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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 11757
ORDER NO. R-11805

APPLICATION OF AMOCO PRODUCTION COMPANY FOR PERMANENT EXEMPTION FROM 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.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on April 3, 1997, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 22nd day of May, 1997, the Division Director, having considered the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Amoco Production Company ("Amoco"), as unit operator of the Bravo Dome Carbon Dioxide Gas Unit ("Bravo Dome Unit"), filed with the Division an application for hearing by letter dated March 5, 1997 seeking approval for permanent exemption from the following rules and regulations:

(I) Rule 402.A, which requires shut-in pressure tests be taken on all natural gas wells annually;

(ii) Rule 406, which extends all statewide rules, including Rule 402.A, pertaining to natural gas wells and natural gas reservoirs to carbon dioxide gas wells and

reservoirs; and,

(iii) Rule 1125, which requires the submittal of OCD Form C-125 to report shut-in pressure tests on gas wells as required under the provisions of Rule 406 and any special rules.

(3) The Bravo Dome Unit, the outer boundaries of which encompass approximately 910,200 acres, more or less, is comprised of all or portions of Township 16 North, Ranges 34 through 36 East, NMPM; Township 17 North, Ranges 30 through 37 East, NMPM; Township 18 North, Ranges 30 through 37 East, NMPM; Township 19 North, Ranges 29 through 36 East, NMPM; Township 20 North, Ranges 29 through 35 East, NMPM; Township 21 North, Ranges 29 through 35 East, NMPM; Township 22 North, Ranges 30 through 35 East, NMPM; Township 23 North, Ranges 30 through 34 East, NMPM; and, Township 24 North, Ranges 31 through 34 East, NMPM; in Union, Harding, and Quay Counties, New Mexico.

(4) Evidence presented indicates that current production from over 360 active producing wells completed in the Tubb formation within the Bravo Dome Unit is approximately 360,000 MCFPD to 400,000 MCFPD.

(5) At the time of the hearing Amerada Hess Corporation, operator of carbon dioxide producing gas wells in the Tubb formation all within its West Bravo Dome Carbon Dioxide Gas Unit Area comprising all or portions of Township 17 North, Range 29 East, NMPM; Township 18 North, Ranges 29 and 30 East, NMPM; Township 19 North, Ranges 29 and 30 East, NMPM; and, Township 20 North, Range 29 East, NMPM; all in Harding County, New Mexico, appeared through counsel, neither supporting nor opposing the Amoco request provided any such approval by the Division applied only to the currently drilled and producing wells in the Amoco operated Bravo Dome Unit.

(6) It is Amoco's opinion that: (i) the level of accuracy provided by the current practice of requiring tests on all wells in the Bravo Dome Unit on an annual basis is no longer needed because representative or statistical sampling can adequately demonstrate such information for the entire Bravo Dome Unit; and (ii) the costs for such annual tests, which Amoco indicated to be approximately $62,000 representing the cumulative loss of production from each of the producing wells within the Bravo Dome Unit, is excessive. Amoco testified that the costs savings realized by changing this process would serve to benefit all working interest owners within the Bravo Dome Unit as well as the State of New Mexico as a significant royalty interest owner within said Unit.

(7) Amoco presented evidence and testimony demonstrating that the developed

portions of the Bravo Dome Unit, which appears to be substantially less than the entire Bravo Dome Unit as described in Finding Paragraph No. (3) above, can be separated into four distinct areas with different reservoir characteristics caused by various factors, including the timing in which these areas were initially developed and structural differences within the reservoir.

(8) Amoco proposed running 72 hour annual bottomhole pressure tests in 12 selected wells, three wells per distinct area, in lieu of running annual 24-hr shut-in pressure tests on all carbon dioxide producing wells within the Bravo Dome Unit. In support of this request, Amoco testified that running 72-hour bottomhole pressures in 12 selected wells will accurately predict future production, reserves, and pressures according to their reservoir model.

(9) No information was submitted by Amoco on this reservoir model at the time of the hearing. Further, the four representative areas proposed by Amoco at the time of the hearing were not defined and no specific description or individual reservoir characteristics within the same were presented.

(10) Amoco, as per Division General Rules 402, 406, and 1125, has submitted pressure data since production began in the Bravo Dome Unit in 1984 and has established a substantial pressure data base. This information has been utilized previously by the Division in Case No. 11497, which resulted in the issuance of Order No. R-10576 on April 1, 1996, and by the New Mexico Oil Conservation Commission in Case No. 11122, which resulted in the issuance of Order No. R-10253 on November 30, 1994.

(11) Amoco further testified that, due to contractual obligations on carbon dioxide gas deliveries, even one day of lost production results in Amoco having to obtain this lost production from another carbon dioxide supplier.

(12) Amoco is currently and has been essentially since its inception in litigation concerning the Bravo Dome Unit. Many of these cases involve royalty interests not subject to the Bravo Dome Unit Agreement (Amoco does not have 100 percent unit ratification of the Bravo Dome Unit); therefore, this pressure data may be of key importance in issues concerning correlative rights. It is therefore of utmost importance that data be obtained from those wells and that the data be accurate and reliable.

(13) Amoco did not notify all working interests or royalty interests within the Bravo Dome Unit of this application. These parties did not have an opportunity to object to the application.

(14) Amoco's evidence is insufficient to justify the granting of its application,

which appears to be more a matter of reducing its operating costs than a request beneficially serving all interested parties in the Bravo Dome Unit and surrounding carbon dioxide producing area. Further, said application is not in the best interest of conservation and proposes to eliminate data useful for monitoring correlative rights claims.

(15) The subject application should be denied at this time.

IT IS THEREFORE ORDERED THAT:

(1) The application of Amoco Production Companv ("Amoco"), as unit operator of the Bravo Dome Carbon Dioxide Gas Unit Area in Harding, Union, and Quay Counties, New Mexico, for a permanent exemption to Division General Rule 402.A, 406, and 1125 is hereby denied.

(2) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY
Director