

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

BEFORE THE OIL CONSERVATION COMMISSION

APPLICATION OF TARGA MIDSTREAM SERVICES LIMITED PARTNERSHIP
AS OPERATOR FOR VERSADO GAS PROCESSORS, LLC ("TARGA") FOR
APPROVAL TO INJECT ACID GAS INTO TARGA'S EXISTING EUNICE GAS
PLANT SALT WATER DISPOSAL (SWD) WELL NO. 1 (API NO. 30-025-21497),
LEA COUNTY, NEW MEXICO.

CASE NO. 14,575

ENTRY OF APPEARANCE AND PRE-HEARING STATEMENT
OF THE OIL CONSERVATION DIVISION

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The Oil Conservation Division (OCD) enters its appearance in Case No. 14,575 and files
its pre-hearing statement as required by 19.15.4.13 NMAC.

APPEARANCES

APPLICANT

Targa Midstream Limited Partnership
As Operator for Versado Gas Processors,
LLC

APPLICANT'S ATTORNEY

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RESPONDENT

Oil Conservation Division

RESPONDENT'S ATTORNEY

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STATEMENT OF THE CASE

Targa Midstream Limited Partnership, as operator for Versado Gas Processors, LLC (Targa), has applied for a permit to inject acid gas and wastewater into its existing Eunice Gas Plant Salt Water Disposal (SWD) Well No. 1 (30-025-21497) (the disposal well).

The Oil Conservation Division (OCD) enters its appearance in this case to identify its concerns regarding the application. Those concerns are set out in detail in the pre-filed written testimony of Mr. William V. Jones, which is attached.

To summarize, the OCD does not oppose the issuance of the requested permit, provided that Targa completes the remedial work it proposes, and constructs and operates the disposal well in accordance with the OCD's recommendations and with an approved hydrogen sulfide contingency plan. The OCD is concerned, however, about the problems that could arise if the disposal plume extends beyond a ½ mile radius.

There are a large number of wells located more than ½ mile but less than 2 miles from the disposal well that penetrate the San Andres (which contains the proposed disposal zone). At least seven of the wells within a 1-mile radius have portions of their casing within the San Andres that are not protected with cement. There are additional wells within a 1-mile radius that have only light weight cement across the San Andres. A thief zone appears to have hampered the cementing within or just below the San Andres. The *in situ* waters are corrosive. If the un-cemented wellbores are exposed to acid gas, that will accelerate corrosion and pipe failure, causing danger and waste. Because of these problems, the OCD believes it is important to ensure that the disposal plume does not extend past the ½ mile radius.

Targa predicts that the plume will extend only ¼ mile in 30 years of injection. But that prediction is based on many assumptions; there is little hard data to support Targa's prediction. The OCD recommends that Targa be required to gather more data relevant to the calculation, by running electric logs on the open hole interval, running a step rate test, running a tracer and temperature injection survey, and monitoring its injection volumes and pressures. Targa should then be required to come back before the Commission to present the data, and its calculation of the expected plume radius based on that data. At that time the OCD will ask the Commission to set a time limit on the permit that is no longer than the time it will take for the disposal plume to extend ½ mile from the disposal well.

RESPONDENT'S PROPOSED EVIDENCE

WITNESSES:

ESTIMATED TIME:

Daniel Sanchez, OCD Compliance and Enforcement Manager 10 minutes

William V. Jones, OCD Engineer 2 hours

*The OCD will offer Mr. Jones as an expert in
petroleum engineering and underground injection*

EXHIBITS:

The exhibits the OCD may seek to introduce at the hearing in these cases are attached.

PROCEDURAL MATTERS

The OCD will move to introduce pre-filed written testimony of Mr. Jones pursuant to 19.15.4.14.B NMAC. Mr. Jones' written testimony is attached as OCD Exhibit A. Mr. Jones will be present at the hearing to adopt his testimony under oath, and will be subject to cross-examination. His pre-filed written testimony will be subject to motions to strike.

Respectfully submitted
this 2nd day of December 2010 by



Gail MacQuesten
Oil Conservation Division, EMNRD

CERTIFICATE OF SERVICE

I hereby certify that on December 2, 2010 I mailed and e-mailed a copy of this pleading and the OCD's exhibits to Mr. William Scott, attorney for Targa, at the addresses shown above.



Gail MacQuesten