

**THE APPLICATION OF CONOCOPHILLIPS COMPANY TO ADOPT THE FIELD RULES FOR THE CHARCO (9900) FIELD, ZAPATA COUNTY, TEXAS**

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**Heard by:** Donna K. Chandler on September 22, 2010

**Appearances:**

Jamie Nielson  
Greg Cloud  
Todd Lippincott

Glenn Johnson

**Representing:**

ConocoPhillips Company

Chesapeake Operating, Inc.

**EXAMINER'S REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

ConocoPhillips requests that the following field rules be adopted for the Charco (9900) Field:

1. Designation of the field as the correlative interval from 9,505 feet to 10,494 feet as shown on the log of the Jennings Ranch AA Well No. 46;
2. 467'-1,200' spacing rule with a provision to eliminate the between-well spacing requirement, as long as the well to be permitted is at least 660 feet from a lease line. If the well to be permitted is less than 660 feet from a lease line, then the well must be 1,200 feet from the nearest well on the lease, or a Rule 37 exception must be obtained.
3. Allocation based on 75% deliverability and 25% per well.

This application was unopposed and the examiner recommends adoption of the requested field rules.

### **DISCUSSION OF THE EVIDENCE**

The Charco (9900) Field was discovered in 1979. The field is classified as non-associated with AOF status. There are 104 wells on the current schedule.

ConocoPhillips requests that the field be designated at the correlative interval from 9,505 feet to 10,494 feet as shown on the log of the Jennings Ranch AA Well No. 46. This interval includes multiple, stratigraphic Wilcox sands and a two factor allocation formula is required by statute. It is requested that allocation be based on 75% deliverability and 25% per well.

The subject field is one of 11 fields in the Wilcox Lobo trend in Webb and Zapata Counties for which a change in spacing rule is being requested. The Wilcox throughout the area is highly faulted and as a result of the very complex geology, it is difficult to develop the many separate fault blocks which comprise the various fields. Recent infill wells are encountering fault blocks which have virgin pressure.

Several fields in the area have already adopted a spacing rule which eliminates the between-well spacing requirement. ConocoPhillips is proposing a between-well spacing rule which is more restrictive. The proposed rule eliminates a between-well spacing requirement as long as the well to be permitted is at least 660 feet from lease lines. If the proposed well is less than 660 feet from lease lines, then the well would require a Rule 37 exception if it is less than 1,200 feet from the nearest well. This rule would allow operators to exploit interior portions of their leases, while still giving notice of a between-well spacing exception to offsetting operators if the proposed location is less than 660 feet from the lease line. Offset operators will be given an opportunity to protest an application if they believe that such location would encounter a fault block which may extend to their property.

### **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. The Charco (9900) Field should be designated as the correlative interval from 9,505 feet to 10,494 feet as shown on the log of the Jennings Ranch AA Well No. 46.
3. The Charco (9900) Field is classified as non-associated with AOF status. There are 104 wells on the current schedule.
4. The Wilcox throughout the area of Webb and Zapata Counties is highly faulted. As a result of the very complex geology, it is difficult to develop the many separate fault blocks which comprise the various fields.

5. Many fields in the Wilcox Lobo trend in Webb and Zapata Counties have rules which eliminate the between-well spacing requirement.
6. The spacing rule proposed by ConocoPhillips eliminates a between-well spacing requirement as long as the well to be permitted is at least 660 feet from lease lines. The proposed rule will provide for ease of development of interior portions of leases.
7. Allocation based on 75% deliverability and 25% per well is a reasonable formula which will protect correlative rights and meet statutory requirements.

#### **CONCLUSIONS OF LAW**

1. Proper notice of this hearing was given to all persons legally entitled to notice.
2. All things have occurred or been accomplished to give the Railroad Commission jurisdiction in this matter.
3. Amending the field rules for the Charco (9900) Field is necessary to prevent waste and protect correlative rights.

#### **EXAMINER'S RECOMMENDATION**

Based on the above findings and conclusions, the examiner recommends that the field rules for the Charco (9900) Field be amended as proposed by ConocoPhillips.

Respectfully submitted,

Donna K. Chandler  
Technical Examiner