

**THE APPLICATION OF OCCIDENTAL PERMIAN LTD. TO AMEND REQUIREMENTS RELATING TO ALLOWABLES FOR ASSOCIATED, PRORATED GAS WELLS IN THE WASSON FIELD AND APPROVE ANNUAL G-10 TESTING, GAINES AND YOAKUM COUNTIES, TEXAS**

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**Heard by:** Andres J. Trevino, P.E. Technical Examiner

**Hearing Date:** June 10, 2009

**Appearances:**

**Representing:**

John Soule  
David Pantoja

Occidental Permian Ltd.

**EXAMINER'S REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Occidental Permian Ltd. requests that allowables be established for the Denver Unit and the Cornell Unit for the associated, prorated gas wells in the Wasson Field should the field ever becomes a prorated field. Additionally, Occidental requests associated, prorated gas wells in the Wasson Field be required to only be tested annually and not semi-annually.

This application was unopposed and the examiner recommends approval.

**DISCUSSION OF THE EVIDENCE**

The Wasson Field was discovered in 1935 and is a large oil field producing from the San Andres formation. The Denver Unit was formed in 1964 and has produced over a billion barrels of oil from 1,300 wells. The Denver Unit currently produces approximately 29,000 barrels of oil per day. The oil is produced from the Main Pay section within the San Andres. In the upper San Andres a tighter First Porosity section exists that contains primarily gas. Through testing and analysis it was determined the gas in the First Porosity section is hydraulically separate from the oil in the Main Pay.

On April 14, 1998, a Final Order in Docket No. 8A-0218486 was issued which changed gas well allowables in the Wasson Field from associated 49(b) to associated prorated. The order also set a maximum gas allowable of 40 MMCF per day for the associated prorated gas wells and required various tests over a period of 18 months after

first production. After producing the associated prorated gas for 18 months, a review hearing was to be held to evaluate the effect of the classification change.

On August 21, 2001, a Final Order in Docket No. 8A-0227221 was issued as a result of the review hearing held. The Final Order superceded the 8A-0218486 Final Order and established the base of the associated prorated gas field and suspended the allocation formula for the associated prorated gas field in the Wasson Field.

The Wasson associated gas field has 74 gas wells of which Occidental operates 60 in the Denver Unit and XTO Energy operates 14 in the Cornell Unit. There are no other operators in the gas field and no other units contain associated gas wells from the First Porosity section. Occidental requests that the current Final Order in effect Docket No. 8A-0227221 be amended to assign a maximum allowable of 40 MMCF/D for the associated field and assign a maximum allowable of 28.6 MMCF/D for the Denver Unit and 11.4 MMCF/D for the Cornell Unit. The field currently produces about 32 MMCF/D. These allowables were previously approved in the Final Order in Docket No. 8A-0218486 and were not carried forward in Docket No. 8A-0227221. Occidental wants to have a formula in place should the allocation formula suspension be rescinded and the field becomes a prorated field. The Denver Unit's gas has had full market demand since initial production in 1999. Occidental requests the allocation formula remain suspended.

Occidental also requests that G-10 deliverability testing be reduced from semi-annually to annually. Production decline curves of gas wells sampled throughout the field demonstrate the wells exhibit a uniform steady decline. All wells are equipped with meters to monitor daily production. Semi-annual was initially required to evaluate and manage the newly producing reservoir. The field has produced for ten years and the test data is seldom used for reservoir management. Annual testing will reduce shut-in time for testing and will reduce operating costs. Lower operating costs will increase ultimate recovery of the wells.

### **FINDINGS OF FACT**

1. Notice was issued to all affected persons at least ten (10) days prior to the date of the hearing.
2. The Wasson Field was discovered in 1935 and is a large oil field producing from the Main Pay section in the San Andres formation. The First Porosity section in the Upper San Andres is a tighter section that contains primarily gas and is hydraulically separate from the Main Pay.
3. On April 14, 1998, a Final Order in Docket No. 8A-0218486 was issued.
  - a. The Final Order changed gas well classifications in the Wasson Field from associated 49(b) to associated prorated.

- b. The Order set a maximum gas allowable of 40 MMCF per day for the associated prorated gas wells.
  - c. The Order required various tests over a period of 18 months after first production.
4. On August 21, 2001, a Final Order in Docket No. 8A-0227221 was issued as a result of the review hearing held.
  - a. The Final Order superceded the 8A-0218486 Final Order.
  - b. The Order established the base of the associated prorated gas field.
  - c. The Order suspended the allocation formula for the associated prorated gas field in the Wasson Field.
5. The Wasson associated gas field has 74 gas wells of which Occidental operates 60 in the Denver Unit and XTO Energy operates 14 in the Cornell Unit.
6. There are no other operators in the gas field and no other units contain associated gas wells from the First Porosity section.
7. Production decline curves of gas wells sampled throughout the field demonstrate the wells exhibit a uniform and steady decline rate.
8. There is 100% market demand for all gas produced from the Denver and Cornell Units.

**CONCLUSIONS OF LAW**

1. Proper notice was timely issued to all persons legally entitled to notice.
2. All things have been accomplished to give the Commission jurisdiction in this matter.
3. Amending the field rules for the Wasson Field is necessary to prevent waste and protect correlative rights.

**EXAMINER'S RECOMMENDATION**

Based on the above findings and conclusions of law, the examiner recommends that the Wasson Field remain classified as associated prorated, the allocation formula remain suspended and require only annual G-10 testing. It is also recommended that allowables be set if the field becomes prorated.

Respectfully submitted,

Andres J. Trevino, P.E.  
Technical Examiner