

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

**APPLICATION OF OXY USA INC. FOR APPROVAL OF A PRESSURE
MAINTENANCE PROJECT, EDDY COUNTY, NEW MEXICO.**

CASE NO. 15616

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by OXY USA Inc. ("OXY") as required by the
Oil Conservation Division.

APPEARANCES

APPLICANT

OXY USA Inc.

ATTORNEY

Michael H. Feldewert
Jordan L. Kessler
Holland & Hart LLP
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
(505) 988-4421

RECEIVED OGD
2017 JAN 26 PM 4:13

OPPONENT

MRC Permian Company and
Matador Production Company

ATTORNEY

James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

STATEMENT OF THE CASE

OXY seeks an order approving a pressure maintenance pilot project on state acreage involving the injection of produced gas and produced water through two existing horizontal wells into the 2nd Bone Spring interval of the Bone Spring formation underlying a project area comprised of Section 16, Township 24 South, Range 29 East, NMPM, Eddy County, New

Mexico. The proposed injection wells are the Cedar Canyon 16 State No. 7H (30-015-41251), located in the S/2 N/2 of Section 16, and the Cedar Canyon 16 State No. 12H (30-015-42683), located in the S/2 S/2 of Section 16. Oxy intends to initially inject for a period of one to three months, flow the wells back up the tubing for approximately one month, and then utilize a *injection to evaluate the line drive offset response to the gas injection*. This proposed injection project will allow Oxy to study the potential incremental recovery from this process and the EOR potential of miscible gas injection into this formation.

The Cedar Canyon 16 State No. 7H is currently producing from the Pierce Crossing, Bone Spring, East Pool (96473). The surface hole location is 2,485 feet from the North line, 330 feet from the West (Unit E) of Section 15 and the bottomhole location is 2037 feet from the North line, 335 feet from the West line (Unit E) of Section 16. The first perforation point is located 2303 feet from the North line and 382 feet from the East line and the last perforation is located 2043 feet from the North line and 492 feet from the West line in Section 16. The true vertical depth at the first perforation point is 8,690 feet, and corresponding measured depth is 9,200 feet. True vertical depth at the last perforation point is 8,644 feet, and the corresponding measured depth is 13,860 feet. The proposed injection interval is along the horizontal portion of the wellbore at a measured depth of 9,200 feet to 13,680 feet.

The Cedar Canyon 16 State No. 12H is currently producing from the Corral Draw Bone Spring Pool (96238). The surface hole location is 900 feet from the South line, 860 feet from the West (Unit M) of Section 15 and the bottomhole location is 901 feet from the South line, 133 feet from the West line (Unit M) of Section 16. The first perforation point is located 938 feet from the South line and 432 feet from the East line, while the last perforation is located 906 feet from the South line and 341 feet from the West line of Section 16. True vertical depth at the

first perforation point is 8,691 feet, and the corresponding measured depth is 9,704 feet. True vertical depth at last perforation is 8,635 feet and the corresponding measured depth is 14,214 feet. The proposed injection interval is along the horizontal portion of the wellbore at a measured depth of 9,704 feet to 14,214 feet.

The expected maximum injection rate for water into the Subject Wells is 10,000 BWPD per well with an expected maximum surface injection pressure of 1700 psi per well. The expected maximum injection rate for gas into the Subject Wells is 15,000 MCFD per well with a revised maximum surface injection pressure for gas of 4,250 psi per well. These revised surface injection pressures conforms with the .20 psi/ft standard utilized by the Division. Produced water for injection will be sourced from the Bone Spring and Delaware formations while the injected gas will be sourced from the Cedar Canyon Central Delivery Point integration system, which will include gas produced from the Delaware and Bone Spring formations. OXY does not anticipate any issue with compatibility.

The proposed injection operations will not only provide the information referenced above, but provide pressure maintenance support for the following existing wells, operated by OXY on this state acreage:

- A. Cedar Canyon 16 State No. 8H (API No. 30-015-41596) located in the N/2 N/2 of Section 16 and producing from the Pierce Crossing, Bone Spring, East Pool (96473);
- B. Cedar Canyon 16 State No. 6H (API No. 30-015-41595) located in the N/2 S/2 of Section 16 and producing from the Pierce Crossing, Bone Spring, East Pool (96473); and
- C. Cedar Canyon 16 State No. 2H (API No. 30-015-41024) located in the S/2 S/2 of Section 16 and producing from the Corral Draw Bone Spring Pool (96238)

Oxy has attached to its application a fully completed Form C-108 providing additional information on this pressure maintenance project. Notice of this application has been provided

to all affected parties within one-half mile of the perforated lateral of the proposed injection wells and also to the owners of the acreage in Section 15 where the surface hole for each injection well is located.

APPLICANT'S PROPOSED EVIDENCE

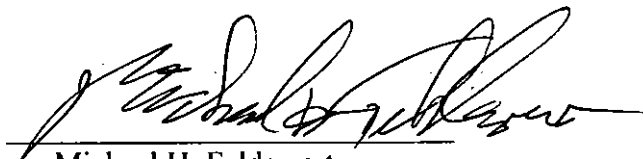
WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Kelley Montgomery, Petroleum Engineer	Approx. 30 minutes	Approx. 10
Shunhua Liu, Petroleum Engineer	Approx. 15 minutes	Approx. 5
Spencer Gunderson, Petroleum Geologist	Approx. 10 minutes	Approx. 5

PROCEDURAL MATTERS

None at this time.

Respectfully submitted,

HOLLAND & HART LLP



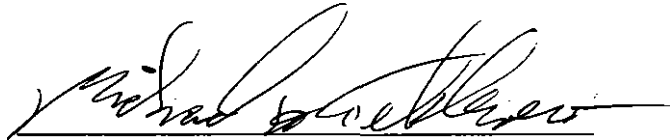
Michael H. Feldewert
Jordan L. Kessler
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
(505) 988-4421
(505) 983-6043 Facsimile
MFeldewert@hollandhart.com
JLKessler@hollandhart.com

ATTORNEYS FOR OXY USA INC.

CERTIFICATE OF SERVICE

I hereby certify that on January 26, 2017, I served a copy of the foregoing document to
the following via electronic mail to:

James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043
jamesbruc@aol.com

A handwritten signature in black ink, appearing to read "Michael H. Feldewert", written over a horizontal line.

Michael H. Feldewert