

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

ACO 275

**IN THE MATTER OF DCP Midstream, LP, previously known as Duke Energy Field Services, LP.
Respondent.**

AGREED COMPLIANCE ORDER

Pursuant to the New Mexico Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, as amended (Act), and the regulations promulgated under the Act, the Director of the Oil Conservation Division of the Energy Minerals and Natural Resources Department of the State of New Mexico (OCD) issues this Order to DCP Midstream, LP, previously known as Duke Energy Field Services, LP (DCP) directing compliance with the Act and Oil Conservation Division Rules.

I. FINDINGS & DETERMINATIONS BY THE OIL CONSERVATION DIVISION

1. The OCD is the state division charged with administration and enforcement of the Act and rules promulgated in accordance with the Act.
2. DCP is a Limited Partnership doing business in New Mexico. DCP is an active entity with a principal address of 370 17th Street, Suite 2500 Denver, CO 80202. DCP's OGRID is 36785.
3. DCP is the Operator of Record of the Acid Gas Injection well, API No. 30-025-38576 located at Unit Letter K, Section 30, Township 18 South, Range 37 East, Lea County, New Mexico. Well name is Linam AGI #001.
4. On December 19, 2011 DCP notified the OCD that the Linam AGI #001 experienced a pressure reaction during an exercise on December 12, 2011 to reduce well annular pressure in preparation for a mechanical integrity test. Based upon this pressure reaction, DCP conducted a detailed review of the injection and annular pressure data gathered since the commencement of injection operations. This detailed review coupled with the pressure observation experienced during the preparations for a mechanical integrity test caused DCP to determine and notify OCD on December 19th that there is communication between the tubing and the annular spacing in the form of a small leak that, based on a close review of the data, may have begun in the late winter or spring of 2011. (see DCP letter dated December 19, 2011)

5. DCP operates the Linam AGI #001 pursuant to Oil Conservation Commission (OCC) Order R-12546 et al. The Order requires DCP to immediately notify the OCD when a leak is detected and to take such measures as timely and necessary to correct such leak. (Order pg. 7, ¶ M).

II. CONCLUSIONS OF THE OCD

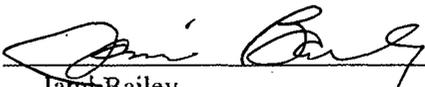
6. The OCD has jurisdiction over the parties and subject matter in this proceeding.
7. DCP is a person as defined by NMSA 1978, § 70-2-33(A).

III. ORDER

8. DCP shall secure all necessary materials and equipment to shut-down the facility and shut-in the well no later than April 24, 2012.
9. DCP shall monitor on a daily basis all activities associated with Linam AGI #001 including, but not limited to pressure data, diesel replacement activities, atmospheric H₂S and safety measures which are in place.
10. DCP shall report to OCD on a Form C-103 on a weekly basis of all activities associated with Linam AGI #001 including, but not limited to pressure data, diesel replacement activities, atmospheric H₂S and safety measures which are in place. The reports will be sent to OCD's Hobbs District Office c/o Elidio Gonzales and OCD's Engineering Bureau c/o William Jones.
11. Copies of third party reports related to the Linam AGI #001 will be delivered to OCD's Hobbs District Office c/o Elidio Gonzales and OCD's Engineering Bureau c/o William Jones no later than 5 days of DCP's receipt of such reports.
12. DCP shall insure that the appropriate safety measures are taken and in place in order to protect human health and safety.
13. In order to protect correlative rights and prevent waste, DCP shall notify the operators of wells 30-025-34533 and 30-025-38544, and any other operators of wells that DCP identifies as being at a potential risk, of the leak.
14. DCP shall immediately notify the OCD's Hobbs District Office if
 - a. the annulus pressure reaches 1200 pounds per square inch gauge (psig), or
 - b. the difference between tubing and casing pressures becomes 100 psig or less when the injection temperature is at least 85 degrees Fahrenheit.

15. Finally, DCP shall comply with their OCD-approved November 9, 2009, Linam Ranch Gas Plant and AGI Wellsite H₂S Contingency Plan (Plan). The Plan provides guidelines to evaluate and respond to an incident, and to prevent or minimize personal injury or loss, to avoid environmental hazards, and to reduce damage to personal property.
16. By signing this Order, DCP expressly:
- a. acknowledges the authority of the OCD to render the above Findings & Determinations, Conclusions and Order;
 - b. agrees to comply with the Order;
 - c. waives any right, pursuant to the Oil and Gas Act or otherwise, to a hearing either prior or subsequent to the entry of this Order or to an appeal from this Order;
 - d. agrees that if it fails to comply with this Order, the well may be shut-in immediately and the Order may be enforced by suit or otherwise to the same extent and with the same effect as a final Order of the Division entered after notice and hearing in accordance with all terms and provisions of the Oil and Gas Act;
17. Nothing in this Order relieves DCP of its liability should its operations fail to adequately investigate and remediate contamination that poses a threat to ground water, surface water, human health or the environment. In addition, nothing in this Order relieves DCP of its responsibility for compliance with any other federal, state or local laws and/or regulations.

Done at Santa Fe, New Mexico this nd 23 day of January 2012.

By: 
Jamie Bailey,
Director, Oil Conservation Division

ACCEPTANCE

DCP Midstream LP (OGRID No. 36785), Operator of Linam AGI #001 (API 30-025-38576), hereby accepts the foregoing Order, and agrees to all of the terms and provisions as set forth in the Order.

DCP Midstream LP

By: 

Michael K. Betz

Title: Asset Director SENM

Date: 1-30-2012