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February 6, 2014

VIA HAND DELIVERY

Ms. Jami Bailey, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: **Case No. 15073. 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.**

Dear Ms. Bailey:

DCP Midstream, LP submits the enclosed pre-hearing statement, exhibits, and corrected page 7 of the C-108 application for the Oil Conservation Commission hearing scheduled February 13, 2014.

Your attention to this request is appreciated.

Sincerely,

Adam G. Rankin
ATTORNEY FOR DCP MIDSTREAM, LP

cc: Phil Goetze, Engineering Bureau, w/o encls via email.
Gabriel Wade, Esq., Oil Conservation Division, w/o encls via email.

Table 1 – Reservoir Injection Pressure and Volume Calculations

PROPOSED INJECTION STREAM CHARACTERISTICS

TAG	H_2S	CO_2	H_2S	CO_2	TAG
Gas vol MMSCFD	conc. mol %	conc. mol %	inject rate lb/day	inject rate lb/day	inject rate lb/day
15	11	89	156622	1636394	1793016

CONDITIONS AT WELL HEAD

Well Head Conditions		TAG							
Temp F	Pressure psi	Gas vol MMSCFD	Comp CO_2:H_2S	Inject Rate lb/day	Density[1] kg/m^3	SG[2]	density lb/gal	volume ft^3	volume ~~bbl~~
100	1200	15	89:11	1793016	484.00	0.48	4.04	59313	10564

CONDITIONS AT BOTTOM OF WELL

Injection Zone Conditions					TAG				
Temp F	Pressure[3] psi	$Depth_{top}$ ft	$Depth_{bottom}$ ft	Thickness[4] ft	Density[1] kg/m^3	SG[2]	density lb/gal	volume ft^3	volume bbl
120	2400	5750	6170	420	726.00	0.73	6.06	39542	7043

CONDITIONS IN RESERVOIR AT EQUILIBRIUM

Injection Reservoir Conditions					TAG				
Temp[5] F	Pressure[3] psi	Ave. Porosity[6] %	Swr	Porosity ft	Density[1] kg/m^3	SG[2]	density lb/gal	volume ft^3	volume bbl
120	2400	15.0	0.41	37.17	726.00	0.73	6.06	39542	7043

CONSTANTS

	SCF/mol	
Molar volume at STD	0.7915	
	g/mol	lb/mol
Molar weight of H_2S	34.0809	0.0751
Molar weight of CO_2	44.0096	0.0970
Molar weight of H_2O	18.015	0.0397

CALCULATION OF MAXIMUM INJECTION PRESSURE LIMITATION

SG_{TAG}	0.6050
$PG = 0.2 + 0.433\ (1.04\text{-}SG_{TAG})$	0.388 psi/ft
$IP_{max} = PG$ *Depth	2233 psi

Where: SG_{TAG} is specific gravity of TAG; PG is calculated pressure gradient; and IP_{max} is calculated maximum injection pressure.

[1] Density calculated using AQUAlibrium software

[2] Specific gravity calculated assuming a constant density for water

[3] PP is extrapolated using successful Drill Stem Tests at nearby wells

[4] Thickness is the average total thickness of coarse sand units in the reservoir zone

[5] Reservoir temp. is extrapolated from bottomhole temp. measured at nearby wells

[6] Porosity is estimated using geophysical logs from nearby wells

CALCULATION OF 30 YEAR AREA OF INJECTION

Cubic Feet/day (5.6146 ft^3/bbl)	39542 ft^3/day
Cubic Feet/30 years	433282411 ft^3/30 years
Area = V/Net Porosity (ft)	11656777 ft^2/30 years
Area = V/Net Porosity (ft) (43560 ft^2/ac	267.6 acres/30 years
Radius =	1926 ft
Radius =	0.36 miles

3.3 WELL DESIGN

The AGI facilities and wells are integrated components of the proposed Zia Gas Plant design. The schematic of the AGI facilities and tie-in to the proposed Zia Gas Plant are shown in Figure 5, and the preliminary well designs for the injection wells are shown on Figure 6. Both of the wells (AGI #1) and (AGI #2) will be constructed using the same materials as shown in Figure 6. The intermediate casing of each well will be advanced to approximately 4,600 feet to assure the protection of the Capitan Aquifer and the upper Delaware Group.

The two proposed wells will be essentially identical in drilling, casing and completion, and will differ only in their locations and the direction and location of their bottom hole points.

The final design for the compression facilities and associated piping and layout of H_2S alarms and other safety equipment will be submitted for NMOCD review prior to commencement of injection operations as part of a complete Rule 11 Plan.