

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

APPLICATION OF OXY USA INC. FOR APPROVAL OF THE JUNO BONE SPRING UPPER WOLFCAMP CC 23-24 UNIT, TO MODIFY THE INJECTION AUTHORITY APPROVED UNDER ORDER R-21356 AND EXPAND THAT AUTHORITY TO INCLUDE ELEVEN ADDITIONAL WELLS IN THE UNITIZED AREA, AND TO CONTRACT EXISTING BONE SPRING AND WOLFCAMP POOLS IN FAVOR OF A NEW OIL POOL COMPRISED OF THE BONE SPRING FORMATION AND THE UPPER WOLFCAMP “XY” AND “A” INTERVALS OF THE WOLFCAMP FORMATION, EDDY COUNTY, NEW MEXICO.

CASE NO. 22183

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

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

OTHER PARTIES

None

APPLICANT’S STATEMENT OF CASES

Oxy seeks approval of what the Bureau of Land Management (“BLM”) has now labeled the “Juno (Bone Spring-Upper Wolfcamp) Unit” in its preliminary approval letter (“Juno Unit”).

The Juno Unit will consist of 920 acres of federal lands and 40 acres of fee lands (for a total of 960-acres) situated in Eddy County, New Mexico, described as follows:

TOWNSHIP 24 SOUTH, RANGE 29 EAST, N.M.P.M.

Section 23: ALL

Section 24: W/2

The unitized interval includes the Bone Spring formation and Upper Wolfcamp “XY” and “A” intervals of the Wolfcamp formation as identified by the Gamma Ray log run in the Canyon 23 #1 well (API: 30-015-29318) located in the NE/4 SE/4 of Section 23, Township 24 South, Range 29 East, Eddy County, New Mexico, with the top of the unitized interval being found at a measured depth of 6,878 feet below the surface (-3,819 subsea) and the base of the unitized interval being found at a measured depth of 10,736 feet below the surface (-7,647 subsea) or the stratigraphic equivalent thereto. Oxy owns all the working interest in the Juno Unit and is the designated operator under the proposed Unit Agreement.

The purpose of the Juno Unit is to conduct a “huff and puff” pressure maintenance project. A portion of the proposed unit area, the N/2 of Section 23 and the NW/4 of Section 24, has already been approved by the Division as a pressure maintenance project under Order R-21356 (issued in Case 20193). This order authorizes the injection of produced water, produced gas and carbon dioxide into the Bone Spring formation through the Cedar Canyon 23 Federal No. 4H well (API No. 30-015-43281) and labeled this area as the Cedar Canyon Pressure Maintenance Pilot Project. Oxy seeks to expand this pressure maintenance project to include eleven additional wells within the Juno Unit that are completed in the Bone Spring formation and the Upper Wolfcamp “XY” and the “A” intervals of the Wolfcamp formation.

To efficiently implement this expanded pressure maintenance project, Oxy seeks approval of the Juno Unit and an order that:

- Expands the injection authority approved by Order R-21356 to include eleven additional wells in the unitized area;
- Authorizes a range of maximum surface injection pressures based upon the nature of the injectant and the depth of the targeted intervals within the Bone Spring and Wolfcamp formations;¹
- Provides a two-year period to commence injection due to facility costs and timing associated with implementing the “huff and puff” injection project;²
- Authorizes additional injection wells in the Unit Area to be approved administratively under NMAC 19.15.26.8.F(5);
- Expands the source of the produced water beyond the Cedar Canyon Treating Facility for the existing and proposed injection wells;³ and
- Authorizes the casing-tubing annulus be filled with dehydrated produced gas as an option to “inert fluid.”

Finally, the Bone Spring formation underlying the Juno Unit is currently assigned to three different pools: The Pierce Crossing; Bone Spring, East Pool (96473), the Pierce Crossing; Bone Spring Pool (50371) and the Corral Draw; Bone Spring Pool (96238). The Wolfcamp formation underlying the Juno Unit is currently assigned to the Purple

¹ The proposed surface injection pressures are identified and explained in the Form C-108 filed with Oxy’s application for hearing.

² See Order R-21356 at ¶17 and Order R-14322 at ¶18 (authorizing this time frame).

³ Paragraph 7 of Division Order R-21356 approving the Cedar Canyon 23 Federal No. 4H injection operation states: “Water from outside the operator’s Cedar Canyon Treating Facility shall not be injected into these wells (sic).”

Sage-Wolfcamp Gas Pool (98220). Oxy is concerned that within the Juno Unit there is not a sufficient geologic barrier between the lower Bone Spring formation and the Upper Wolfcamp formation to prevent the migration of injected gas or fluids between these intervals. Accordingly, Oxy has unitized the Upper Wolfcamp interval with the Bone Spring formation for this injection project. To foster administrative reporting and efficiency for this circumstance, Oxy seeks to contract the existing Bone Spring and Wolfcamp from the Juno Unit and replace them with a single, new oil pool comprised of the Bone Spring formation and the Upper Wolfcamp “XY” and “A” intervals of the Wolfcamp formation. This new pool for the injection operations will be limited to the Juno Unit area.

APPLICANT’S PROPOSED EVIDENCE

WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Joseph Kaminski, Engineer	45 minutes	Approx. 8
Peter Van Liew, Landman	30 minutes	Approx. 9
Tony Troutman, Geologist	30 minutes	Approx. 7
Stephen Janacek, Engineer	1 hour	Approx.10

PROCEDURAL MATTERS

None at this time.

Respectfully submitted,

HOLLAND & HART LLP

A handwritten signature in blue ink, appearing to read "Michael H. Feldewert", written over a horizontal line.

Michael H. Feldewert
Adam G. Rankin
Kaitlyn A. Luck
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
(505) 988-4421
(505) 983-6043 Facsimile
mfeldewert@hollandhart.com
agrarkin@hollandhart.com
kaluck@hollandhart.com

ATTORNEYS FOR OXY USA INC.

District I
 1625 N. French Dr., Hobbs, NM 88240
 Phone:(575) 393-6161 Fax:(575) 393-0720

District II
 811 S. First St., Artesia, NM 88210
 Phone:(575) 748-1283 Fax:(575) 748-9720

District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 Phone:(505) 334-6178 Fax:(505) 334-6170

District IV
 1220 S. St Francis Dr., Santa Fe, NM 87505
 Phone:(505) 476-3470 Fax:(505) 476-3462

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

QUESTIONS

Action 53291

QUESTIONS

Operator: OXY USA INC P.O. Box 4294 Houston, TX 772104294	OGRID: 16696
	Action Number: 53291
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

QUESTIONS

Testimony	
<i>Please assist us by provide the following information about your testimony.</i>	
Number of witnesses	4
Testimony time (in minutes)	245