

OIL AND GAS DOCKET NO. 10-0252228

THE APPLICATION OF PIONEER NATURAL RESOURCES USA, INC. FOR EXCEPTION TO STATEWIDE RULE 39 AND EXCEPTION TO THE CONTIGUOUS ACREAGE REQUIREMENTS ON THE BIVINS LEASE, PANHANDLE, WEST (RED CAVE) FIELD, MOORE AND POTTER COUNTIES, TEXAS

Heard by: Donna Chandler on July 13 and August 10, 2007

Appearances:

Representing:

Sandra Buch
N. J. Tshikhudo
Matthew Poole

Pioneer Natural Res. USA, Inc.

Rex White, Jr.

Joseph E. Batson, Jr. & Coldwater Cattle I, Ltd.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Pioneer Natural Res. USA, Inc. requests authority to assign non-contiguous acreage to proration units for wells on its Bivins Lease in the Panhandle, West (Red Cave) Field.

This application was unopposed and the examiner recommends approval.

DISCUSSION OF THE EVIDENCE

The Panhandle, West (Red Cave) Field was discovered in 1960 and there are approximately 600 wells listed on the July 2007 proration schedule. Pioneer operates over 300 wells. The field operates under rules providing for 640 acre density and 330'-660' well spacing.

Pioneer's Bivins lease comprises 97,023 acres. There are currently 94 active wells on the lease. The maximum number of producing wells for the lease is 151. If the requested relief is approved, Pioneer will be able to immediately return 16 shut-in wells to production. Without the requested relief, it would be difficult, if not impossible to reconfigure the proration units to assign 640 contiguous acres to each well. Further, the proration units would almost certainly require exceptions to the maximum diagonal limitation of 8,500 feet.

Between September 2003 and February 2004, the Commission administratively approved drilling permits for 13 wells on the Bivins lease with non-contiguous drilling/proration units. In February 2004, the Commission reconsidered its policy relating to administrative approval of such exceptions to Rule 39. In September 2006, the Commission signed a Final Order in Docket No. 10-0245687 approving non-contiguous drilling/proration units for wells on Pioneer's 85,000 acre Masterson Lease in the Panhandle, West (Red Cave) Field. The Masterson lease acreage is between the two main portions of the Bivins lease.

The field produces from an anticlinal feature. Pioneer presented structure and isopach maps demonstrating that the Red Cave is productive over the entire Bivins lease. There are numerous sand lenses within the Red Cave formation. However, the individual lenses are discontinuous and lenticular as a result of being deposited in ephemeral stream beds. This has been established of record in Commission proceedings as early as 1985.

In 1997-1998, Pioneer began a program of infill drilling on 20 sections of its Masterson lease to determine if infill wells could recover incremental reserves. Pioneer shut-in numerous wells and drilled 24 new wells in the study area. Based on the decline curves of the original wells and the pressure vs. cumulative production curves, Pioneer believes that the infill drilling increased the lease's ultimate recovery by 5 to 7 BCF.

Pioneer agrees to a provision in the order which will require each well, whether original or infill, be assigned 320 contiguous acres around the well. Pioneer requests that neither the contiguous or non-contiguous acreage for wells on the lease have maximum diagonal limitations.

FINDINGS OF FACT

1. Notice of this hearing was given to all operators in the Panhandle, West (Red Cave) Field on June 13, 2007.
2. Notice of this hearing was published in the *Amarillo Globe-News* on June 16, 23, 30 and July 7, 2007.
3. Pioneer Natural Res. USA, Inc. operates over 300 wells in the Panhandle, West (Red Cave) Field.
4. The Bivins Lease contains 97,023 acres and there are 94 active wells on the lease.

5. The field rules for the Panhandle, West (Red Cave) Field require 330'-660' well spacing and 640 acre gas proration units.
6. The maximum number of producing wells allowed under the field rules on the Masterson lease is 151. Approval of the requested non-contiguous drilling/proration units on the lease will allow Pioneer to immediately return 16 shut-in wells to production.
7. Pioneer's infill drilling program in the field on the adjacent Masterson lease in 1997-1998 has resulted in increased ultimate recovery of 5 to 7 BCF.
8. The Red Cave formation is productive over the entire Bivins lease. There are numerous sand lenses within the Red Cave formation which are discontinuous and lenticular.
9. The non-contiguous acreage assigned to a well will be limited by requiring that each producing well have at least 320 contiguous acres around it.
10. The assignment of non-contiguous acres to wells on the Bivins Lease will not cause waste and will not harm correlative rights.

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 requested exception to Statewide Rule 39 will prevent waste and promote orderly development of the Bivins lease.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends approval of the requested exception to Statewide Rule 39 to allow non-contiguous acreage assignments for all wells within the Pioneer Natural Res. USA, Inc. - Bivins Lease.

Respectfully submitted,

Donna K. Chandler
Technical Hearings Examiner