

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

**APPLICATION OF DCP MIDSTREAM, LP
FOR AUTHORITY TO INJECT TREATED
ACID GAS INTO THE LOWER CHERRY
CANYON AND UPPER BRUSHY CANYON
FORMATIONS THROUGH ITS PROPOSED
ZIA AGI #1 AND ZIA AGI #2, LEA COUNTY,
NEW MEXICO**

CASE NO. 15073

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 19.15.4.13.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

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STATEMENT OF THE CASE

Due to increasing gas production in Southeastern New Mexico, the construction and operation of an additional sour gas processing plant is necessary. DCP Midstream, LP ("DCP") has, therefore, proposed to construct the Zia Gas Processing Plant (the "Plant"). Disposal of acid gas and carbon dioxide (CO₂) are essential to the success and operation of the Plant. Therefore,

DCP seeks an order from the Oil Conservation Commission authorizing it to inject treated acid gas and CO₂ from the Plant into its proposed Zia AGI #1 and AGI #2 wells.

The proposed acid gas injection wells will be located in Section 19, Township 19 South, Range 32 East, NMPM, Lea County, New Mexico, which is within the boundary of the Plant's premises. DCP plans to inject up to a combined injection rate of 15 million standard cubic feet per day (MMSCFD) of treated acid gas from the Plant at a maximum pressure of 2,233 psig into these wells in the Lower Cherry Canyon and Upper Brushy Canyon formations, approximately 5,470 to 6,070 feet below the surface. No current or anticipated production of oil or gas from either formation is located within one mile of the proposed injection site. Pursuant to the area of review analysis, nine wells have been identified as penetrating the injection zone. Of the nine wells, two have been properly plugged and abandoned and the remaining seven have been completed to effectively isolate the proposed injection zones. Furthermore, the geologic conditions of the proposed reservoir and associated caprock will contain the injected fluid in the proposed injection zone. The injection zone, therefore, is capable of permanently containing the treated acid gas and CO₂.

The injection zone has been chosen not only for lack of production but also for its reservoir conditions. The reservoir conditions of 120° Fahrenheit and 2,400 psig create an environment whereby the treated acid gas, at the maximum operational capacity, will occupy 7,050 barrels per day of the reservoir. Allocated between the Zia AGI wells at approximately 7.5 MMSCFD, the injected treated acid gas will occupy approximately 140 acres per well, at radii of 1,390 feet (0.26 miles) after thirty years of operation.

Finally, DCP's C-108 application, detailing the drilling, completion and operation of the Zia AGI wells, has been sent to adjacent operators and surface owners within a one-half-mile

radius of the proposed wells. Notice of the application and the Commission hearing was also published in the local Hobbs newspaper. To the best of our knowledge, no objections against this project have been filed with the OCD. Surrounding producers have expressed support for the proposed project.

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	3 Exhibits <u>Exhibit 1</u> : C-108 (filed with hearing application); <u>Exhibit 2</u> : Power Point slides; and <u>Exhibit 3</u> : Notice Letter and Documentation of Notices Provided to Parties in the Area of Review

Mr. Gutiérrez will testify on the technical aspects of the proposed Zia AGI #1 and AGI #2 wells necessary to receive approval from the Commission for authorization to inject. In doing so, Mr. Gutiérrez will review DCP Midstream, LP's C-108 application for authorization to inject, including the basis and need for both proposed injection wells. Mr. Gutiérrez's review of the C-108 will include a discussion, referring to corresponding exhibits, of the well data for the proposed wells, all the wells and leases within a one-mile radius of the proposed injection well, and a tabulation of the well data for all wells within the one-half-mile area of review that penetrate the proposed injection zone. This discussion will include testimony regarding the proposed location for the wells. 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 that well operations will not result in waste and will not impair correlative rights. Finally, Mr. Gutiérrez will testify regarding land-use issues, including authorizations from the Bureau of Land Management, and notice to affected parties.

WITNESSES:
(Name and Expertise)

**David Stone,
Vice President, Commercial
& Operations,
DCP Midstream, LP**

ESTIMATED TIME

Approx. 20 minutes

EXHIBITS

**1 Demonstrative Exhibit
consisting of a Power Point
presentation summarizing
testimony**

Mr. Stone will testify on the need for the proposed Zia Gas Processing Plant, the importance and benefits of the AGI, benefits of redundant AGI capability, and why DCP requests the Oil Conservation Commission approve the C-108 as proposed.

**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

Attached to this pre-hearing statement is the corrected page 7 of the C-108 which is to be inserted into the C-108 application binders previously submitted with the application for hearing.

Respectfully submitted,

HOLLAND & HART LLP

By:  _____

Michael H. Feldewert, Esq.
Adam G. Rankin, Esq.
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