



June 8, 2011

VIA HAND-DELIVERY

Ms. Jami Bailey, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Case No. 13589: Application of Duke Energy Field Services, LP for an Acid
Gas Injection Well, Lea County, New Mexico.

Dear Ms. Bailey:

DCP Midstream, LP ("DCP") files the enclosed Motion to Amend Order No. R-12546 and requests that the Motion be heard at the earliest possible Commission Hearing docket. If it is unable to be heard on the June 28th docket, DCP requests to be heard on the July docket.

Your attention to this matter is appreciated.

Very truly yours,

Ocean Munds-Dry

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Attorney for DCP Midstream, LP

cc: Counsel of Record



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

**APPLICATION OF DUKE ENERGY FIELD
SERVICES, LP FOR AN ACID GAS INJECTION
WELL, LEA COUNTY, NEW MEXICO.**

CASE NO. 13589

DCP'S MOTION TO AMEND ORDER NO. R-12546

DCP Midstream, LP ("DCP") moves the New Mexico Oil Conservation Commission ("Commission") for an order amending Order No. R-12546-D to allow for an increase in the maximum injection rate and/or waiving Condition "N" in Order No. R-12546 which requires an approved modification of a discharge permit and in support thereof states as follows:

1. On May 5, 2006, the Commission entered Order No. R-12546 which granted the application of Duke Energy Field Services, LP (now known as DCP Midstream, LP) in the above-referenced case and authorized injection of acid gas into the Lower Bone Spring (Wolfcamp) through a well drilled at a location 1980 feet from the South and West lines of Section 30, Township 18 South, Range 37 East, NMPM, Lea County, New Mexico.
2. The Commission Chair extended Order No. R-12546 from time-to-time to allow DCP more time to drill and complete the Linam AGI well as well as construct all surface facilities associated with the well. See Order Nos. 12546-B & C.
3. Shortly after the well and all facilities were completed, DCP began to experience dramatic deterioration in the performance of the Sulfur Recovery Unit at the Linam Ranch Plant. DCP requested temporary approval from the Commission Chair to inject acid gas into its Linam Ranch AGI well in order to prevent waste, to avoid excess emissions at the Linam Ranch Plant

or to harm human health and the environment. DCP also requested a stay of Paragraphs N and Q of Order No. R-12546.

4. DCP had met all conditions of Order No. R-12546 except for Paragraph N and Q in the order.

(a) Paragraph N of Order No. R-12546 provided that prior to commencing injection in the well, the operator shall secure Division approval of an appropriate modification of the discharge permit for the Linam Gas Plant.

(b) Paragraph Q of Order No. R-12546 provided that the operator submit to the Engineering Bureau in the Division's Santa Fe Office written evidence of satisfaction of the conditions precedent to injection provided in the order and obtain an administrative order.

5. As required by Paragraph N of Order No. R-12546, in August, 2009, DCP submitted an application to modify its discharge permit for the Linam Ranch Plant to include the AGI well.

6. The Commission Chair issued Order No. R-12546-D which authorized DCP to inject gas into the Linam AGI well and to stay the conditions of Paragraphs N and Q for 90 days.

(a) The order authorized temporary injection at a rate not to exceed 4 MMcfd and well head pressure not to exceed 1800 psig. There is no volume limitation in the original order. The volume limitation was put in place presumably as a measure of precaution during the period of time when DCP was to have temporary authority to inject. DCP did not anticipate that it would still be under this temporary authority for more than a year and a half. See Affidavit of David Garrett, Para. 5.

7. The draft discharge permit has been under review by the Oil Conservation Division's Environmental Bureau staff and the Commission Chair granted additional extensions

in Order Nos. R-12546-E-G.

8. Order No. R-12546-G provided that Conditions N and Q “will be stayed...until a hearing is held before the Commission and the Commission enters a written order regarding the stay.”

9. There has been a marked increase in gas production in Southeast New Mexico and DCP is in immediate danger of exceeding the volume limitation imposed in Order No. R-12546-D. DCP is currently faced with either exceeding the limit or shutting in gas producers. In turn, these producers will be forced to either shut in their wells or vent the gas to the atmosphere. See Affidavit of Garrett, Para. 4.

10. DCP therefore requests the removal of the 4 MMcfd limitation in Order No. R-12546-D.

11. Alternatively, DCP requests the Commission waive or amend Paragraph N of Order No. R-12546 requiring a discharge permit for the surface facilities of the AGI well.

12. On May 10, 2011, the Oil Conservation Division issued a “Revised OCD Discharge Plan Permit Requirements.” Going forward, the Division will issue discharge permits for “processes that intentionally discharge” and other activities described in the Water Quality Act. Activities that are covered by the Oil and Gas Act such as pits or surface waste management facilities will not require a discharge plan. AGI wells and associated surface facilities were not specifically mentioned in the revised OCD policy but the well already has an approved C-108 and the facilities are regulated under the Oil and Gas Act. See Affidavit of Garrett, Para. 9. Accordingly, it appears that a discharge permit is no longer required.

13. If the discharge permit was no longer required, then DCP could submit its final request to the Engineering Bureau for final approval to inject into the AGI well.

WHEREFORE, DCP Midstream, LP requests for good cause shown, that this Motion be granted.

Respectfully submitted,

HOLLAND & HART, LLP

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ATTORNEYS FOR DCP MIDSTREAM, LP

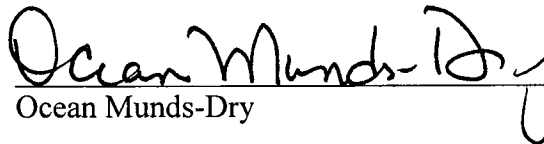
CERTIFICATE OF SERVICE

I certify that on June 8, 2011 I served a copy of DCP's Motion to the following by:

Rick Alvidrez, Esq. (via Facsimile)
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Sonny Swazo, Esq. (via Hand-Delivery)
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Ocean Munds-Dry

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CASE NO. 13589

AFFIDAVIT OF DAVID F. GARRETT

STATE OF TEXAS

COUNTY OF HARRIS

I, David F. Garrett, being first duly sworn on oath, states as follows:

1. My name is David F. Garrett. I reside in Harris County, Texas. I am the Senior Vice President employed by DCP Midstream, LP ("DCP") who is responsible for the operation of the Linam Gas Plant which is located in Section 6, Township 19 South, Range 37 East, NMPM, Lea County, New Mexico.

2. DCP has been authorized to temporarily inject acid gas into its Linam AGI well since November 2009 at a maximum injection rate of 4.0 MMcfd and an average wellhead pressure of no more than 1800 psig.

3. There has been an increase in gas production in Southeast New Mexico recently which will require DCP to exceed the volume limitation imposed by the Commission.

4. If DCP is not allowed to exceed the volume limitation it will be forced to shut-in gas producers. Those producers will then either need to shut-in their wells or vent the gas to the atmosphere.

5. The volume limitation was not based on any technical reason and as DCP understands, it was simply required while DCP was under temporary authority. The AGI well has performed as expected and is capable of being fully operational. DCP has no pressure concerns with higher volumes and will remain within the 1800 psig wellhead pressure.

6. DCP also requests the Commission determine that a discharge permit is no

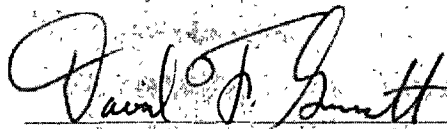
longer required. DCP has reviewed the May 10, 2011 policy regarding discharge permits.

7. In Order No. R12546, the Commission required DCP to secure the approval of a modified discharge permit. Paragraph N. The Commission placed this condition in the Order because the Chief of the Environmental Bureau testified that the surface installations to convey the acid gas from the plant to the injection site would require a modification to DCP's existing discharge permit for the Linam Ranch Plant. See Para. 21 & 25.

8. Since the Division has noted in its May 2011 policy on discharge permits that discharge permits will be required for processes that intentionally discharge (as described in the Water Quality Act) and not for processes that are covered by the Oil and Gas Act, it appears that a discharge permit should no longer be required.

9. The AGI well has an approved C-108 and associated surface facilities are covered under the Oil and Gas Act and Division regulations.

FURTHER AFFIANT SAYETH NOT.



SUBSCRIBED AND SWORN before me on this 8th day of June 2011.



Notary Public

My Commission Expires:

09/28/2013

