

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

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**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:**

**APPLICATION OF OXY USA WTP LIMITED
PARTNERSHIP FOR AUTHORIZATION TO
APPROVE A PILOT PRESSURE MAINTENANCE
PROJECT IN THE BENSON; BONE SPRING
POOL THROUGH ITS SMOKEY BITS STATE
COM NO. 2H WELL, EDDY COUNTY,
NEW MEXICO**

Case No. 16038

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Opponent as required by the Oil Conservation Division under 19.15.4.13 (B) NMAC.

APPEARANCES

APPLICANT

OXY USA WTP Limited Partnership

APPLICANT'S ATTORNEY

Adam G. Rankin
Holland & Hart

OPPONENTS

New Mexico State Land Office

OPPONENT'S ATTORNEY

Katherine M. Moss

STATEMENT OF THE CASE

APPLICANT

OXY USA WTP Limited Partnership has applied for authorization to approve a pilot pressure maintenance project in the Benson; Bone Spring Pool through its Smokey Bits State Com No. 2H well, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order authorizing a pilot pressure maintenance project in the Benson; Bone Spring Pool (Pool Code 5200) within the

Second Bone Spring Sand formation to inject produced water through its Smokey Bits State Com No. 2H well (API No. 30-015-40196), with a surface location 1,575 feet from the North line and 75 feet from the West line (Unit E) of Section 36, Township 18 South, Range 30 East, NMPM, Eddy County, New Mexico. The maximum proposed daily injection rate will be 6,000 barrels per day with an average daily injection rate of 1,500 barrels per day. The proposed injection will occur within the Second Bone Spring formation at a depth of approximately 8,532 feet to 8,624 feet deep. The proposed project area is approximately 640 acres in size, consisting of said Section 36. The applicant requests administrative approval to convert future wells within the project area to injection pursuant to 19.15.26.8.F.3 NMAC. Applicant also requests authorization to set injection packers in the proposed injection well and all future injection wells within the project area more than 100 feet above the uppermost injection perforation. The maximum surface injection pressure will be 1,706 psi. Said well is located approximately 15 miles southwest of Maljamar, New Mexico.

OPPONENT NEW MEXICO STATE LAND OFFICE

The State Land Office (SLO) has reviewed the Smokey Bits State Com #2H (30-015-40196) application by OXY USA - for a pressure maintenance project into the Bone Spring formation using produced water from offset Bone Spring wells. This horizontal well penetrates three State Trust Mineral Leases. It is offset by eight or more similarly completed horizontal wells in the same Bone Spring zone. All such wells, including the #2H, are currently producing oil and gas from the same zone in paying quantities.

The SLO has serious concerns for loss of oil and gas resources in the currently completed zone as well as shallower and/or deeper Bone Spring zones.

The SLO is concerned that the use of a State Com horizontal well for a multi-lease waterflood (pressure maintenance) operation cannot be properly monitored because the SLO has no mechanism to monitor yearly to ensure no out of zone migration of the injected produced waters. Thus, once the water injection begins into the #2H well, the Com will terminate automatically.

PROPOSED EVIDENCE

APPLICANT

The State Land Office has not received notice of witnesses or exhibits that will be presented by the Applicant.

STATE LAND OFFICE

<u>WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
Anchor Holm	1 hour	Approx. 6
Marilyn Grubel	30 mins	Approx. 2

PROCEDURAL MATTERS

No procedural matters have been identified that are to be resolved prior to the hearing.

Respectfully submitted,

Katherine M. Moss
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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon the following counsel of record this 15th day of March, 2018 by email:

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