

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

**APPLICATION OF OXY USA INC. TO RE-OPEN CASE NO. 15616 TO
REINSTATE, MODIFY AND MAKE PERMANENT THE INJECTION
AUTHORITY GRANTED BY ORDER R-14322, EDDY COUNTY, NEW MEXICO.**

**CASE NO. 21996
(formerly Case 15616)**

OXY’S PRE-HEARING STATEMENT

OXY USA Inc. (“Oxy”) (OGRID No. 16696) submits this Pre-Hearing Statement, pursuant to the rules of the Oil Conservation Division.

APPEARANCES

APPLICANT

OXY USA Inc.

ATTORNEY

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OTHER PARTIES

None

APPLICANT’S STATEMENT OF CASES

Oxy seeks an order to (1) reinstate and make permanent the injection authority granted under Order No. R-14322; (2) authorize the injection of carbon dioxide in the project area; and (3) authorize Oxy to add additional injection wells to the project area by administrative application. Division Order No. R-14322, entered on April 10, 2017 in Case 15616, approved Oxy’s

Cedar Canyon Pressure Maintenance Pilot Project. The project area is defined as the Bone Spring formation underlying Section 16, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico. The Order approved a two-year period of injection of produced water and produced gas into the Cedar Canyon 16 State Well No. 7H (API No. 30-015-41251) and the Cedar Canyon 16 State Well No. 12H (API No. 30-015-42683) wells. Paragraph 19, page 7 of Order R-14322 required Oxy to apply to the Division two years after commencement of injection to report on the results of the pilot project and to make permanent the injection authority authorized by the Order R-14322.

In accordance with paragraph 19 of Order R-14322, Oxy appeared before a Division Examiner on January 11, 2019, in Case No. 15616 (reopened). At the January 11, 2019 hearing Oxy:

- Presented testimony demonstrating the success of the Cedar Canyon pilot project and requested that the project be established as a permanent pressure maintenance project;
- Requested and presented testimony supporting expanding the injection authority to include carbon dioxide in addition to produced water and produced gas; and
- Requested and presented testimony supporting the allowance of additional injection wells for the project area through administrative applications.

On February 18, 2019, the Division issued a letter temporarily extending the injection authority for the Cedar Canyon 16 State Well No. 7H and 12H wells “until such time the Division issues a final order for the re-opened case.” In the February 18th letter, the

Division found the following with respect to the evidence presented at the January 11th hearing:

At this hearing, the operator presented testimony and evidence that the pilot project has successfully increased the hydrocarbon production of adjacent horizontal wells in the same formation. The operator also demonstrated that the injected fluid entered only the injection interval, did not escape to other formations and did not impair any correlative rights.

The Division has not yet issued the “final order for the re-opened case” as contemplated by the Division’s February 18, 2019, letter.

In addition, due to the advent of COVID 19 and the economic downturn that followed Oxy has not operated the Cedar Canyon injection project since September of 2019, resulting in an unintentional termination of the injection authority for the two authorized injection wells. *See* NMAC 19.15.26.12.C. Oxy desires to proceed with the injection project and has been informed by the Division’s Engineering Bureau to file for a hearing to get the Cedar Canyon injection project into compliance.

Reinstatement of the injection authority granted by Order R-14322 and the issuance of a final order for the re-opened case as contemplated by the Division’s February 18, 2019, letter will not pose a threat to the public health or the environment, will promote the efficient recovery of oil underlying these state lands and prevent waste.

APPLICANT’S PROPOSED EVIDENCE

WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Stephen Janacek, Engineer	Affidavit and Live	Approx. 6

PROCEDURAL MATTERS

Oxy intends to present this case by affidavit and through the presence of a live witness at the hearing. Oxy requests that the testimony and exhibits presented in Case 15616, particularly the testimony presented on January 11, 2019, be recognized and incorporated into this matter.

Respectfully submitted,

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State of New Mexico
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QUESTIONS

Action 33665

QUESTIONS

Operator: OXY USA INC. P.O. Box 50250 Midland, TX 797100250	OGRID: 315329
	Action Number: 33665
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

QUESTIONS

Testimony	
<i>Please assist us by provide the following information about your testimony.</i>	
Number of witness	<i>Not answered.</i>
Testimony time (in minutes)	<i>Not answered.</i>