

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

**APPLICATION OF OXY USA INC.
FOR A CLOSED LOOP GAS
CAPTURE INJECTION PILOT
PROJECT, EDDY AND LEA
COUNTIES, NEW MEXICO.**

CASE NO. 23633

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

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APPLICANT’S STATEMENT OF THE CASE

OXY seeks an order authorizing OXY to engage in a closed loop gas capture injection pilot project in the Bone Spring formation (“Pilot Project”). OXY proposes to create a 1,958.92-acre, more or less, project area for this Pilot Project consisting of the following acreage identified below in Eddy and Lea Counties, New Mexico (the “Project Area”).

Township 22 South, Range 31 East

Section 13: W/2 W/2
Section 12: W/2 W/2

Township 22 South, Range 32 East

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

OXY seeks authority for this 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.

The proposed Project Area is part of a larger area OXY refers to as the Lost Tank area. OXY seeks authority for this 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 Project Area, OXY seeks authority to utilize the following producing wells to occasionally inject produced gas into the Bone Spring formation:

- **Lost Tank 30-19 Federal Com 1H** (API No. 30-025-46474) with a surface location 128 feet FNL and 1235 feet FWL (Lot 1) in Section 19, Township 22 South, Range 32 East, and a bottom hole location 29 feet FSL and 971 feet FWL

(Lot 4) in Section 30, Township 22 South, Range 32 East, NMPM, all in Lea County, New Mexico.

- **Top Spot 12-13 Federal Com 11H well** (API No. 30-015-48595) with a surface location 655 feet FSL and 2022 feet FWL (Unit N) in Section 13, Township 22 South, Range 31 East, and a bottom hole location 51 feet FNL and 448 feet FWL (Unit D) in Section 12, Township 22 South, Range 31 East, NMPM, all in Eddy, New Mexico.
- **Top Spot 12-13 Federal Com 1H well** (API No. 30-015-48594) with a surface location 655 feet FSL and 2087 feet FWL (Unit N) in Section 13, Township 22 South, Range 31 East, and a bottom hole location 51 feet FNL and 764 feet FWL (Unit D) in Section 12, Township 22 South, Range 31 East, NMPM, all in Eddy, New Mexico.
- **Top Spot 12-13 Federal Com 21H well** (API No. 30-015-47771) with a surface location 655 feet FSL and 2052 feet FWL (Unit N) in Section 13, Township 22 South, Range 31 East, and a bottom hole location 49 feet FNL and 449 feet FWL (Unit D) in Section 12, Township 22 South, Range 31 East, NMPM, all in Eddy, New Mexico.
- **Dr Pi Federal Unit 17 8 DA 21H well** (API No. 30-025-48282) with a surface location 530 feet FSL and 1075 feet FWL (Unit M) in Section 17, Township 22 South, Range 32 East, and a bottom hole location 52 feet FNL and 453 feet FWL (Unit D) in Section 8, Township 22 South, Range 32 East, NMPM, all in Eddy County, New Mexico.

- **Dr Pi Federal Unit 17 8 DA 23H well** (API No. 30-025-48947) with a surface location 530 feet FSL and 1145 feet FWL (Unit M) in Section 17, Township 22 South, Range 32 East, and a bottom hole location 37 feet FNL and 2193 feet FWL (Unit D) in Section 8, Township 22 South, Range 32 East, NMPM, all in Eddy County, New Mexico.
- **Dr Pi Federal Unit 17 8 DA 25H well** (API No. 30-025-48949) with a surface location 455 feet FSL and 1565 feet FEL (Unit O) in Section 17, Township 22 South, Range 32 East, and a bottom hole location 40 feet FNL and 1282 feet FEL (Unit D) in Section 8, Township 22 South, Range 32 East, NMPM, all in Eddy County, New Mexico.
- **Dr Pi Federal Unit 17 8 DA 26H well** (API No. 30-025-48950) with a surface location 455 feet FSL and 1530 feet FEL (Unit O) in Section 17, Township 22 South, Range 32 East, and a bottom hole location 61 feet FNL and 322 feet FEL (Unit D) in Section 8, Township 22 South, Range 32 East, NMPM, all in Eddy County, New Mexico.

The proposed average injection rate for each well is 3 MMSCFD with a maximum injection rate of 4 MMSCFD during injection. The maximum achievable surface pressure (MASP) for the wells in the Pilot Project is proposed to be 1,300 psi. The current average surface pressures under normal operations for the proposed injection wells range from approximately 185 psi to 850 psi. Injection along the horizontal portion of the wellbores will be within the Bone Spring formation, in the Bilbrey Basin; Bone Spring (Pool Code 5695) and the Bilbrey; Bone Spring South (Pool Code 97336) at total vertical depths of between approximately 9,005 feet to 10,699 feet along the horizontal portion of each wellbore.

Due to the location and curvature of the kickoff point in **Top Spot 12-13 Federal Com 11H well**, OXY also requests an exception for the 100-foot packer setting depth requirement applied to vertical injection wells that packers be set within one hundred feet of the uppermost perforations or casing shoe.

The proposed maximum achievable surface pressure will not exert pressure at the top perforation in the wellbore of any injection well with a full fluid column of reservoir brine water in excess of 90% of the burst pressure for the production casing or production liner. In addition, the proposed maximum achievable surface pressure will not exert pressure at the topmost perforation in excess of 90% of the formation parting pressure.

Reservoir modeling indicates anticipated horizontal movement of injected gas will be approximately 100 feet or less from each injection wellbore within the Bone Spring formation. The source of gas for injection will be from OXY’s Lost Tank area wells producing from the Delaware, Bone Spring, and Wolfcamp formations. 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.

APPLICANT’S PROPOSED EVIDENCE

WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Stephen Janacek, Petroleum Engineer	Approx. 1 hour	Approx. 15
Tony Troutman, Petroleum Geologist	Approx. 20 minutes	Approx. 2
Logan Millsaps, Production Engineer	Affidavit	Approx. 1

Rahul Joshi, Reservoir Engineer

Approx. 40 minutes

Approx. 2

PROCEDURAL MATTERS

OXY intends to present this case through in-person witnesses. OXY expects to file additional exhibits in advance of the hearing.

Respectfully submitted,

HOLLAND & HART LLP



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State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
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QUESTIONS

Action 234642

QUESTIONS

Operator: OXY USA INC P.O. Box 4294 Houston, TX 772104294	OGRID: 16696
	Action Number: 234642
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

QUESTIONS

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