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

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION COMMISSION FOR THE PURPOSE OF CONSIDERING: APPLICATION OF DCP MIDSTREAM, LP FOR AUTHORIZATION TO INJECT ACID GAS INTO THE ARTESIA AGI #2 WELL, EDDY COUNTY, NEW MEXICO

CASE NO. 15127

PRE-HEARING STATEMENT
APPEARANCES

APPLICANT
DCP Midstream LP

APPLICANT'S ATTORNEY
Mr. Adam G. Rankin
Holland & Hart
P.O. Box 2208
Santa Fe, NM 87504-2208
Telephone: (505) 988-4421
Fax: (505) 983-6043
agrankin@hollandhart.com

INTERVENER
Oil Conservation Division

INTERVENER'S ATTORNEY
Gabriel Wade
Oil Conservation Division
Energy, Minerals and Natural Resources Department
1220 S. St. Francis Drive
Santa Fe, NM 87505
Telephone: (505) 476-3451
Fax: (505) 476-3462
gabriel.wade@state.nm.us

STATEMENT OF THE CASE

Applicant DCP Midstream, LP seeks an order from the New Mexico Oil Conservation Commission authorizing it to inject acid gas and carbon dioxide (CO_2) from the Artesia Gas Processing Plant (the "Plant") into its proposed Artesia AGI No. 2 well. The proposed Artesia AGI No. 2 well will be located 1,180 feet from the South line and 2,035 feet from the East line (Unit O) of Section 7, Township 18 South, Range 28 East, N.M.P.M., Eddy County, New Mexico. The Applicant proposes to inject treated acid gas for disposal into the Lower San Andres, Glorieta and Upper Yeso formations, at an approximate depth of 4,300 feet below the surface, under a maximum allowable

operating pressure of 1,704 psig for treated acid gas only and 916 psig for injection of waste water only. The proposed well will serve as the primary disposal well for acid gas and CO_2 from the Plant and the original AGI No. 1 well will function as a back-up and redundant well. The proposed well is located approximately 6 miles Southwest of Riverside, New Mexico.

The Oil Conservation Division (Division) does not oppose DCP's request for the permit. The Division does ask the Commission include the following conditions:

1. Require an annual Mechanical Integrity Test for the proposed Artesia AGI No. 2.
2. Conduct a Step-Rate Test on the completed well prior to commencing operation to determine the Maximum Surface Injection Pressure for each type of waste stream proposed for injection: treated acid gas only, wastewater only and treated acid gas combined with wastewater.
3. Incorporate a biocide component in the inert annular fluid of the well.
4. Daily monitoring of pressure data, diesel replacement activities, atmospheric H2S and the safety measures in place.
5. Incorporate temperature controls to govern the temperature of injected fluid within parameters and provide an alarm system for these controls should parameters be exceeded.
6. Require the well to be equipped with a pressure-limiting device.
7. Monthly reporting of the daily gathered information on a C-103.
8. Thirty (30) days prior to the start of injection, DCP shall meet with OCD to set immediate notification parameters for annulus pressure and tubing and casing differential pressure at a set injection temperature.
9. Ninety (90) days after injection has begun, DCP must review the pre-injection immediate notification parameters with OCD. If the parameters are protective, no change needs to be made; however, if OCD does not find the parameters to be protective, new immediate notification parameters shall be implemented.
10. The immediate notification parameters shall be reviewed periodically with OCD but not less than once a year.
11. All logs and the estimated static bottom pressure to be submitted to the Division's District II office.
12. Request the Applicant to submit the affidavit of publication in the local newspaper.
13. Provide signage for installation at active Grayburg wells within a one-mile radius of the proposed AGI well. In general, the signage is to provide notice to workers arriving on these well sites that an acid gas injection well is operating within one mile of the posted well and appropriate precautions should be taken.
14. Request the Applicant to address any impacts due to the injection by the Artesia SWD No. 1 (API 30-015-25271) to the model prepared for calculating the maximum reservoir volume for the proposed well.
15. Provide a report following every tenth year of operation summarizing performance of the well and potential calibration of models due to information collected during the period.

INTERVENER'S PROPOSED EVIDENCE

WITNESS: ESTIMATED TIME:

1. Phillip Goetze 30 minutes

Mr. Goetze holds a Bachelor of Science degree in geology and is a registered geologist in the states of Arizona and Texas. He has been employed by OCD for over a year and has been qualified as a hearing examiner. His experience with OCD includes the review of C-108 applications submitted to the division under Rule 19.15.26 NMAC. Prior to employment with OCD, he has 30 years of experience including oil and gas resource evaluation and regulatory oversight with the United States Geological Survey and the Bureau of Land Management. Mr. Goetze will testify about his review of the C-108 application prepared for DCP.

The OCD will offer Mr. Goetze as an expert in petroleum geology and underground injection.

2. Any rebuttal witness needed due to evidence presented at the hearing.

EXHIBITS

1. DCP's application dated February 19, 2014.

PROCEDURAL MATTERS

None.

Respectfully submitted
this12th day of June 2014 by

Gabriel Wade
Oil Conservation Division
Energy, Minerals and Natural
Resources Department
1220 S. St. Francis Drive
Santa Fe, NM 87505
(505) 476-3463
Fax (505) 476-3462
Email: gabriel.wade@state.nm.us
Attorney for the Oil Conservation Division

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was electronically mailed on the following parties on June 12, 2014:

Mr. Adam G. Rankin
Holland & Hart
P.O. Box 2208
Santa Fe, NM 87504-2208
Telephone: (505) 988-4421
Fax: (505) 983-6043
agrankin@hollandhart.com
Attorney for Applicant DCP Midstream LP

Gabriel Wade