

August 21, 2006

OIL AND GAS DOCKET NO. 7C-0247996

APPLICATION OF ANADARKO E&P COMPANY, LP TO AMEND THE FIELD RULES FOR THE OZONA (CANYON SAND) FIELD, CROCKETT, SCHLEICHER, TERRELL AND VAL VERDE COUNTIES, TEXAS

HEARD BY: Thomas H. Richter, P.E.

DATE OF HEARING: August 15, 2006

APPEARANCES:

James M. Clark
Donna Harmon

REPRESENTING:

Anadarko E&P Company, LP
Pioneer Natural Resources USA, Inc.

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unopposed application of Anadarko E&P Company, LP to amend Field Rule No. 2 for the Ozona (Canyon Sand) Field as adopted by Order No. 7C-54,912, effective June 1, 1965, as amended, which currently provide for:

1. The entire combined correlative interval from 6,135' to 8,808' as shown on the log of the Harrison Interest, J.W. Henderson Lease Well No.11, Section 6 Blk SL, T & STL RR Survey, Crockett County, Texas, is designated as the Ozona (Canyon Sand) Field.
2. Minimum well spacing of 660'/933' (lease line/between well);
3. Proration units of 320 acres with 10% tolerance and a maximum diagonal of 6,500' and optional 40 acre density
4. An allocation formula based on 25% acreage and 75% deliverability.

Anadarko proposes amending only Rule No. 2 to provide for:

1. Minimum well spacing of 660'/600' (lease line/between well);

The examiner recommends approval of the application.

DISCUSSION OF THE EVIDENCE

Ozona (Canyon Sand) and Ozona, NE (Canyon Sand) Fields were separated and field rules adopted in 1995. Currently there are 1969 wells in the Ozona (Canyon Sand) Field and the current monthly production is 1.762 BCF. Cumulative production is .75 TCF of gas. There are 37 operators in the field. Anadarko operates 58% of the wells and produces 48% of the gas production.

Optional 40 acre density was adopted in 1995 with the minimum well spacing of 660'/933' (lease line/between well). The proposed between well spacing of 600' is necessary because of the topography of the field area. This entire area is covered with mesas and canyons which cause significant additional well location and road preparation expense. The typical well location and road expense is in the range of \$15,000 to \$30,000. Anadarko submits that there are numerous optional 40 acre locations remaining but will require Rule 37 between well exceptions. In order to retain the regular locations, site and road expenses are as high as \$100,000.

At the present time, the Ozona (Canyon Sand) Field's allocation formula is suspended and should remain suspended as there is 100% market for all the gas produced from the field.

FINDINGS OF FACT

1. Notice of this hearing was sent to all operators in the subject fields at least ten (10) days prior to the subject hearing.
2. There was no protest at the call of the hearing.
3. Ozona (Canyon Sand) and Ozona, NE (Canyon Sand) Fields were separated and field rules adopted in 1995.
 - a. Special Field Rules were adopted by Order No. 7C-54,912, effective June 1, 1965, as amended, which currently provide for:
 1. The entire combined correlative interval from 6,135' to 8,808' as shown on the log of the Harrison Interest, J.W. Henderson Lease Well No.11, Section 6 Blk SL, T & STL RR Survey, Crockett County, Texas, is designated as the Ozona (Canyon Sand) Field.
 2. Minimum well spacing of 660'/933' (lease line/between well);
 3. Proration units of 320 acres with 10% tolerance and a maximum diagonal of 6,500' and optional 40 acre density
 4. An allocation formula based on 25% acreage and 75% deliverability.
 - b. Currently there are 1969 wells in the Ozona (Canyon Sand) Field and the current monthly production is 1.762 BCF.
 - c. Cumulative production is .75 TCF of gas and 37 operators in the field.
4. The proposed between well spacing of 600' is necessary because of the topography of the field area which is covered with mesas and canyons.

- a. The typical well location and road expense is in the range of \$15,000 to \$30,000.
 - b. There are numerous optional 40 acre locations remaining but will require Rule 37 between well exceptions because of the topography. In order to retain the regular locations, site and road expenses are as high as \$100,000.
5. The Ozona (Canyon Sand) Field's allocation formula is suspended and should remain suspended as there is 100% market for all the gas produced from the field.

CONCLUSIONS OF LAW

1. Proper notice was given to all parties as set out in the provisions of all applicable codes and regulatory statutes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Consideration of field rules, a determination of the effectiveness of the rules and appropriate actions is a matter within the Commission jurisdiction.
4. Adoption of the proposed amended field rules will prevent waste, foster conservation and protect correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the proposed amended Field Rule No. 2 for the Ozona (Canyon Sand) Field.

Respectfully submitted,

Thomas H. Richter, P.E.
Technical Examiner
Office of General Counsel