



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0297971

THE APPLICATION OF CHEVRON U.S.A. INC. TO AMEND THE FIELD RULES FOR THE PARKS (CONSOLIDATED) FIELD, MIDLAND COUNTY, TEXAS

HEARD BY: Peggy Laird, P.G. – Technical Examiner
Randall Collins – Administrative Law Judge

HEARING DATE: October 15, 2015

CONFERENCE DATE: March 29, 2016

APPEARANCES: REPRESENTING:

APPLICANT:

W. Timothy George
Cary McGregor

Chevron U.S.A. Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Chevron U.S.A. Inc. ("Chevron") seeks to amend the field rules for the Parks (Consolidated) Field ("Parks"), Midland County, Texas. Chevron seeks the amendments to allow for the development of horizontal wells in an orderly fashion. Chevron requests the following amendments: (1) amend Parks rules 3a and 3b to allow double assignment of acreage as provided in the field rules; (2) add new Parks Rule 3c that additional acreage assignment for a horizontal well is based on vertical well proration units of 160 acres; (3) add new Parks Rule 3d requiring separate P-16 Data Sheets for vertical and horizontal wells; (4) amend Parks Rule 4a to cancel overproduction for any lease in the Parks for any twelve one-month periods; (5) delete the current Parks Rule 5.1.c., and replace it to establish that all take points of a Stacked Lateral Well's

horizontal drainholes shall be within a rectangular area the width of which is 660 feet, and the length of which is the distance from the two most distant take points; (6) delete the current Parks Rule 5.2.a., and replace it with the provision that requirements of SWR 86(d)(4) shall not apply to stacked lateral wells; (7) add new Parks Rule 6, granting administrative exception of six months to SWR 51 (a) regarding the 10 day rule for filing the potential test after testing the well; and (8) add new Parks Rule 7 granting administrative exception of six months to the SWR 13(b)(4)(A) requirement that flowing oil wells produce through tubing set on a packer.

All operators in the Parks were notified, and no protests were received. The Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend that the Parks rules be amended as requested by Chevron.

DISCUSSION OF EVIDENCE

The Parks (Consolidated) Field was created in March 2009 by the consolidation of three fields at an average depth of 6,200 feet. Vertical wells in the three fields that formed the Parks had been in production from the 1950's. In 2013, the drilling of horizontal wells utilizing unconventional fracture treated (UFT) methods began. Chevron anticipates extensive development in the Parks applying UFT methods to drill horizontal wells, along with traditional vertical well drilling.

Chevron requests that the field rules be amended to match those for the Spraberry (Trend Area) Field ("Spraberry"). Previous hearings amending the Spraberry rules resulted in the current rules that Chevron seeks for the Parks. (Oil and Gas Docket Nos. 7C-0291169, 7C-0291171, and 7C-0297471). Because of the similarity between the Parks and the Spraberry, Chevron relied upon the previous dockets' exhibits and evidence for the called docket.

The Parks is classified as associated-100%AOF and there are 385 producing oil wells, 2 producing gas wells, and 10 operators carried on the proration schedules. The Parks operates under rules that provide for 330'-0' well spacing and 160 acre units with optional 20 acre density. Cumulative production from the Parks through May 2015 was 35,494,260 million barrels of oil and 66,492,211 thousand cubic feet of gas (MCF).

The Parks is geographically and geologically coincident with the Spraberry, both being located within the Midland Basin in West Texas. The Parks is located on the western side of the Midland Basin and contains 30,000 acres. Stratigraphic cross sections were presented that illustrate the similarities between the two fields and the continuity of the targeted intervals across the Midland Basin. The Parks interval is from the top of the Clearfork at 6,190 feet, and continues through the Strawn to the top of Devonian at 11,700 feet. The Spraberry interval is from the top of the Clearfork to the top of the Strawn.

The Hutt 'C' Lease is in close proximity located east of the Parks, and is in the same geologic interval as the Spraberry and Parks. Chevron utilized results from the study in the Hutt 'C' Lease (Docket Nos. 7C-0291169 and 7C-0291171) to demonstrate that vertical and horizontal wells do not interfere with one another. The applicant reported that horizontal wells in the intervals produce much larger quantities of hydrocarbons than the localized production from vertical wells. To maximize recovery, Chevron concluded that both types of wells are necessary on the same acreage.

Chevron reported that several operators in the Parks had indicated their support for the requested amendments. In addition to the rules adopted in Final Order Nos. 7C-0291169, 7C-0291171, and 7C-0297471, the rules Chevron proposes are similar to those adopted for the Two Georges (Bone Spring) Field in west Texas, and the Sugarcane (Eagle Ford) Field in south Texas. The requested field rules contain modifications made to Statewide Rule 86 which have been adopted and became effective February 1, 2016.

The Examiners consider the requested field rule amendments for the Parks are appropriate and consistent with previous rules adopted for similar fields. Chevron has demonstrated that the amendments are necessary to continue development of the Parks (Consolidated) Field in an orderly fashion, which will allow Chevron to recover resources and prevent waste.

FINDINGS OF FACT

1. Notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of hearing and no protests were received.
2. The Parks (Consolidated) Field was created in March 2009 by the consolidation of three fields at an average depth of 6,200 feet.
 - a. The Parks has a 5,510-foot correlative interval that extends from the top of the Clearfork Formation to the top of the Devonian Formation.
 - b. The Parks operates under field rules that were amended on November 12, 2013 (Oil and Gas Docket No. 08-0284260).
 - c. At the time of the hearing, there were 385 producing oil wells, 2 producing gas wells, and 10 operators carried on the proration schedules.
 - d. Cumulative production from the Parks through May 2015 was 35,494,260 million barrels of oil and 66,492,211 thousand cubic feet of gas (MCF).

3. Chevron anticipates extensive development in the Parks, with emphasis on production from horizontal wells.
4. Chevron relied upon previous dockets' exhibits and evidence for the called docket. (Oil and Gas Docket Nos. 7C-0291169, 7C-0291171, and 7C-0297471)
5. Chevron demonstrated the Parks is geographically and geologically coincident with the Spraberry, and therefore, the rules adopted for the Spraberry are appropriate for the Parks.
6. The rules Chevron proposes are similar to those adopted for several fields that utilize UFT methods for development and production.
7. The requested field rules contain modifications made to Statewide Rule 86 which have been adopted and became effective February 1, 2016.

CONCLUSIONS OF LAW

1. Resolution of the subject application is a matter committed to the jurisdiction of the Railroad Commission of Texas. Tex. Nat. Res. Code § 81.051
2. All notice requirements have been satisfied. 16 Tex. Admin. Code § 1.45
3. The proposed field rule amendments will prevent waste, protect correlative rights, and promote the orderly development of the Field.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend the field rules for the Parks (Consolidated) Field be amended as requested by Chevron U.S.A. Inc.

Respectfully submitted,



Peggy Laird, P.G.
Technical Examiner



Randall Collins
Administrative Law Judge