

THE APPLICATION OF CONOCOPHILLIPS COMPANY TO AMEND THE FIELD RULES FOR THE VAQUILLAS RANCH (LOBO CONS.) FIELD, WEBB COUNTY, TEXAS

Heard by: Donna K. Chandler on September 23, 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

Field rules for the Vaquillas Ranch (Lobo Cons.) Field were adopted on February 24, 1998 in Docket No. 04-0217435. The rules in effect for the field are summarized as follows:

1. Designation of the field as the correlative interval from the top of the Lobo Unconformity to the top of the Wills Point (Midway Shale);
2. 467'-1,200 well spacing;
3. Allocation based on 90% deliverability and 10% per well.

ConocoPhillips requests that the spacing rule be amended 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.

This application was unopposed and the examiner recommends approval of the requested field rule change.

DISCUSSION OF THE EVIDENCE

The Vaquillas Ranch (Lobo Cons.) Field was formed in 1998 with the consolidation of numerous fields. The field is classified as associated-prorated with AOF status. There are 593 gas wells on the current schedule and no oil wells.

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. Field rules for the Vaquillas Ranch (Lobo Cons.) Field provide for a designated interval, 467'-1,200' well spacing and allocation based on 90% deliverability and 10% per well.
3. The Vaquillas Ranch (Lobo Cons.) Field is classified as associated-prorated with AOF status. There are 593 gas wells on the current schedule and no oil wells.
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.

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 spacing rule for the Vaquillas Ranch (Lobo Cons.) 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 spacing rule for the Vaquillas Ranch (Lobo Cons.) Field be amended as proposed by ConocoPhillips.

Respectfully submitted,

Donna K. Chandler
Technical Examiner