



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

OIL & GAS DOCKET NO. 08-0309740

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**THE APPLICATION OF CHEVRON MIDCONTINENT L.P. TO AMEND THE FIELD RULES FOR THE PARKER (GRAYBURG, SAN ANDRES) FIELD, ANDREWS COUNTY, TEXAS**

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**HEARD BY:** Peggy Laird, P.G. – Technical Examiner  
Lynn Latombe – Administrative Law Judge

**HEARING DATE:** May 2, 2018

**CONFERENCE DATE:** June 19, 2018

**APPEARANCES:**

**APPLICANT:**

W. Timothy George  
Cary McGregor, P.E.  
Ryan M. Lammert

**REPRESENTING:**

Chevron Midcontinent L.P.

**EXAMINERS' REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Chevron Midcontinent L.P. ("Chevron") seeks to amend the existing field rules for the Parker (Grayburg, San Andres) Field (the "Field") in Andrews County, Texas. Chevron requests the amended field rules be adopted as permanent to accommodate horizontal well development. The Field was discovered in 1935 and had field rules adopted in Final Order, Oil & Gas Docket No. 8-87,451, dated July 7, 1986. Specifically, Chevron requests: 1) a correlative interval from 4,293'-5,948' as shown on the log of the Union Oil Company of California – Parker Unit Lease, Well No. 4818E (API No. 42-003-37818); 2) a take point rule; 3) a box rule; 4) an off-lease penetration point; 5) a lease line spacing rule; 6) adoption of 40 acre oil units with optional 10 acre density; 7) and an allocation formula based on 75% acres and 25% per well with a top oil allowable based on a maximum efficient rate ("MER") allowable of 450 barrels of oil per day ("BOPD").

Notice was provided to all operators in the field and the application is unopposed. The Technical Examiner and Administrative Law Judge (collectively "Examiners") recommend field rules be amended and made permanent for the Parker (Grayburg, San Andres) Field in Andrews County, Texas.

### DISCUSSION OF THE EVIDENCE

The Field was discovered in January 1935 at a depth of 4,800 feet. The Field does not currently have a designated interval or horizontal rules. There are four active operators with thirty-seven producing oil wells as shown on the March 2018 proration schedule. Chevron operates most of the wells in the Field. The current Field rules provide for 330-foot lease line spacing, 660-foot between well spacing, 40-acre density with optional 20-acre units, and an oil allowable based on the 1947 Yardstick of 93 BOPD. Cumulative production from the Field through December 2017 is 4,703,846 barrels of oil and 2,104,384 MCF of gas.

Chevron plans to develop the Field by drilling horizontal wells and requests amendments to the existing rules to accommodate this development. Horizontal rule amendments similar to the proposed provisions have been requested and approved for other nearby San Andres fields, including the adjacent Shafter Lake (San Andres), the nearby Shafter Lake, N. (San Andres), and Block A-34 (San Andres) Fields.<sup>1</sup>

The proposed correlative interval is from the top of the Grayburg Formation at 4,293 feet to the top of the Glorieta Formation at 5,948 feet, as shown on the log of the Union Oil Company of California – Parker Unit Lease, Well No. 4818E (API No. 42-003-37818).<sup>2</sup> This interval includes the entire San Andres Formation.

Production history for the Field for vertical wells shows the peak well count and oil production occurred in 1995 and has been declining since then. Chevron's expert witness, Mr. McGregor, discussed the recoverable oil per acre may range from 1,605 barrels of oil per acre ("BO/acre") to 2,355 BO/acre. This estimate was based on vertical well development in the Field. Based on the range of recoverable oil per acre, Mr. McGregor reported that average drainage areas less than 20 acres occurred for some of the wells, and therefore optional 10-acre density is justified and appropriate.<sup>3</sup>

To support the proposed MER of 450 BOPD, Chevron presented data from several horizontal wells in the Shafter Lake N. (San Andres) Field where the average monthly rate of production ranged from 407 to 468 BOPD.<sup>4</sup> The same MER was approved for the Shafter Lake (San Andres) Field.<sup>5</sup> Exhibit 11, *The Horizontal San Andres – Oil and Gas Financial Journal*, showed average daily production for horizontal San Andres wells was from 400 to 600 BOPD.

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<sup>1</sup> Exhibit No. 5

<sup>2</sup> Exhibit No. 4

<sup>3</sup> Exhibit No. 10

<sup>4</sup> Exhibit No. 12

<sup>5</sup> Exhibit No. 14

Adopting a take point rule, an off-lease penetration point, a lease line spacing rule, and an off-lease penetration point will provide access to 1,060 feet of interval that may otherwise be inaccessible for horizontal development.

The Examiners consider the requested amendments for the Field to be appropriate and consistent with previous rules adopted for horizontal development in nearby San Andres fields, particularly the proximal Shafter Lake (San Andres) Field. Chevron has demonstrated that the proposed amendments are necessary to continue development of the Field. This development should allow for the additional recovery of resources and prevention of 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 the hearing. No protests were received.
2. The Parker (Grayburg, San Andres) Field was discovered in 1935.
  - a. There are 37 producing oil wells and four operators carried on the proration schedule.
  - b. Chevron operates most of the oil wells carried on the proration schedule.
  - c. Cumulative production from the Field through December 2017 is 4,703,846 barrels of oil and 2,104,384 MCF of gas.
  - d. The Parker (Grayburg, San Andres) Field operates under field rules that provide for 330-foot/660-foot well spacing and 40-acre oil units with optional 20-acre density.
  - e. The Parker (Grayburg, San Andres) Field is actively being developed for horizontal drainhole wells.
3. Adoption of 40-acre oil units with optional 10-acre density is appropriate for the Parker (Grayburg, San Andres) Field.
4. Adoption of the proposed suite of horizontal rules will allow for efficient horizontal development of the Field and recovery of resources.
5. Allocation based on 75% acres and 25% per well with a top oil allowable based on MER Allowable of 450 barrels of oil per day is appropriate for the Field.
6. Similar field rules have been adopted in the Shafter Lake (San Andres), Shafter Lake, N. (San Andres), and Block A-34 (San Andres) Fields.
7. At the hearing, the applicant agreed on the record that a Final Order in this case is to be effective when the Master Order is signed.

**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 §§ 1.42.
3. Amending field rules for the Parker (Grayburg, San Andres) Field is necessary to prevent waste, protect correlative rights, and promote development of the Field.
4. Pursuant to § 2001.144(a)(4)(A) of the Texas Government Code, and the agreement of the applicant, this Final Order is effective when a Master Order relating to this Final Order is signed on June 19, 2018.

**EXAMINERS' RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission amend and adopt permanent field rules for the Parker (Grayburg, San Andres) Field, as proposed by Chevron Midcontinent L.P.

Respectfully submitted,



Peggy Laird, P.G.  
Technical Examiner



Lynn Latombe  
Administrative Law Judge