

**THE APPLICATION OF OXY USA INC. FOR EXCEPTION TO STATEWIDE RULE 28
REQUIRING SEMI-ANNUAL G-10 WELL TESTS FOR ALL WELLS IN VARIOUS
FIELDS, HIDALGO AND STARR COUNTIES, TEXAS**

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner
James M. Doherty - Legal Examiner

HEARING DATE: March 21, 2012

APPEARANCES:

REPRESENTING:

APPLICANT:

John Soule
William O. Jerry

Oxy USA Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Oxy USA Inc. ("Oxy") requests exception to Statewide Rule 28 requiring semi-annual G-10 well tests for all wells in the following fields:

<u>FIELD NAME</u>	<u>FIELD NUMBER</u>
Hinde (Vicksburg Consolidated)	41537 250
La Copita (Vicksburg Cons.)	50700 620
McAllen Ranch (Vicksburg K Cons)	58742 050
McAllen Ranch (Vksbg L-V, N Cons)	58742 158
McAllen Ranch (Vicksburg N)	58742 188
McAllen Ranch (Vksbg P-V, S Cons)	58742 342
McAllen (Hansen)	58721 520
McAllen (Lower Frio)	58721 625
Rincon, N. (Vicksburg Cons.)	76723 450

Oxy requests that all operators only be required to perform annual G-10 well tests for all wells in the subject nine fields.

The application is unopposed and the examiners recommend approval of annual G-10 well tests for all wells in the subject nine fields, as requested by Oxy.

DISCUSSION OF EVIDENCE

Oxy operates a total of 314 wells in the nine subject fields, which represents approximately 65% of the total wells carried on the proration schedules. All nine subject fields currently have AOF status. Oxy requests annual G-10 well tests for all wells only while the AOF status is in effect for the fields. If any field returns to prorated status, then semi-annual G-10 well tests would be resumed.

Oxy believes that semi-annual G-10 well tests are unnecessary and provide no meaningful data when the allocation formula is suspended. Annual G-10 well tests will give operators more flexibility for testing non-continuous flow and low volume wells. However, operators will still have the option to run additional G-10 well tests if they feel the tests are justified.

G-10 well tests cost approximately \$1,000 per well for rural wells and \$1,500 per well for wells located within the city limits of McAllen and Pharr, Texas, as these wells require 24 hour manned tests. Oxy alone will save more than \$300,000 per year by testing its wells only once a year. Oxy opined that the savings will be reflected in lower economic limits for the wells and increased ultimate recovery.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice at least ten days prior to the date of hearing.
2. Oxy operates a total of 314 wells in the nine subject fields, which represents approximately 65% of the total wells carried on the proration schedules.
3. All nine subject fields currently have AOF status.
4. Statewide Rule 28 requires that G-10 well tests be conducted on a semi-annual basis.
5. Semi-annual G-10 well tests are unnecessary and provide no meaningful data when the allocation formula is suspended.
6. Annual G-10 well tests will give operators more flexibility for testing non-continuous flow and low volume wells.
7. G-10 well tests cost approximately \$1,000 per well for rural wells and \$1,500 per well for wells located within the city limits of McAllen and Pharr, Texas, as these wells require 24 hour manned tests.
8. Oxy alone will save more than \$300,000 per year by testing its wells only once a year.

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9. Annual G-10 testing of wells will reduce operating expenses and the savings will be reflected in lower economic limits for the wells and increased ultimate recovery.

CONCLUSIONS OF LAW

1. Proper notice of this hearing was issued.
2. All things have been accomplished or have occurred to give the Commission jurisdiction in this matter.
3. Approval of the exception to Statewide Rule 28 requiring semi-annual G-10 well tests will not cause waste or harm correlative rights.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission approve annual G-10 well tests for all wells in the subject nine fields, as requested by Oxy USA Inc.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner

James M. Doherty
Legal Examiner