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

APPLICATION OF OXY USA, INC. TO REOPEN CASE NO. 8352 PURSUANT TO THE PROVISIONS OF ORDER R-7737-B AND TO REMOVE CERTAIN ACREAGE LOCATED IN THE BRAVO DOME CARBON DIOXIDE GAS UNIT FROM THE TEMPORARY SPECIAL POOL RULES AND REGULATIONS CURRENTLY GOVERNING THE "WEST BRAVO DOME CARBON DIOXIDE GAS AREA", HARDING COUNTY, NEW MEXICO.

CASE NO. 8352 (REOPENED)

APPLICATION

OXY USA, Inc. ("OXY"), through their attorneys Holland & Hart LLP, applies to reopen Case No. 8352 pursuant to the provisions of Order R-7737-B and to remove certain acreage located in the Bravo Dome Carbon Dioxide Gas Unit from the temporary Special Pool Rules and Regulations for what the Division has designated as the "West Bravo Dome Carbon Dioxide Gas Area." Oxy seeks to return this acreage to the "Bravo Dome 160-acre Area" designated under Order R-7556, which provides for standard 160-acre spacing and proration units. In support of this application, OXY states:

1. The Bravo Dome Carbon Dioxide Unit was approved by the Oil Conservation Commission under Order R-6446-B entered in Case No. 6967 on January 23, 1981, and originally contained over one million acres of State, Federal and Fee lands located in Harding, Quay and Union counties ("Bravo Dome Unit"). OXY is the current operator of the Bravo Dome Unit, which produces carbon dioxide gas from the Tubb formation.

2. Under Order R-7556 entered on June 19, 1984 (Case No. 8190), the Commission denied a request by Amoco Production Company for special rules requiring 640-acre spacing throughout the entire Bravo Dome Unit and for a distance of one mile outside the Unit boundary. Instead, the Commission created a "Bravo Dome 640-acre Area" providing for temporary 640-acre spacing in the Eastern portion of the Unit and a "Bravo Dome 160-acre Area" in the Western and Southwestern portion of the Unit that maintained the standard 160-acre spacing. In support of its rulings, the Commission found that:

- The reservoirs in the Eastern part of the Unit “are of superior quality to the carbon dioxide reservoir(s) in the Western and Southwestern portion of the Unit” (Order R-7556 at ¶7);
- The “quantity and quality of the pay deteriorates from East to West” (*id.* at ¶12); and
- The “quantity and quality of the pay is considerably poorer in the Western and Southwestern portion of the Unit” (*id.* at ¶14).

3. By Order No. R-7556-A, entered on June 10, 1987, the Commission made permanent the special rules providing for 640-acre spacing in the previously designated “Bravo Dome 640-acre Area.”

4. On November 1, 1984, certain lands in Harding County to the south and west of the Bravo Dome Unit were unitized and approved by the Commission as the West Bravo Dome Carbon Dioxide Gas Unit under Order No. R-7707 entered in Case No. 8351 (“West BD Unit”). The West BD Unit was originally comprised of over 43,000 acres of State, Federal and Fee lands and has since been enlarged to over 76,000 acres under Order R-7707-A entered on November 3, 2010.

5. Prior to the expansion of the West BD Unit in 2010, the Commission in September of 1984, under Case No. 8352, entertained an application by Cities Service Oil & Gas Corporation, operator of the West BD Unit at that time, to adopt temporary Special Rules and Regulations providing for 640-acre spacing in an area Cities Service described as the “West Bravo Dome Carbon Dioxide Gas Area.” *See* Order R-7737 at ¶ (3).

6. The acreage involved in Cities Services’ 1984 application included more than the acreage comprising the Commission approved West BD Unit. *Compare* Exhibit A of Order R-7707 (1984 West BD Unit area) *with* Exhibit A of Order R-7737 (proposed area for 640-acre spacing). The acreage at issue also included a portion of the “Bravo Dome 160-acre Area” in the Southwestern portion of the Bravo Dome Unit created under Order R-7556. *See* Order R-7737 at ¶¶(5)-(7).

7. Based on the geologic interpretations presented at the hearing in Case No. 8352, the Commission entered Order R-7737 adopting temporary rules providing for 640-acre spacing

in the following acreage, which the Commission described as the “West Bravo Dome Carbon Dioxide Gas Area”:

Township 20 North, Range 29 East, NMPM

Sections 31 through 33: All

Township 19 North, Range 29 East, NMPM

Sections 1 through 12: All

Sections 14 through 36: All

Township 18 North, Range 29 East, NMPM

Sections 1 through 36: All

Township 17 North, Range 29 East, NMPM

Sections 1 through 12: All

Sections 14 through 22: All

Sections 28 through 30: All

[Sections 18, 19, 29 and 30 are partial sections]

Township 18 North, Range 30 East, NMPM

Sections 1 through 3: All

Sections 6 and 7: All

Section 10 through 36: All

Township 19 North, Range 30 East, NMPM

Sections 21 through 28: All

Sections 30 through 32: All

Sections 34 through 36: All

Township 18 North, Range 31 East, NMPM

Sections 1 through 36: All

Township 19 North, Range 31 East, NMPM

Sections 19 through 36: All

See Order R-7737 at Ordering ¶ (3) and Exhibit B.

8. The acreage set forth in paragraph 7 above (and in Exhibit B to Order R-7737) includes the following acreage within the Bravo Dome Unit that was initially part of the “Bravo Dome 160-acre Area” designated under Order R-7556:

Township 18 North, Range 30 East, NMPM

Sections 1 and 2: All

Section 3: E/2 E/2, SW/4 SE/4

Section 10:	E/2 NE/4
Section 11:	N/2
Sections 12–14:	All
Section 23:	E/2, E/2 W/2
Section 24:	All
Section 25:	E/2, E/2 W/2, W/2 NW/4, NW/4 SW/4
Section 26:	NE/4, E/2 NW/4, N/2 S/2
Section 36:	All

Township 18 North, Range 31 East, NMPM

Sections 1 - 36: All

Township 19 North, Range 29 East, NMPM

Section 1: NE/4, E/2 NW/4

Township 19 North, Range 30 East, NMPM

Section 20:	W/2 NE/4, S/2 SE/4
Sections 21-28:	All
Section 29:	NE/4
Section 32:	NE/4 NE/4
Section 33:	NW/4, W/2 NE/4, NE/4 NE/4, NW/4 SE/4, NE/4 SW/4
Section 34:	N/2, E/2 SE/4
Sections 35 and 36:	All

Township 19 North, Range 31 East, NMPM

Sections 19 – 36: All

9. Order No. R-7737 further instructed that Case No. 8352 be reopened in June of 1987 to allow parties to “appear and show cause why the West Bravo Dome Carbon Dioxide Gas Area should not be developed on less than 640-acre spacing and proration units.” Order No. R-7737, Ordering ¶ 1.

10. When Case No. 8352 was reopened in 1987, the Division found that no production history was available to determine whether the “West Bravo Dome Carbon Dioxide Gas Area” should be developed on less than 640-acre spacing, that the temporary 640-acre spacing should be continued “for a period of two years commencing with the date of first production,” and that the case should be reopened “in October, 1991, or two years from the date of first production from the area, whichever occurs first.” Order No. R-7737-A, Findings 5, 11, and 13.

11. When Case No. 8352 was reopened in 1991, the Division found that there “has been no production of carbon dioxide from said area to date.” Order No. R-7737-B at Finding 5. The Division therefore ordered that:

This case shall be reopened at an examiner hearing two years from the date of first production from the subject area, at which time the operators in the subject area may appear and show cause why the West Bravo Dome Carbon Dioxide Gas Area should not be developed on less than 640-acre spacing and proration units.

Order R-7737-B, Ordering ¶ (2) (emphasis added).

12. In 2007 OXY, the current operator of the Bravo Dome Unit, commenced drilling in the “Bravo Dome 160-acre Area,” including the acreage that was placed within the “West Bravo Dome Carbon Dioxide Gas Area” by Order R-7737. Performance data and production history from these wells establish that they do not drain 640-acres and that the standard 160-acre spacing rules more accurately reflect the producing capabilities of wells in this particular area of the Bravo Dome Unit.

13. OXY therefore requests that the Division enter an order removing the following acreage from the currently designated “West Bravo Dome Carbon Dioxide Gas Area” and returning this acreage to the “Bravo Dome 160-acre Area” designated under Order R-7556:

Township 18 North, Range 30 East, NMPM

Sections 1 and 2:	All
Section 3:	E/2 E/2, SW/4 SE/4
Section 10:	E/2 NE/4
Section 11:	N/2
Sections 12 – 14:	All
Section 23:	E/2, E/2 W/2
Section 24:	All
Section 25:	E/2, E/2 W/2, W/2 NW/4, NW/4 SW/4
Section 26:	NE/4, E/2 NW/4, N/2 S/2
Section 36:	All

Township 18 North, Range 31 East, NMPM

Sections 1 - 36: All

Township 19 North, Range 29 East, NMPM

Section 1: NE/4, E/2 NW/4

Township 19 North, Range 30 East, NMPM

Section 20: W/2 NE/4, S/2 SE/4
Sections 21-28: All
Section 29: NE/4
Section 32: NE/4 NE/4
Section 33: NW/4, W/2 NE/4, NE/4 NE/4,
NW/4 SE/4, NE/4 SW/4
Section 34: N/2, E/2 SE/4
Sections 35-36: All

Township 19 North, Range 31 East, NMPM

Sections 19 – 36: All

14. Pursuant to NMAC 19.15.4.12.A(4), notice of this application is being provided to all division-designated operators in the subject area and to the owners of interests in the mineral estate in existing spacing units with producing wells in the subject area.

15. Approval of this application is in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, OXY USA INC. hereby requests that Case No, 8352 be reopened and that relief sought in this application be set for hearing at the March 7, 2013, Examiner docket.

Respectfully submitted,

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ATTORNEYS FOR OXY USA, INC.

LEGAL ADVERTISEMENT

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Sections 1 and 2: All
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NW/4 SE/4, NE/4 SW/4
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Sections 35-36: All

Township 19 North, Range 31 East, NMPM

Sections 19 – 36: All

The subject area is located approximately 15 miles northeast of Mosquero, New Mexico.