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June 13, 1997

HAND DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: *Application of Amoco Production Company for Permanent Exemption from Oil Conservation Division Rules 402, 406 and 1125 Relating to Shut-in Pressure Tests for the Bravo Dome Carbon Dioxide Gas Unit, Harding, Quay and Union Counties, New Mexico*

Dear Mr. LeMay:

The purpose of this letter is to request an extension of the completion date for shut-in tests now being conducted pursuant to Division General Rule 402 at the Bravo Dome Unit and to seek clarification of certain provisions of Order No. R-11805.

EXTENSION OF TESTING DEADLINE:

As you will recall, in January, 1997 I contacted you at the request of Amoco Production Company concerning relief from the annual shut-in testing requirements of General Rule 402 for each well in the Bravo Dome Carbon Dioxide Gas Unit. As I explained at that time, the reason Amoco sought this relief is that, in this very economically sensitive project, any cost savings or production enhancement can improve this project's competitive position and will ultimately result in the increased recovery of carbon dioxide.

Pursuant to your suggestion, Amoco made a presentation to the Industry Speaks Meeting in February to request relief from current testing requirements. At that time, Commissioner Weiss expressed concern that any testing relief not be at the expense of maintaining reliable information on this reservoir. Amoco was also advised that this request should be brought

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to hearing before a Division Examiner. Accordingly, Amoco filed the application in the above-referenced case, and on April 3, 1997 presented its evidence in support of a reduction in shut-in testing requirements for wells in the Bravo Dome Unit.

At the hearing, Mr. Stogner and Mr. Johnson, raised questions about the Amoco proposal. After this hearing, and in response to these questions, Amoco filed a proposed order which, if approved, would have:

- (1) limited annual shut-in testing to not less than 5% of the unit wells not on or adjacent to unratified acreage; and
- (2) provided for the testing of wells on a list submitted to and approved by the Division during January of each year.

Amoco remains convinced that the annual shut-in testing requirements for this unit could be reduced and, at the same time, the integrity of the data on these wells and reservoir be maintained.¹ The April 3, 1997 testimony showed that this testing would be sufficient to provide an annual verification of the modeling Amoco has done on this reservoir and that this modeling information will be made available to anyone who needs data on Bravo Dome and, at the same time, permit an increase in production which would result in an ultimate increase in the recovery of carbon dioxide from the Unit.

In early May, I again contacted you concerning this case. At that time I advised that by bringing this matter to the Division in January of this year, Amoco had hoped to obtain relief commencing in 1997 and that Amoco had become concerned about the 1997 testing

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At a Commission hearing Amoco could respond to the issues raised by the Findings of Order No. R-11805. Data on the model used could be presented and assurances provided that an adequate number of wells will be tested to maintain reliable data on this unit and the wells therein. Furthermore, Amoco could refute the patently wrong finding in this order that the purpose of this application was simply to reduce Amoco's operating costs at Bravo Dome.

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requirements for Bravo Dome. I requested temporary relief from current Rule 402 testing while Amoco pursued this matter with the Division. It was my understanding that such temporary relief would be granted on the condition that Amoco timely pursued this matter to a final decision by the Division or the Commission.

On May 22, 1997, Division Order No. R-11805 denied the application of Amoco in this case and on May 23rd I was advised that no temporary testing relief would be granted.

While Amoco pursued testing relief at the Industry Speaks Meeting and before the Division, it delayed commencement of 1997 shut-in testing at Bravo Dome. Amoco is now conducting the annual shut-in tests required by Rule 402, however, it will be impossible to complete all 1997 testing on schedule. Accordingly, Amoco requests the Division extend the September 1997 deadline for completion of the 1997 annual shut-in well testing at Bravo Dome to December 31, 1997.

CLARIFICATION OF ORDER NO. R-11805:

Order No. R-10805 entered in Case 11757 imposes new requirements on Amoco that have never been imposed on other any other applicant in the past -- requirements which not only effectively prevent Amoco from seeking further regulatory relief from annual shut-in testing under Rule 402 but which will limit its ability to bring other matters to the Division concerning Bravo Dome and other projects it operates in New Mexico.

Finding (13) requires that Amoco notify all royalty owners in the Bravo Dome of this application to afford to them an opportunity to object thereto before Amoco can return to the Division or Commission and seek a testing exemption.² This appears to be an expansion of

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The apparent reason for the requirement that notice be given to Bravo Dome royalty owners is that there has been since its inception much litigation surrounding this unit. What the Division fails to recognize about this Unit is that, while there has been litigation concerning this unit from the Oil Conservation Commission to the United States Supreme Court, to date, not one case has been decided against Amoco or the way it operates Bravo Dome. Certainly the potential for litigation is not a proper conservation reason for maintaining otherwise unnecessary data.

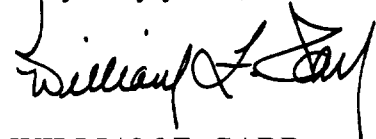
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the notice requirements of the *Uhdén* decision. Pursuant to this finding, any application will now be considered by the Division or Commission only after notice to all owners of royalty and other non-operating interests. In cases like this where there are hundreds of such owners, this new notice requirement will prevent many applications from ever being filed with the Division.

Amoco requests that the notice requirement imposed by Finding 13 of Order No. R-11805 be clarified. Clarification of this finding and the precedent it sets is needed. If Amoco must notify all royalty owners in the Bravo Dome Unit Area of any application that affects unit operations before the case will be heard, this requirement will severely limit Amoco's ability to bring conservation issues to the Division or Commission in the future.

Your consideration of these requests is appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr", written over a horizontal line.

WILLIAM F. CARR
Attorney for Amoco Production Company
WFC:mlh
cc: Perry Jarrell