



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0312763

APPLICATION OF CHEVRON U.S.A. INC. (148113) TO CONSOLIDATE THE CRAWAR (SAN ANDRES) AND SAND HILLS, WEST (SAN ANDRES) FIELDS INTO THE PROPOSED CRAWAR (SAN ANDRES CONS.) FIELD AND ADOPT PERMANENT FIELD RULES FOR THE PROPOSED CRAWAR (SAN ANDRES CONS.) FIELD, WARD AND CRANE COUNTIES, TEXAS

HEARD BY: Robert Musick – Technical Examiner
Clayton J. Hoover – Administrative Law Judge

HEARING DATE: August 22, 2018

CONFERENCE DATE: January 23, 2018

APPEARANCES:

APPLICANT:

W. Timothy George
Cary McGregor, P.E.

REPRESENTING:

Chevron U.S.A. Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Chevron U.S.A. Inc. ("Chevron") seeks to consolidate two existing San Andres fields, the Crawar (San Andres) Field and the Sand Hills, West (San Andres) Field, into a single consolidated field to be designated as the Crawar (San Andres Cons.) Field, Ward and Crane Counties, Texas. Chevron also requests adoption of permanent field rules for the consolidated field, including 1) a rule designating a correlative interval for the consolidated field; 2) a dual lease line take point spacing rule; 3) a 40-acre oil unit rule with an optional 10-acre density rule; 4) an allocation formula rule based on 75% acreage and 25% per well; and 5) a top oil allowable of 450 barrels of oil per day ("BOPD").

All operators with wells in the Subject Fields were notified of the hearing. No operators appeared in protest of the Application. The Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend that the amended field rule be granted as requested by Chevron.

DISCUSSION OF THE EVIDENCE

A Notice of Hearing was issued by the Commission on July 19, 2018, to all operators in the Subject Fields at least ten days prior to the date of the hearing. A hearing was held on August 22, 2018.

Chevron plans to develop the Cawar (San Andres Cons.) Field by adoption of field rules to accommodate planned development and drilling of horizontal wells. Testimony in the hearing indicates approval of the requested consolidated field will promote future development of the San Andres oil and gas resources in this area.

Chevron proposed an optional 10-acre unit for the proposed Cawar (San Andres Cons.) Field. Chevron's demonstration to support the 10-acre option utilized the historical lease production data for each active well in the Cawar (San Andres) Field and the Sand Hills, West (San Andres) Field along with recoverable oil data associated with two nearby wells in the San Andres formation. The demonstration established an average drainage of oil for each acre ranging from 1,967 BO/acre to 2,355 BO/acre. Evidence in the record supports the request of the 10-acre option unit size.

Chevron presented testimony that indicates the Parker (Grayburg, San Andres) Field, Shafter Lake (San Andres) Field and Shafter Lake, N. (San Andres) Field in the region have a Maximum Efficient Rate ("MER") of 450 BOPD. Based on testimony, it is appropriate to have a special top allowable of 450 BOPD to prevent physical or economic waste.

Evidence in the record indicates field rules have been approved for other San Andres fields, including the Parker (Grayburg, San Andres), Shafter Lake (San Andres), Shafter Lake, N. (San Andres), and Block A-34 (San Andres) Fields, which promote horizontal well development. The Examiners find there is sufficient evidence in the record to recommend approval of the following requested field rules:

- Lease line spacing of 330 feet;
- No between well spacing;
- 40-acre unit size;
- 10-acre option unit size;
- 450 BOPD top allowable;
- Allocation Formula: 25% per well and 75% acres;
- Reporting format from the Form P-15 to Form P-16;
- Heel to toe spacing of 100 feet.

Chevron indicates the proposed Crawar (San Andres Cons.) Field and associated proposed rules are necessary to continue development of the San Andres fields. In addition, the consolidated field will prevent waste, protect correlative rights, and promote the conservation and recovery of San Andres resources.

At the hearing, Chevron agreed on the record that the Final Order in this case is to be final and effective when the Master Order relating to the Final Order is signed.

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. Chevron has proposed consolidation of the Crawar (San Andres) Field and Sand Hills, West (San Andres) Field into the Crawar (San Andres Cons.) Field (Field No. is 21577650).
3. The discovery date for the existing Crawar (San Andres) Field (Field No. 21577630) was in January 1955.
 - a. Currently, there are two operators with nine active producing vertical oil wells on the proration schedule for the Field.
 - b. Chevron operates seven of the producing vertical oil wells on the proration schedule with Success Oil Company operating the other two vertical oil wells.
 - c. Currently, the Crawar (San Andres) Field operates under statewide rules, with a 40-acre unit rule, 467 feet/1200 feet spacing rule, and a yardstick top allowable of 64 BOPD.
4. The discovery date for the existing Sand Hills, West (San Andres) Field was in April 1960.
 - a. Currently, there is one operator with two active producing vertical oil wells on the proration schedule.
 - b. The Sand Hills, West (San Andres) operates under special field rules, with a 40-acre unit rule; 20-acre tolerance unit rule; 440 feet/880 feet spacing rule; an 84 BOPD MER; 2,000-1 allowable; diagonal of 2,250 feet; and an allocation formula based on 25% per well and 75% acreage.
5. Chevron proposed an optional 10-acre unit for the proposed Crawar (San Andres Cons.) Field. Chevron's demonstration to support the 10-acre option utilized the historical lease production data for each active well in the Crawar (San Andres) Field and the Sand Hills, West (San Andres) Field along with recoverable oil data associated with two nearby wells in the San Andres formation. Evidence in the record supports the request of the 10-acre option unit size.
6. Chevron presented testimony that indicates the Parker (Grayburg, San Andres) Field, Shafter Lake (San Andres) Field and Shafter Lake, N. (San Andres) Field in

the region have a MER of 450 BOPD. Based on testimony, it is appropriate to have a special top allowable of 450 BOPD to prevent physical or economic waste.

7. Chevron has proposed the following field rules for the Crawar (San Andres Cons.) Field:
 - Lease line spacing of 330 feet;
 - No between well spacing;
 - 40-acre unit size;
 - 10-acre option unit size;
 - 450 BOPD top allowable;
 - Allocation Formula: 25% per well and 75% acres;
 - Reporting format from the Form P-15 to Form P-16;
 - Heel to toe spacing of 100 feet.
8. The requested rule changes will be protective of correlative rights, increase recovery of resources and prevent waste.
9. At the hearing, the applicant agreed on the record that a Final Order in this case is to be final and 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 and 1.45.
3. Consolidating existing fields into the Crawar (San Andres Cons.) Field and adopting permanent rules for Crawar (San Andres Cons.) Field are necessary to prevent waste, protect correlative rights, and promote development of the consolidated field.
4. Pursuant to § 2001.144 (a)(4)(A) of the Texas Government Code and the agreement of the applicant, this Final Order is final and effective when a Master Order relating to the Final Order is presented at Commission conference and signed by the Commissioners.

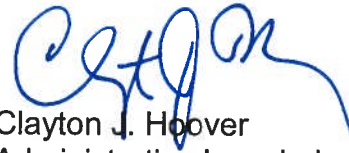
EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission consolidate the Crawar (San Andres) Field and the Sand Hills, West (San Andres) Field into a single consolidated field to be designated as the Crawar (San Andres Cons.) Field and adopt proposed permanent field rules for the Crawar (San Andres Cons.) Field.

Respectfully submitted,



Robert Musick
Technical Examiner



Clayton J. Hoover
Administrative Law Judge