

**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)

APPLICANT'S PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Oxy USA, Inc. ("Oxy"), as required by NMAC 19.15.4.13.B.

APPEARANCES

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STATEMENT OF THE CASE

The Bravo Dome Carbon Dioxide Gas Unit (“Bravo Dome Unit”) was approved by the Oil Conservation Commission in 1981 under Order R-6446-B. It contains over one million acres of State, Federal and Fee lands located in Harding, Quay and Union counties and produces carbon dioxide gas from the Tubb formation. The Unit was formerly operated by Amoco Production Company, and subsequently by BP. In 2000, OXY acquired BP’s interests in the Bravo Dome Unit and has been the operator since that acquisition.

In 1984, under Order R-7556, the Commission denied a request by Amoco 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. In 1987, under Order No. R-7556-A, the Commission made permanent the special rules providing for 640-acre spacing in the previously designated “Bravo Dome 640-acre Area,” but retained 160-acre spacing in the western and southwestern portion of the Unit.

In November of 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 (“West BD Unit”). The West BD Unit was originally comprised of over 43,000 acres of State, Federal and Fee lands and in 2010 was enlarged to over 76,000 acres under Order R-7707-A. The West BD Unit was originally operated by Cities Service Oil & Gas Corporation and is now operated by Hess.

In 1984 (under Case No. 8352) the Commission entertained an application by Cities Service to adopt temporary Special Rules and Regulations providing for 640-acre spacing in what Cities Service described as the “West Bravo Dome Carbon Dioxide Gas Area.” *See* Order R-7737 at ¶ (3). For unknown reasons, the acreage involved in the Cities Service application included a portion of the Amoco operated “Bravo Dome 160-acre Area” in the Southwestern portion of the Bravo Dome Unit. *See* Order R-7737 at ¶¶(5)-(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 for what was described as the “West Bravo Dome Carbon Dioxide Gas Area.” *See* Order R-7737 at Ordering ¶ (3) and Exhibit B. However, the acreage subject to these temporary rules includes not just acreage in the West BD

Unit (currently operated by Hess) but also a certain portion of the acreage within the Bravo Dome Unit (currently operated by Oxy) that was initially part of the "Bravo Dome 160-acre Area" designated under Order R-7556.

The Commission's 1984 Order provided that Case No. 8352 was to 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 (emphasis added). Thus the Commission from the outset created a presumption that the acreage would revert back to the normal 160-acre spacing provided by the Division's statewide rules unless an operator appeared at the later hearing and demonstrated 640-acre spacing was indeed appropriate.

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 remain at the temporary 640-acre spacing. The Division ordered that the temporary spacing should continue "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. When Case No. 8352 was reopened in 1991, the Division again found 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). Thus the Commission's initial presumption in favor of reverting back to the normal 160-acre spacing for the subject acreage remains in place today.

In 2000, Oxy became operator of the Bravo Dome Unit and thereby the operator of the Bravo Dome acreage inexplicitly placed within the "West Bravo Dome Carbon Dioxide Gas Area" by Order R-7737. In 2007, Oxy commenced drilling in and around the Bravo Dome acreage placed within the "West Bravo Dome Carbon Dioxide Gas Area" by Order R-7737. Performance data and production history from the wells in this area establish that they do not drain 640-acres and that the standard 160-acre spacing provided by the Division's statewide rules

more accurately reflects the producing capabilities of wells in this particular part of the Bravo Dome Unit. Pursuant to the provisions of Order R-7737-B, Ordering ¶ (2), Oxy therefore filed this application requesting that the Division enter an order removing the Bravo Dome 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-7556.¹

APPLICANT’S PROPOSED EVIDENCE (IF NECESSARY)

WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Pat Sparks, Landman	Approx. 20 minutes	Approx. 4
Albert Giussani, Petroleum Production and Reservoir Engineer	Approx. 1.5 hours	Approx. 40 slides

¹ As noted in Oxy’s Application, the legal description of the Bravo Dome acreage at issue is the following:

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

PROCEDURAL MATTERS

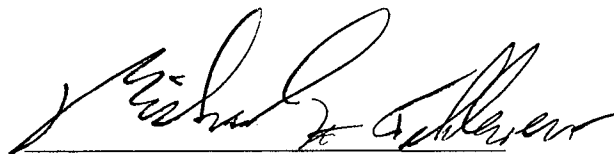
The current spacing order governing the Bravo Dome acreage at issue creates a presumption in favor of returning the subject acreage back to the normal 160-acre spacing provided by the Division's statewide rules:

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). Oxy therefore does not believe it is necessary to present evidence in support of its requested relief for the Bravo Dome acreage at issue unless an operator appears at the hearing to present evidence in favor of maintaining the temporary 640-acre spacing for this particular acreage. In the event an operator appears to present any such evidence, it is Oxy's position that such operator must present its case first since that operator has the burden of presenting evidence in support of maintaining the temporary 640-acre spacing for the Bravo Dome acreage at issue.

Respectfully submitted,

HOLLAND & HART, LLP



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ATTORNEYS FOR OXY USA, INC.

CERTIFICATE OF SERVICE

I hereby certify that on May 28, 2013, I served a copy of the foregoing document to the following via electronic mail to:

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A handwritten signature in black ink, appearing to read "Michael H. Feldewert", written over a horizontal line.

Michael H. Feldewert