



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 8A-0300936

THE APPLICATION OF APACHE CORPORATION; MCCLURE OIL COMPANY, INC.; WISHBONE TEXAS OPERATING CO. LLC; ELEMENT PETRO OPERATING II, LLC; HENRY RESOURCES LLC; RILEY EXPLORATION OPG CO, LLC; STEWARD ENERGY II, LLC; ER OPERATING COMPANY; MONADNOCK RESOURCES; CUSTER & WRIGHT OPERATING, INC. TO AMEND AND ADOPT TEMPORARY FIELD RULES FOR THE SABLE (SAN ANDRES) FIELD, YOAKUM COUNTY, TEXAS

HEARD BY: Richard Eyster, P.G. – Technical Examiner
Dana Avant Lewis – Administrative Law Judge

HEARING DATE: August 2, 2016

CONFERENCE DATE: December 6, 2016

APPEARANCES:

REPRESENTING:

APPLICANT:

Thomas "Buddy" Richter, P.E.
Adam Anderson
Jan Baker
Mark Henkhaus
Kevin Ikel

Apache Corporation, et al

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

This hearing was held to consider the Application of Apache Corporation; McClure Oil Co.; Wishbone TX Operating Co., LLC; Element Petro Operating II, LLC; Henry Resource LLC; Riley Exploration OPG Co, LLC; Steward Energy II, LLC; ER Operating Company; Monadnock Resources; Custer & Wright Operating, Inc. (collectively the "Applicants") to amend and adopt temporary field rules for the Sable

(San Andres) Field in Yoakum County, Texas. The current field rules were adopted in final order No. 8-41,559, effective October 13, 1959. The application is not protested.

Notice of the application was sent to all operators with wells in the field. The application is not protested. The Technical Examiner and the Administrative Law Judge (collectively the "Examiners") recommend field rules adopted for the Sable (San Andres) Field, as proposed by the Applicants with the exception of proposed Rule 8. The Examiners recommend denial of proposed Rule 8.

DISCUSSION OF THE EVIDENCE

The Sable (San Andres) Field was discovered on December 23, 1957, at a depth of 4,400 feet. The field is currently under Special Order 8-41,559, adopted October 13, 1959. There is a total of thirty-five (35) producing wells and seventeen (17) injection wells in the field. Cumulative production from the field to April 2016, is 12,131,492 BO. According to Apache the average pay thickness is approximately 1,500 feet thick. The average porosity of the pay sand is 9%; the average permeability is 40 md. The average oil saturation is 25% with an average water saturation of 25-95%. The average API gravity of the oil produced is 30-33 API. The original reservoir pressure was 2,000 psi.

The Applicants are plan to develop this field with horizontal wells. The horizontal development of the Sable Field is distinct and separate from the vertical production. The Sable (San Andres) is stratigraphically trapped production, in a conventional reservoir that is well suited to secondary recovery. The horizontal activity in this area targets the same formation, but in a setting where the oil has been swept over geological time. The nature of this production has large volumes of water that must be economically handled, and only horizontal wells provide economical access to the reservoir rock and the ability to produce the oil and water.

Therefore, to facilitate the efficient drilling and production of this resource, special spacing and acreage rules are being sought by the Applicants.

The Applicants propose the following spacing and acreage:

1. Dual spacing: 330 ft. lease line spacing, 0 ft. well-to -well, 100 ft. first and last take point.
2. 40 acre per well, with an optional additional 40 acres (80 acres total). Rule 86 acreage would be allowed.
3. Eliminate proration plat requirements, assign acres mathematically based on density.

Changing the spacing to 330 ft. lease line/0 ft. well to well spacing will allow operators the freedom to place new wells at optimal locations without regard to the presence of vertical wells. The Applicant propose to keep 40 acres per well, but to allow an additional 40 acres assignment for optional 80 acre density. Pursuant to the SWR 86 table for additional acreage assignment for fields with greater than 40 acres, additional acreage is added to the well based on lateral length. This table is appropriate for fields

with special field rules that provide for density greater than 40 acres. The Examiners recommend approval of Field Rules Nos. 1-7.

The Applicant is also requesting a new Field Rule No. 8. This rule would allow a permanent administrative exception to SWR 32 for any well producing 50 mcf/d or less casinghead gas without necessity of filing fees.

The Examiners conclude that adopting Field Rule No. 8 would result in a burden for Commission staff in administration of the Statewide Rule 32 exceptions. The Commission's current program for tracking Statewide Rule 32 exceptions is tied to the current standard time periods. Tracking of numerous individual non-standard time periods for certain fields would be an administrative burden on Commission staff. The Examiners suggest that the requested changes should be addressed in a rule making proceeding regarding Statewide Rule 32 or in a Commissioner's T-bar Memo stating a policy interpretation of Rule 32. The Applicants stated that they would not consider a denial of proposed Rule no. 8 to be adverse.

Therefore, the Examiners recommend amending and adopting temporary field rules 1- 7 for the Sable (San Andres) Field for a period of two years from the effective date of the Final Order and denying the Applicants request for a new Rule No. 8.

FINDINGS OF FACT

1. Notice of the application was sent to all operators with wells in the field subject to the application at least ten days prior to the date of hearing, and no protests were received.
2. The Sable (San Andres) Field, (Sable field) was discovered on December 23, 1957 at a depth of 4,400 feet. The field is currently under Special Order 8-41,559, adopted October 13, 1959.
3. There are a total of thirty-five (35) producing wells and seventeen (17) injection wells in the field.
4. The proposed minimum well spacing, 330'/0' (lease line/between well), is necessary to provide for flexibility in locating wells in this field.
6. Additional development on 40 acre density is necessary to maximize ultimate recovery from the field.
7. Pursuant to the SWR 86 table for additional acreage assignment for fields with greater than 40 acres, additional acreage is added to the well based on lateral length. This table is appropriate for fields with special field rules that provide for density greater than 40 acres and will be protective of correlative rights.

CONCLUSIONS OF LAW

1. Proper notice was issued as applicable in all regulatory statutes and codes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Granting the requested field rules will prevent waste, protect correlative rights and promote an orderly development of the reservoir.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend amending and adopting temporary field rules 1- 7 for the Sable (San Andres) Field for a period of two years from the effective date of the Final Order and denying the Applicants request for a new Rule No. 8.

Respectfully submitted,



Richard Eyster, P.G.
Technical Examiner



Dana Avant Lewis
Administrative Law Judge