

Davidson, Florene, EMNRD

From: Kathleen Allen <KATA@modrall.com>
Sent: Tuesday, May 28, 2013 4:50 PM
To: Davidson, Florene, EMNRD
Cc: 'mfeldewert@hollandhart.com'; Earl E. DeBrine
Subject: Application of OXY, USA, Inc., Case No. 8352 (Reopened)
Attachments: Reliant's Prehearing Statement (W1938638).PDF

Ms. Davidson:

Attached for filing is Reliant Exploration and Production, LLC's Prehearing Statement in the above-referenced case.

Thank you for your assistance. Please contact me if you have any questions.

Sincerely,

 MODRALL SPERLING

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

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)

PRE-HEARING STATEMENT

This Pre-Hearing Statement is submitted by Reliant Exploration and Production LLC, ("Reliant") as required by the Oil Conservation Division Rule 19.15.14.1211(B). Reliant opposes the relief sought by Applicant Oxy USA, Inc. in its Application.

APPEARANCES

APPLICANT:

Oxy USA, Inc.

OPPONENT:

Reliant Exploration and Production Company, LLC

ATTORNEYS:

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STATEMENT OF THE CASE

1. Case No 8352 (Reopened) initiated by Oxy USA, Inc. ("Oxy") seeks to change the spacing rules that have been in place for over 25 years, down-spacing a portion of the West Bravo Dome Unit and other acreage in Harding County, New Mexico from 640-acre spacing to 160-acre spacing.

2. One of the fundamental conservation tools available to the Division by which it protects correlative rights and prevents waste is to determine and control the number of wells which are necessary to properly and efficiently drain a pool. The Division does this by: (1) controlling the size of a spacing unit for a well in that pool; (2) controlling the number of wells per spacing unit; and/or (3) setting producing allowables for each spacing unit.

3. The Division has allowed a pool to be down-spaced only on rare occasions because down-spacing violates the correlative rights of the owners in the reduced spacing unit containing the original well. Allowing an additional well to be drilled without changing the original size of the spacing unit ("infill-drilling") is the preferred method for allowing the drilling of additional wells because it does not disrupt the equity in the spacing unit. In addition, it is usually easier to infill drill a prorated pool and "de facto" infill drilling sometimes occurs in those pools. Oxy's Application simply states that 640 acre gas pools in the subject area do not drain 640-acre units and seeks to by-pass an important element of proof required when an infill well applicant seeks to drill an additional well before the original well is depleted and is being "replaced" with a new well on the same spacing unit.

4. In order to justify either down-spacing or infill drilling of a non-prorated pool, it is necessary to demonstrate that the original wells did not and cannot effectively and efficiently drain more than approximately 640 acres. The area covered by Oxy's Application includes

acreage encompassing two wells that were drilled by Oxy in 2007 in violation of the Division's existing spacing rules that were the subject a prior case before the Division. See Case No. 14412. Insofar as Oxy seeks to include these wells (API # 30-021-20425) and (API # 30-021-20426) within its down-spacing application, the acreage that would be consolidated to form a 640-acre spacing unit for the wells should be excluded from this proceeding. Oxy has refused to produce the two wells it drilled in 2007, the data from which would be important for to determining whether existing spacing rules are adequate. The Division should therefore require the formation of a compulsory 640-acre spacing unit for these wells and require Oxy to produce each well for use as a pilot project in determining whether down-spacing is appropriate.

WHEREFORE, Reliant Exploration and Production LLC, ("Reliant") respectfully requests that Oxy's Application be denied and that Oxy be ordered to produce two wells drilled in violation of the existing spacing rules, (API # 30-021-20425) (API # 30-021-20426) wells as pilot project before seeking to down-space the acreage subject to its Application.

PROPOSED EVIDENCE

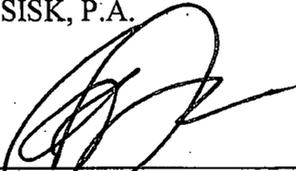
WITNESSES	EST. TIME	NO. OF EXHIBITS
Land: Fred Vanderburg or Scott Vanderburg	30 minutes	2-5
Geology: Michael Raines	60 minutes	10
Engineering: Tom Beebe	60 minutes	20

PROCEDURAL MATTERS

None, other than the issues that have been raised in this Prehearing Statement.

Respectfully submitted,

MODRALL, SPERLING, ROEHL, HARRIS
& SISK, P.A.

By: 

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