

November 5, 1999

OIL AND GAS DOCKET NO. 7C-0222686

THE APPLICATION OF ARCO PERMIAN TO SUSPEND THE ALLOCATION FORMULA FOR THE WILSHIRE (CONSOLIDATED) FIELD, UPTON COUNTY, TEXAS

Heard by: Margaret Allen, Technical Hearings Examiner

Procedural history

Application received: September 16, 1999

Hearing held: November 3, 1999

Appearances

	Representing
Brian Sullivan	ARCO Permian
Trish Plemons	
Dale Hunt	
Elizabeth A. Casbeer	

David E. Jackson	Exxon Corp.
William T. Duncan, Jr.	

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

ARCO Permian is seeking to have the allocation formula in the Wilshire (Consolidated) Field suspended. The application was protested by Exxon Corp. but the protest was withdrawn at the hearing.

DISCUSSION OF THE EVIDENCE

The Wilshire (Consolidated) Field was formed in 1995 by the consolidation of the Devonian and Fusselman fields, and a gas well allocation formula based 75% on acreage and 25% on deliverability was adopted. There are 39 wells in the field, 22 operated by ARCO, and 10 operated by Exxon. ARCO has interests in the wells operated by Exxon, resulting in ARCO's having interests in wells that produce a total of 97% of the field's deliverability. Two of the other operators, Sabre Operating and Southwest Royalties have signed Forms AOF-2 that indicate that they have a market for 100% of the deliverability from their wells. The third operator that has not signed the Form AOF-2, Rhonda Operating, has two wells, both with deliverabilities of less than 100 MCF/D.

Field rules specify 160-acre units with 40-acre optional units and there is no significant allowable imbalance due to wells on less than standard proration units. Field allowables are allocated 75% on acreage and 25% on deliverability. For some wells where production stays close to the reported deliverability, the allowables are fairly close to production. Other wells whose production is decreasing faster than deliverability, have varying allowables that are sometimes greatly above production and other times are greatly below production. Filing Forms MD-1 and GC-1 for individual wells that have become overproduced requires additional paperwork that is unnecessary if the allocation formula is

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suspended.

For the field as a whole, deliverability, capability and production are all declining at about the same rates and track closely. The field allowable has been much more variable, sometimes above and sometimes below the current production rates. In general, gas allowables have been greater in summer than in winter, indicating a general problem with field allowable.

Exxon has some concern about the ability of ARCO's gathering system to take all of the gas that can be produced from the Wilshire (Consolidated) Field. ARCO gathers gas in the subject field and moves the gas to its Crane Gas Plant which has a capacity to process 30 MMCF/D of gas. Currently the Wilshire (Consolidated) is delivering 20 MMCF/D to the plant and additional gas is being transferred to the plant to use the extra capacity.

Some wells in the Wilshire (Consolidated) Field are being worked-over and field production as a whole may increase. If there is new production from the subject field, ARCO will process Wilshire (Consolidated) gas first and reduce the amounts of gas transferred from other fields. If the production from the Wilshire (Consolidated) Field increases above the capacity of the Crane Gas Plant, ARCO has the facilities to transfer the additional gas to its Midland Plant. ARCO is also a gas purchaser as well as a gas gatherer, and will purchase additional gas if available from the Wilshire (Consolidated) Field.

FINDINGS OF FACT

1. Notice of at least ten (10) days was given to all operators in the field and no one appeared at the hearing in protest.
2. The Wilshire (Consolidated) Field was created in 1995, with the consolidation of the Devonian and Fusselman reservoirs.
3. The field currently operates under special field rules which specify 160-acre proration units with 40-acre optional units, and allocation based on 75% on acreage and 25% on deliverability.
4. There are five operators who have a total of 39 producing wells in the field.
5. The applicant, Sabre Operating, and Southwest Royalties filed Forms AOF-2, indicating that they had a market for all of their wells' deliverability.
6. Exxon, who operates ten wells in the field, did not sign a Form AOF-2, but does not oppose the application.
7. The two wells of Rhonda Operating, the fifth field operator, are not prorated because they have deliverabilities of less than 100 MCF/D.
8. Over the last two years, the deliverability, capability and production of the field as a whole have declined at the same rates and track closely together.
9. The field allowable has been more variable and is sometimes above and sometimes below the field's production.
10. The allowables for some wells have been insufficient, causing these wells to accumulate

significant overproduction.

11. ARCO gathers gas from this field and its Crane Gas Plant has the capacity to process all of the gas currently produced from the subject field.
12. ARCO's Gas Plant can accommodate additional gas from the Wilshire (Consolidated) Field and can also transfer gas to its Midland Gas Plant should production from the field increase greatly.
13. Upon suspension of the allocation formula in the Wilshire (Consolidated) Field, all overage and underage for field wells will be balanced (canceled).

CONCLUSIONS OF LAW

1. Proper notice was given as required by statute.
2. All things have been done or occurred to give the Railroad Commission jurisdiction to resolve this matter.
3. The subject field meets all the criteria established for suspension of the allocation formula under Statewide Rule 31(j).

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the allocation formula in the Wilshire (Consolidated) Field be suspended, as per the attached order.

Respectfully submitted,

Margaret Allen
Technical Hearings Examiner

Date of Commission Action: November 16, 1999

Exhibits

1. Proration schedule
2. New field discovery
3. Map
4. Well completion data
5. Log
6. Wellbore schematic
7. Forms G-1
8. Production history
9. Gas analyses