

**Any additional exhibits
necessary to rebut testimony
provided by any other party.**

PROCEDURAL MATTERS

DCP Midstream, LP has none at this time.

Respectfully submitted,

HOLLAND & HART LLP

By 

Michael H. Feldewert, Esq.

Adam G. Rankin, Esq.

Post Office Box 2208

Santa Fe, New Mexico 87504-2208

(505) 988-4421

(505) 983-6043 Facsimile

mfeldewert@hollandhart.com

agrarkin@hollandhart.com

ATTORNEYS FOR DCP MIDSTREAM, LP

CERTIFICATE OF SERVICE

I hereby certify that on this 13th day of December 2012, I served a copy of the foregoing **DCP Midstream LP's Pre-Hearing Statement and Exhibits** upon the following counsel of record to:

VIA HAND DELIVERY TO:

Gabrielle Gerholt
Assistant General Counsel
Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87504
gabrielle.gerholt@state.nm.us

ATTORNEYS FOR THE OIL CONSERVATION DIVISION

VIA UPS OVERNIGHT DELIVERY TO:

Richard L. Alvidrez
Thomas J. Bunting
Miller Stratvert P.A.
500 Marquette Ave., NW, Suite 1100
P. O. Box 25687 (87125)
Albuquerque, New Mexico 87102-5326
Phone: (505) 842-4737
Fax: (505) 243-4408

**ATTORNEYS FOR
RANDY SMITH, NAOMI SMITH, AND THE SMITH FARM AND RANCH**



Adam G. Rankin, Esq.