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OXY USA Inc.
P. O. Box 303
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OIL CONSERVATION
DIVISION

August 9, 2004

Patrick H. Lyons
Commissioner of Public Lands
State of New Mexico
P. O. Box 1148
Santa Fe, New Mexico 87504-1148
Attn: Jami Bailey, Director, Oil, Gas and Minerals Division

Mark Fesmire
Director
New Mexico Oil Conservation Division
1220 South St. Francis
Santa Fe, New Mexico 87505
Attn: Roy Johnson, District IV Supervisor

Re: 2004 Plan of Development
Bravo Dome Carbon Dioxide Gas Unit
Union, Harding and Quay Counties, New Mexico

Ladies and Gentlemen,

In accordance with Article 4 of the Bravo Dome Carbon Dioxide Gas Unit Agreement, OXY USA Inc, as Unit operator, herewith submits the Bravo Dome Unit 2004 Plan of Development. The 2004 drilling portion of this plan has been approved by the Unit Working Interest Owners. We apologize for the late submittal of this plan. Due to long delays in drilling rig availability and curative title work, this 2004 Plan of Development has just recently been finalized.

Current CO₂ production is approximately 308 mmscfd from 391 producing wells. Development projects in 2003 added 29 producing wells to the Unit. Attachment I is a listing of the 2003 drilled wells. Current cumulative sales are approximately 2.4 TCF.

The 2004 Plan of Development for the Bravo Dome Unit is to increase production by an estimated 38.6 mmscfd through a 27 well extension and infill drilling program to be completed during the fall months of 2004. Sixteen of these are extension wells and eleven are infill wells. Drilling is scheduled to begin in September and all wells should be completed by mid-December, 2004. Attachment II is a listing of these proposed 2004 wells (pending NMOCD approvals).

The longer range plan (2005 – 2008) continues this strategy to add well capacity to the existing compression / dehydration facility. These plans include drilling approximately 25-30 wells per year to offset unit decline. The majority of these future wells are planned to be expansion wells. In addition to continued drilling activity, the Unit is evaluating installation of 24,000hp of booster compression at the existing compressor station to lower wellhead pressures to the 50 psi range. If evaluations prove economic, this project could increase unit deliverability by 90 mmscfd to around 420 mmscfd, which is near existing Unit facility capacity. Production is expected to peak in 2007 and decline at 8.5% without additional drilling. We are currently planning additional drilling projects each year to offset this Unit decline and maintain production in the 400 – 425 mmscfd range.

The keys to success for implementing this strategy are:

- Capital cost of future development programs must meet economic criteria
- Electric power costs must be stable
- There are no other significant changes which impact operating costs or conditions
- Developing and producing CO₂ for less than the cost to purchase CO₂ from competitors
- Continued strong oil prices that will help to maintain CO₂ demand
- Plant and pipeline reliability must remain high

Bravo Dome Unit operating costs are dominated by electric power consumption. Power consumption is 85 - 90% of total operating costs and is dependent on the volume and reservoir pressure of the CO₂ gas produced. Current Oxy manpower operating the Bravo Dome Unit is 11 employees. Currently, there are 5 full time contractors working at the Unit. All of these employees and contractors are New Mexico residents.

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2003 UNIT ACCOMPLISHMENTS

- 1) Spent \$7.8MM to drill 30 infill wells near the plant and existing gathering system resulting in additional production of 33 mmscfd
- 2) Completed technical evaluation of additional expansion and infill well locations
- 3) Evaluated horizontal drilling applications for use at Bravo Dome
- 4) Installed three new capillary soap injection strings to increase well production
- 5) Performed remedial acid jobs on 60 wells to increase production
- 6) Maximized compressor reliability/runtime

2004 UNIT PRIORITIES

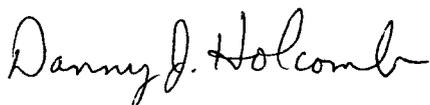
- 1) Drill 27 new wells and lay new gathering lines at a cost of \$8.7MM to add approximately 38.6 mmscfd in production
- 2) Perform preliminary engineering analysis on several facility expansion options including booster compression
- 3) Spend approximately \$150,000 on preventative compressor maintenance in order to maintain compressor reliability and runtime
- 4) Complete geological evaluation of Unit development areas to guide future drilling programs
- 5) Maximize compressor reliability/runtime

FIVE YEAR PRIORITIES

- 1) Install booster compression at the central compressor station to increase plant throughput by 90 mmscfd
- 2) Drill extension wells and lay new gathering lines each year to offset unit decline and maintain production in the 400 – 425 mmscfd range
- 3) Maintain effective cost control to sustain competitive position

The items detailed in this 2004 Plan of Development are subject to Unit working interest owner and NMOCD approvals, continued strong CO2 demand and favorable project economics. Oxy and the other working interest owners plan to continue to develop the Bravo Dome Unit to the best interest of all parties involved. The Plan of Development hereby submitted shall be revised if Unit development plans change. If you have any questions, please contact Danny Holcomb at 505-374-3010 or at the above letterhead address.

Sincerely,



Danny J. Holcomb
Bravo Dome Team Leader

cc: Edwin Singleton
District Manager
Bureau of Land Management
435 Montano Road NE
Albuquerque, New Mexico 87107-4935

Attachment I – Unit Wells Drilled in 2003
Attachment II – Unit Wells Proposed to be Drilled in 2004
Attachment III - Large Unit Map

**Bravo Dome Unit
2004 Plan of Development
Attachment I**

2003 BDU Wells Drilled

<u>WELL NAME</u>	<u>LEGAL DESCRIPTION</u>	<u>UL</u>	<u>SECTION</u>	<u>TWN</u>	<u>RANGE</u>	<u>County</u>
1933-112	1414'FSL X 532'FEL	I	11	T-19-N	R-33-E	Harding
1933-122	1000'FSL X 1980'FWL	N	12	T-19-N	R-33-E	Harding
1933-132	1980'FSL X 676'FWL	L	13	T-19-N	R-33-E	Harding
1933-142	624'FSL X 1975'FEL	O	14	T-19-N	R-33-E	Harding
1934-022	660'FNL X 990'FEL	A	02	T-19-N	R-34-E	Union
1934-032	660'FSL X 660'FEL	P	03	T-19-N	R-34-E	Union
1934-042	983'FSL X 858'FEL	P	04	T-19-N	R-34-E	Union
1934-052	1980'FSL X 660'FWL	L	05	T-19-N	R-34-E	Union
1934-072	330'FSL X 1650'FWL	N	07	T-19-N	R-34-E	Union
1934-082	644'FSL X 2439'FWL	N	08	T-19-N	R-34-E	Union
1934-102	990'FNL X 660'FWL	D	10	T-19-N	R-34-E	Union
1934-112	990'FSL X 2190'FWL	N	11	T-19-N	R-34-E	Union
1934-122	825'FNL X 435'FWL	D	12	T-19-N	R-34-E	Union
1934-182	1988'FSL X 460'FWL	L	18	T-19-N	R-34-E	Union
1934-192	990'FNL X 990'FEL	A	19	T-19-N	R-34-E	Union
1934-202	2310'FSL X 330'FWL	L	20	T-19-N	R-34-E	Union
1934-212	1289'FSL X 170'FEL	P	21	T-19-N	R-34-E	Union
1934-223	1673'FSL X 1441'FEL	J	22	T-19-N	R-34-E	Union
1934-232	2347'FSL X 1267'FEL	I	23	T-19-N	R-34-E	Union
1935-042	2310'FSL X 330'FWL	L	04	T-19-N	R-35-E	Union
1935-082	1635'FNL X 1659'FWL	F	08	T-19-N	R-35-E	Union
1935-172	481'FNL X 475'FWL	D	17	T-19-N	R-35-E	Union
<u>2034-152</u>	660'FSL X 1980'FWL	N	15	T-20-N	R-34-E	Union
2034-162	990'FSL X 990'FEL	P	16	T-20-N	R-34-E	Union
2034-222	990'FNL X 1650'FWL	C	22	T-20-N	R-34-E	Union
2034-262	1650'FSL X 1650'FWL	K	26	T-20-N	R-34-E	Union
2034-272	684'FSL X 1980'FEL	O	27	T-20-N	R-34-E	Union
2034-322	1027'FSL X 264'FWL	M	32	T-20-N	R-34-E	Union
2034-332	1980'FSL X 1650'FEL	J	33	T-20-N	R-34-E	Union
2034-342	660'FSL X 1650'FWL	N	34	T-20-N	R-34-E	Union

Note: Well number 2034-152 was plugged during drilling operations before reaching Tubb formation.

**Bravo Dome Unit
2004 Plan of Development
Attachment II**

2004 Proposed BDU Wells

<u>WELL NAME</u>	<u>LEGAL DESCRIPTION</u>	<u>UL</u>	<u>SECTION</u>	<u>TWN</u>	<u>RANGE</u>	<u>County</u>
1833-061	1650' FNL X 1650' FEL	G	06	T-18-N	R-33-E	Harding
1933-311	1711' FNL X 1793' FEL	G	31	T-19-N	R-33-E	Harding
1933-321	1650' FNL X 1650' FWL	F	32	T-19-N	R-33-E	Harding
2132-012	1650' FNL X 1650' FEL	G	01	T-21-N	R-32-E	Harding
2132-101	1880' FNL X 1979' FEL	G	10	T-21-N	R-32-E	Harding
2132-122	1681' FSL X 1650' FWL	K	12	T-21-N	R-32-E	Harding
2132-142	1650' FSL X 1650' FWL	K	14	T-21-N	R-32-E	Harding
2132-151	1650' FNL X 1650' FEL	G	15	T-21-N	R-32-E	Harding
2132-221	1650' FNL X 1650' FEL	G	22	T-21-N	R-32-E	Harding
2132-232	1650' FSL X 1658' FWL	K	23	T-21-N	R-32-E	Harding
2132-262	1650' FSL X 1653' FWL	K	26	T-21-N	R-32-E	Harding
2133-172	1002' FSL X 1650' FEL	O	17	T-21-N	R-33-E	Harding
2133-212	660' FSL X 330' FWL	M	21	T-21-N	R-33-E	Harding
2232-341	1650' FNL X 1650' FEL	G	34	T-22-N	R-32-E	Union
2232-352	1664' FSL X 2578' FEL	J	35	T-22-N	R-32-E	Union
2233-011	1931' FSL X 1995' FEL	J	01	T-22-N	R-33-E	Union
2233-021	762' FNL X 2544' FWL	C	02	T-22-N	R-33-E	Union
2233-211	1650' FSL X 1650' FEL	J	21	T-22-N	R-33-E	Union
2234-052	1650' FNL X 330' FWL	E	05	T-22-N	R-34-E	Union
2234-062	990' FNL X 990' FWL	D	06	T-22-N	R-34-E	Union
2234-072	2310' FNL X 990' FEL	H	07	T-22-N	R-34-E	Union
2234-182	330' FNL X 990' FWL	D	18	T-22-N	R-34-E	Union
2333-252	504' FSL X 1454' FWL	N	25	T-23-N	R-33-E	Union
2333-261	660' FNL X 330' FEL	A	26	T-23-N	R-33-E	Union
2333-362	660' FSL X 1980' FWL	N	36	T-23-N	R-33-E	Union
2334-301	1650' FSL X 660' FWL	L	30	T-23-N	R-34-E	Union
2334-311	1650' FSL X 1650' FWL	K	31	T-23-N	R-34-E	Union



PATRICK H. LYONS
COMMISSIONER

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February 10, 2005

OXY USA, Inc.
P.O. Box 303
Amistad, New Mexico 88410-0303

Attn: Mr. Danny J. Holcomb

2004 Plan of Development
Bravo Dome Carbon Dioxide Gas Unit
Union, Harding and Quay Counties, New Mexico

Dear Mr. Holcomb:

The Commissioner of Public Lands has, of this date, approved the above-captioned Plan of Development. Our approval is subject to like approval by all other appropriate agencies.

The possibility of drainage by wells outside of the unit area and the need for further development of the unit may exist. You may be contacted at a later date regarding these possibilities.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

PATRICK H. LYONS
COMMISSIONER OF PUBLIC LANDS


BY:
JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744

PL/JB/cpm
xc: Reader File

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