

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

**APPLICATION OF OXY USA INC. TO AMEND AND
EXPAND THE PROPOSED CLOSED LOOP GAS
CAPTURE INJECTION PILOT PROJECT AREA
AND ADD ADDITIONAL INJECTION WELLS,
EDDY AND LEA COUNTIES, NEW MEXICO.**

CASE NO. 25519

OXY'S PRE-HEARING STATEMENT

OXY USA Inc. ("OXY" or "Applicant") (OGRID No. 16696), ("OXY" or "Applicant")
submits this Pre-Hearing Statement, pursuant to the rules of the Oil Conservation Division:

APPEARANCES

APPLICANT

Oxy USA Inc.
("Oxy")

ATTORNEY

Michael H. Feldewert
Adam G. Rankin
Paula M. Vance
Holland & Hart, LLP
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
(505) 988-4421
(505) 983-6043 Facsimile

APPLICANT'S STATEMENT OF THE CASE

OXY seeks an order amending the request under Case No. 23633 to (1) expand the closed loop gas capture injection project area and (2) authorize seventeen additional injection wells for intermittent, temporary produced gas injection within the Bone Spring formation within the requested amended project area. Case No. 23633 was filed on June 6, 2023, and heard before the Oil Conservation Division ("Division") on June 30, 2023. Case No. 23633 proposed eight Closed Loop Gas Capture ("CLGC") Pilot Project wells for OXY's Lost Tank area. Because an order has

not been issued yet, OXY seeks to amend the request under the pending case to expand the project area and add additional wells. OXY now proposes to expand the project area to include an additional 3,199.16 acres, add seventeen additional CLGC Pilot Project wells for temporary, intermittent injection, and authorize a maximum surface injection pressure for the additional wells of 1,300 psi, creating create a 5,158.08-acre, more or less, amended project area for this Pilot Project consisting of the following acreage identified below in Eddy and Lea Counties, New Mexico (the “Amended Project Area”):

Township 22 South, Range 31 East

Section 12: All
Section 13: All
Section 26: E/2 SE/4
Section 35: E/2 E/2

Township 22 South, Range 32 East

Section 4: All
Section 8: All
Section 9: All
Section 17: All
Section 19: W/2 W/2
Section 30: W/2 W/2

The proposed Amended Project Area is part of a larger area OXY refers to as the Lost Tank area.

OXY seeks authority for this amended Pilot Project to avoid the temporary flaring of gas or the shut-in of producing wells during pipeline capacity constraints, mechanical difficulties, plant shutdowns, or other events impacting the ability to deliver gas into a pipeline.

Within the proposed Amended Project Area, OXY seeks authority to utilize the following additional producing wells to occasionally inject produced gas into the Bone Spring formation in addition to those wells included in Case No. 23633¹:

- **Olive Won Unit 4H well** (API No. 30-015-55182) with a surface location 2,445 feet FSL and 1,017 feet FEL (Unit I) in Section 26, Township 22 South, Range 31 East, and a bottom hole location 37 feet FSL and 809 feet FEL (Unit P) in Section 35, Township 22 South, Range 31 East, NMPM, all in Eddy County, New Mexico;
- **Top Spot 12-13 Federal Com 24H well** (API No. 30-015-47954) with a surface location 310 feet FSL and 1,216 feet FEL (Unit P) in Section 13, Township 22 South, Range 31 East, and a bottom hole location 58 feet FNL and 1,772 feet FEL (Unit B) in Section 12, Township 22 South, Range 31 East, NMPM, all in Eddy, New Mexico;
- **Top Spot 12-13 Federal 23H well** (API No. 30-015-47885) with a surface location 425 feet FSL and 2,317 feet FWL (Unit N) in Section 13, Township 22 South, Range 31 East, and a bottom hole location 23 feet FNL and 2,165 feet FWL (Unit C) in Section 12, Township 22 South, Range 31 East, NMPM, all in Eddy, New Mexico;
- **Top Spot 12-13 Federal Com 33H well** (API No. 30-015-47953) with a surface location 310 feet FSL and 1,186 feet FEL (Unit P) in Section 13, Township 22 South, Range 31 East, and a bottom hole location 55 feet FNL

¹ Case No. 23633 includes eight proposed CLGC wells. See **Exhibit A** at 3.

and 533 feet FEL (Unit A) in Section 12, Township 22 South, Range 31 East, NMPM, all in Eddy, New Mexico;

- **Dr Pi Unit 173H** well (API No. 30-025-48953) with a surface location 979 feet FSL and 1,405 feet FEL (Unit O) in Section 17, Township 22 South, Range 32 East, and a bottom hole location 76 feet FNL and 1,973 feet FEL (Unit B) in Section 8, Township 22 South, Range 32 East, NMPM, all in Lea County, New Mexico;
- **Dr Pi Unit 171H** well (API No. 30-025-49150) with a surface location 526 feet FSL and 1,924 feet FWL (Unit N) in Section 17, Township 22 South, Range 32 East, and a bottom hole location 64 feet FNL and 928 feet FWL (Unit D) in Section 8, Township 22 South, Range 32 East, NMPM, all in Lea County, New Mexico;
- **Dr Pi Unit 174H** well (API No. 30-025-48954) with a surface location 979 feet FSL and 1,375 feet FEL (Unit O) in Section 17, Township 22 South, Range 32 East, and a bottom hole location 62 feet FNL and 528 feet FEL (Unit A) in Section 8, Township 22 South, Range 32 East, NMPM, all in Lea County, New Mexico;
- **Dr Pi Unit 172H** well (API No. 30-025-49151) with a surface location 526 feet FSL and 1,959 feet FWL (Unit N) in Section 17, Township 22 South, Range 32 East, and a bottom hole location 50 feet FNL and 2,066 feet FWL (Unit C) in Section 8, Township 22 South, Range 32 East, NMPM, all in Lea County, New Mexico;

- **Dr Pi Unit 124H** well (API No. 30-025-48948) with a surface location 979 feet FSL and 1,345 feet FEL (Unit O) in Section 17, Township 22 South, Range 32 East, and a bottom hole location 258 feet FNL and 372 feet FEL (Unit A) in Section 8, Township 22 South, Range 32 East, NMPM, all in Lea County, New Mexico;
- **Dr Pi Unit 112H** well (API No. 30-025-48945) with a surface location 345 feet FSL and 1,645 feet FWL (Unit N) in Section 17, Township 22 South, Range 32 East, and a bottom hole location 51 feet FNL and 1,891 feet FEL (Unit B) in Section 8, Township 22 South, Range 32 East, NMPM, all in Lea County, New Mexico;
- **Gold Log 4-9 Federal Com 1H** well (API No. 30-025-53815) with a surface location 397 feet FNL and 1,196 feet FWL (Unit D) in Section 4, Township 22 South, Range 32 East, and a bottom hole location 46 feet FSL and 330 feet FWL (Unit M) in Section 9, Township 22 South, Range 32 East, NMPM, all in Lea County, New Mexico;
- **Gold Log 4-9 Federal Com 2H** well (API No. 30-025-53807) with a surface location 398 feet FNL and 1,225 feet FWL (Unit D) in Section 4, Township 22 South, Range 32 East, and a bottom hole location 48 feet FSL and 1,723 feet FWL (Unit N) in Section 9, Township 22 South, Range 32 East, NMPM, all in Lea County, New Mexico;
- **Gold Log 4-9 Federal Com 3H** well (API No. 30-025-53808) with a surface location 395 feet FNL and 1,708 feet FEL (Unit B) in Section 4, Township 22 South, Range 32 East, and a bottom hole location 44 feet FSL and 2,063 feet

FEL (Unit O) in Section 9, Township 22 South, Range 32 East, NMPM, all in Lea County, New Mexico;

- **Gold Log 4-9 Federal Com 4H** well (API No. 30-025-53816) with a surface location 395 feet FNL and 1,676 feet FEL (Unit B) in Section 4, Township 22 South, Range 32 East, and a bottom hole location 44 feet FSL and 469 feet FEL (Unit P) in Section 9, Township 22 South, Range 32 East, NMPM, all in Lea County, New Mexico;
- **Gold Log 4-9 Federal Com 12H** well (API No. 30-025-53809) with a surface location 396 feet FNL and 1,105 feet FWL (Unit D) in Section 4, Township 22 South, Range 32 East, and a bottom hole location 51 feet FSL and 1,180 feet FWL (Unit M) in Section 9, Township 22 South, Range 32 East, NMPM, all in Lea County, New Mexico;
- **Gold Log 4-9 Federal Com 13H** well (API No. 30-025-53817) with a surface location 397 feet FNL and 1,135 feet FWL (Unit D) in Section 4, Township 22 South, Range 32 East, and a bottom hole location 46 feet FSL and 2,594 feet FWL (Unit N) in Section 9, Township 22 South, Range 32 East, NMPM, all in Lea County, New Mexico; and
- a. **Gold Log 4-9 Federal Com 16H** well (API No. 30-025-53811) with a surface location 395 feet FNL and 1,766 feet FEL (Unit B) in Section 4, Township 22 South, Range 32 East, and a bottom hole location 39 feet FSL and 1,186 feet FEL (Unit P) in Section 9, Township 22 South, Range 32 East, NMPM, all in Lea County, New Mexico.

The proposed average injection rate for each additional well is 3 MMSCFD with a maximum injection rate of 4 MMSCFD during injection. The maximum achievable surface pressure (MASP) for the additional wells is proposed to be 1,300 psi. The current average surface pressures under normal operations for the proposed additional injection wells range from approximately 750 psi to 1,185 psi.

OXY has confirmed that the Bone Spring formation, including the targeted injection interval, is suitable for the proposed CLGC project and that there are confining layers that will prevent vertical movement of the injected gas, and depth and identity of the adjacent zones. Hydraulic fracturing modeling, a kind of reservoir modeling applicable to unconventional wells, indicates that the fractures may extend approximately 100 feet or less perpendicularly from the wellbore depending on the size of the original completion, and other factors. It is not expected that injected gas will migrate more than a few feet into the formation from the propped hydraulic fractures.

The source gas for injection will be diverted at the outlet of a compression system for the production of OXY's wells within the Lost Tanks area. Additional source wells may be added over time under an approved surface commingling authorization. Each of OXY's proposed injection wells are operated by OXY.

OXY proposes to pay royalties and revenues on both the pre-injection event stored gas (i.e., produced gas being injected) and the post-injection event stored and native gas (i.e., the combined injected gas being recovered and native gas being produced).

OXY will monitor the oil and gas production and injection flow rates, tubing pressure, and annulus pressure for all casing strings for each CLGC well. The plan includes automated safety devices under the control of a supervisory control and data acquisition (SCADA) system. Each

CGLC well will be continuously monitored following an injection event, as required by recent Division CGLC orders.

OXY has examined the available geologic and engineering data and found no evidence of open faults or other hydrologic connections between the injection zone and any underground source of drinking water. OXY has also examined the available geologic and engineering data and determined that the total recoverable volume of hydrocarbons from the reservoir will not be adversely affected by the Pilot Project.

Approval of this application is in the best interests of conservation, the prevention of waste, and the protection of correlative rights.

APPLICANT'S PROPOSED EVIDENCE


WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Stephan Janacek, Petroleum Engineer	Self-Affirmed Statement	Approx. 2
Jared Rountree, Petroleum Geologist	Self-Affirmed Statement	Approx. 1
Rahul Joshi, Reservoir Engineer	Self-Affirmed Statement	Approx. 1

PROCEDURAL MATTERS

OXY intends to present this case by self-affirmed statements. Each witness will be available to respond to examination by Division Examiners. Additional witnesses may be made available depending on the nature of the Division's questions. OXY expects to file a supplemental exhibit packet following the hearing.

Respectfully submitted,

HOLLAND & HART LLP

By: 
Michael H. Feldewert
Adam G. Rankin
Paula M. Vance
Post Office Box 2208
Santa Fe, NM 87504
505-988-4421
505-983-6043 Facsimile
mfeldewert@hollandhart.com
agrarkin@hollandhart.com
pmvance@hollandhart.com

ATTORNEYS FOR OXY USA INC.

Sante Fe Main Office
Phone: (505) 476-3441

General Information
Phone: (505) 629-6116

Online Phone Directory
<https://www.emnrd.nm.gov/ocd/contact-us>

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

QUESTIONS

Action 491122

QUESTIONS

Operator: OXY USA INC P.O. Box 4294 Houston, TX 772104294	OGRID: 16696
	Action Number: 491122
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

QUESTIONS

Testimony	
Please assist us by provide the following information about your testimony.	
Number of witnesses	Not answered.
Testimony time (in minutes)	Not answered.