



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0312216

THE APPLICATION OF XTO ENERGY INC. (945936) TO CONSOLIDATE THE KEYSTONE (DEVONIAN), KEYSTONE (SILURIAN), KEYSTONE (WADDELL), AND KEYSTONE (MCKEE) FIELDS INTO THE PROPOSED KEYSTONE (DEV-MCKEE CONS) FIELD, WINKLER COUNTY, TEXAS

HEARD BY: Peggy Laird, P.E. - Technical Examiner
Clayton J. Hoover - Administrative Law Judge

PREPARED BY: Richard Eyster, P.G. - Technical Examiner
Kristi M. Reeve - Administrative Law Judge

HEARING DATE: August 3, 2018

APPEARANCES:

David Gross
Rick Johnston
James Hall
Patricia Donald
Ryan Ewen

REPRESENTING:

XTO Energy Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

XTO Energy Inc. ("XTO") is requesting to consolidate the Keystone (Devonian), Keystone (Silurian), Keystone (Waddell) and Keystone (McKee) Fields into a consolidated field to be known as the Keystone (Dev-McKee Cons) Field in Winkler County, Texas. All operators of wells in all those fields were provided with notice of the hearing on this application. The application is unopposed and the Examiner and Administrative Law Judge (collectively, the "Examiners") recommend approval of the application.

DISCUSSION OF THE EVIDENCE

According to the Commission's proration schedule the four fields involved in this application have the following discovery dates:

Keystone (Devonian)	April 4, 1945
Keystone (Silurian)	May 14, 1955
Keystone (McKee)	September 20, 1947
Keystone (Waddell)	January 15, 1948

The four Keystone fields that XTO proposes to consolidate in this application range in age from 65–75 years old and were developed with vertical wells. XTO contends the field consolidation is necessary so that XTO will have the ability to complete zones in what are currently the Devonian, Silurian, McKee and Waddell Field intervals, stimulate those zones and produce them on a commingled basis. XTO stated at the hearing that there are no pressure or fluid incompatibilities that might pose a concern regarding commingled production from the zones within the proposed consolidated field's designated correlative vertical interval.

XTO proposes that the designated correlative vertical interval for the Keystone (Dev-McKee Cons) Field be that interval from 7,779 feet to 10,068 feet as shown on the log of the Amoco – JJ Perkins B No. 2 (API No. 42-495-05270). This interval includes the Devonian, Silurian, Fusselman, Montoya, Simpson, McKee and Waddell.

All four of the fields proposed for consolidation have 40-acre density rules. XTO proposes that the Keystone (Dev-McKee Cons) Field also have a 40-acre density rule. The Keystone (Devonian) and Keystone (Silurian) fields have 555/1110' spacing rules, while the Keystone (McKee) and Keystone (Waddell) Fields have 467'/1200' spacing rules. XTO proposes that the Keystone (Dev-McKee CONS) Field have spacing of 467'/1110' so that all wells drilled in compliance with any of the four fields' special field rules will also be in compliance with the spacing and density rules of the Keystone (Dev-McKee Cons) Field. This will facilitate operators' ability to recomplete in all productive zones within the four fields' designated correlative intervals.

The Examiner and Administrative Law Judge (collectively the "Examiners") recommend approval of the application.

FINDINGS OF FACT

1. Notice of the hearing was given to all persons entitled to notice at least ten days prior to the date of hearing.
2. The Keystone (Devonian) Field was discovered in April 1946 at an average depth of 8,040 feet. There are 5 producing oil wells carried on the proration

schedule, 5 producing gas wells and 5 operators. XTO operates a total of 7 gas wells in the Field, 5 of them currently producing.

3. The Keystone (Silurian) Field was discovered in May 1955 at an average depth of 8,500 feet. There are 24 producing oil wells carried on the proration schedule and there are 5 operators. XTO operates 19 producing oil wells in the Field.
4. The Keystone (McKee) Field was discovered in September 1947 at an average depth of 9,306 feet. There are 9 producing gas wells and there are 4 operators carried on the proration schedule. XTO operates 7 producing gas wells in the Field.
5. The Keystone (Waddell) Field was discovered in January 1948 at an average depth of 8,686 feet. XTO is the only operator in this Field and operates two wells.
6. All four fields to be consolidated are mature.
7. Consolidation of the four fields will allow operators to complete all four fields' intervals and use modern completion and stimulation techniques to maximize remaining recovery, both preventing waste and protecting correlative rights.
8. Adoption of a 467' minimum lease line spacing rule and 1,110' between-wells spacing rule will allow wellbores originally permitted in all four of the component fields to qualify for regular drilling permits in the Keystone (Dev-McKee Cons) Field, thus reducing regulatory impediments to the completion and commingled production of all four fields' intervals thus maximizing recovery.
9. Keeping the 40-acre density rule that currently applies to all four of the fields to be consolidated is appropriate.
10. Pursuant to §2001.144(a)(4)(A), of the Texas Government Code, and the agreement of the applicant on the record, the parties have waived right to file a Motion for Rehearing and this Final Order is final and effective on the date the Master Order relating to this Final Order is signed.

CONCLUSIONS OF LAW

1. Proper notice of this hearing was issued.
2. All things have been accomplished or have occurred to give the Commission jurisdiction in this matter.

3. Consolidation of the Keystone (Devonian), Keystone (Silurian), Keystone (Waddell) and Keystone (McKee) Fields into a consolidated field to be known as the Keystone (Dev-McKee Cons) Field in Winkler County, Texas will prevent waste, protect correlative rights and promote orderly development.
4. Pursuant to §2001.144(a)(4)(A), of the Texas Government Code, and the agreement of the applicant on the record, the parties have waived right to file a Motion for Rehearing and this Final Order is final and effective on the date the Master Order relating to this Final Order is signed.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission approve the application of XTO Energy Inc. to consolidate the Keystone (Devonian), Keystone (Silurian), Keystone (Waddell) and Keystone (McKee) Fields into a consolidated field to be known as the Keystone (Dev-McKee Cons) Field in Winkler County.

Respectfully submitted,

Richard Eyster, P.G.
Technical Examiner

Kristi M. Reeve
Administrative Law Judge