

**THE APPLICATION OF OXY USA INC. TO AMEND FIELD RULES AND ESTABLISH THE MOST EFFICIENT RATE OF PRODUCTION FOR THE COLLIE (DELAWARE) FIELD, REEVES AND WARD COUNTIES, TEXAS**

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**HEARD BY:** Richard D. Atkins, P.E. - Technical Examiner

**HEARING DATE:** October 12, 2011

**APPEARANCES:**

**REPRESENTING:**

**APPLICANT:**

John Soule  
Olga Kobzar  
Katrina Marrow

Oxy USA Inc.

**EXAMINER'S REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Field Rules for the Collie (Delaware) Field were adopted in Final Order No. 8-78,128, effective May 10, 1982, as amended. The Field Rules are summarized as follows:

1. Designation of the field as the correlative interval from 4,709 feet to 5,171 feet, as shown on the log of the Latino Petroleum Texas, LP - Layden "A" Lease, Well No. 26 (API No. 42-389-32374);
2. 330'-660' well spacing;
3. 80 acre oil units with optional 20 acre density;
4. Allocation based on 100% acres with a 1965 Yardstick Allowable of 171 BOPD.

Oxy USA Inc. ("Oxy") requests to amend Field Rules, establish a most efficient rate ("MER") of 350 BOPD and eliminate the filing of proration unit plats for the Collie (Delaware) Field. At the hearing, Oxy requested that the Field Rules be set out in their entirety, as the proration scheduled shows optional 40 acre units instead of the optional 20 acre units specified in the Field Rules. Oxy also requests that all overproduction in the field be canceled.

The application was unopposed and the examiner recommends to amend Field

Rules, establish an MER of 350 BOPD and cancel over-production for the Collie (Delaware) Field, as proposed by Oxy.

### **DISCUSSION OF THE EVIDENCE**

The Collie (Delaware) Field was discovered in November 1981 at an average depth of 4,700 feet. There are 76 producing oil wells and six operators carried on the proration schedule. Current Field Rules provide for 330'-660' well spacing and 80 acre oil units with optional 20 acre density. The top allowable is 171 BOPD with a maximum casinghead gas-oil ratio of 2,000 cubic feet per barrel. Cumulative production from the field through August 2011 is 7.7 MMBO and 15.1 BCFG.

Oxy is drilling 20 acre infill wells and is completing each well in all potentially productive zones. Most of the zones have a high water cut and would not be economical if produced separately. As a result, Oxy is installing electrical submersible pumps ("ESP's") in order to move enough fluid to produce oil. Oxy submitted a tabulation of initial potential tests on approximately 50 infill wells that have been drilled since August 2009. The tabulation showed that the infill wells were producing at rates up to 350 BOPD and 1,500 BWPD. Oxy believes that the ultimate recovery for the infill wells will be decreased due to water encroachment if the oil production is curtailed and increasing the oil allowable will increase the ultimate recovery from each infill well. Oxy requests an MER allowable of 350 BOPD for each well in the field. Many of the infill wells are over-produced due to testing and Oxy also requests that all overproduction in the Collie (Delaware) Field be canceled.

Many of Oxy's 27 leases in the field lie along the Pecos River and are irregularly shaped, which is making the drawing of individual proration units for the infill wells nearly impossible. Oxy requests that proration unit plats not be required for individual wells, but that Form P-15 be filed to designate the number of acres to be assigned to each well.

### **FINDINGS OF FACT**

1. Notice of this application and hearing was provided to all persons entitled to notice at least ten (10) days prior to the date of the hearing.
2. The Collie (Delaware) Field was discovered in November 1981 at an average depth of 4,700 feet.
  - a. There are 76 producing oil wells and six operators carried on the proration schedule.
  - b. Current Field Rules provide for 330'-660' well spacing and 80 acre oil units with optional 20 acre density.
  - c. The top allowable is 171 BOPD with a maximum casinghead gas-oil

ratio of 2,000 cubic feet per barrel.

3. Oxy is drilling 20 acre infill wells and is completing each well in all potentially productive zones.
  - a. Most of the zones have a high water cut and would not be economical if produced separately.
  - b. Oxy is installing ESP's in order to move enough fluid to produce oil.
  - c. The infill wells are producing at rates up to 350 BOPD and 1,500 BWPD.
4. The ultimate recovery for the infill wells will be decreased due to water encroachment if the oil production is curtailed.
5. An MER oil allowable of 350 BOPD will increase the ultimate recovery from each infill well and will not cause waste.

#### **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. Amending the Field Rules, establishing an MER of 350 BOPD and cancelling the over-production for the Collie (Delaware) Field is necessary to prevent waste, protect correlative rights and promote development of the field.

#### **RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the examiner recommends that the Commission amend the Field Rules, establish an MER of 350 BOPD and cancel the over-production for the Collie (Delaware) Field, as requested by Oxy USA Inc.

Respectfully submitted,

Richard D. Atkins, P.E.  
Technical Examiner