



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0315323

APPLICATION OF OCCIDENTAL PERMIAN LTD. (617544) TO CONSOLIDATE THE INEZ (WOLFCAMP) FIELD, THE INEZ (STRAWN) FIELD, THE INEZ (DEEP) FIELD, AND THE INEZ (ELLENBURGER) FIELD INTO THE INEZ (CONSOLIDATED) FIELD AND TO ADOPT SPECIAL FIELD RULES FOR THE INEZ (CONSOLIDATED) FIELD, ANDREWS COUNTY, TEXAS

HEARD BY: Petar Buva – Technical Examiner
Lynn Latombe – Legal Examiner

DATE OF HEARING: December 12, 2018
CONFERENCE DATE: May 21, 2019

APPEARANCES:

REPRESENTING:

APPLICANT:

John Soule
Sharon Wyatt
Justo Otaegui
Jackie Klotz
Joseph Stich

Occidental Permian Ltd.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Occidental Permian Ltd. ("Occidental") seeks to consolidate the Inez (Wolfcamp) Field, the Inez (Strawn) Field, the Inez (Deep) Field, and the Inez (Ellenburger) Field into the Inez (Consolidated) Field and to adopt special field rules for Inez (Consolidated) Field, Andrews County, Texas. The application is unopposed, and the Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of the field consolidation and adoption of special field rules as requested by Occidental.

DISCUSSION OF THE EVIDENCE

The Inez (Wolfcamp) Field, the Inez (Strawn) Field, the Inez (Deep) Field, ("Inez Fields"), are currently governed by field rules summarized in the table below:

Field	Depth	Formation(s)	Spacing	Density	Allocation	Allowable	Proration Plats
Inez (Wolfcamp)	9316	Wolfcamp	550/1,400	160/80T	100% ac.	277	Required
Inez (Strawn)	9978	Strawn	467/1,200	40	100% ac.	172	Required
Inez (Deep)	11,500	Atoka, Barnett, Mississippian, Devonian, Sillurian, Fusselman & Ellenburger	550/1,400	80/40T	95% ac./ 5%pot.	365	Required
Inez (Ellenburger)	12,505	Ellenburger	550/1,400	80/40T	100% ac.	435	Required

* Existing fields and the summaries of the existing field rules.

The proposed consolidation of the Inez Fields includes various reservoirs at different depths and stage of depletion. As such, Occidental anticipates possible pressure differential between and among various reservoirs, which could cause crossflow during the shut-in conditions. Occidental maintains that potential crossflow would not have any adverse impact on the ultimate recovery of hydrocarbons. The fluids from various reservoirs in the proposed Inez (Consolidated) Field have been surface commingled for many years and have shown fluid compatibility.

Currently Occidental and Fasken Oil and Ranch, Ltd. are the only two operators in the Inez Fields. Of the wells currently producing from the Inez Fields, two are gas wells, while the rest are oil wells. The Inez (Wolfcamp) Field and Inez (Strawn) Field have no wells on the proration schedule. The Inez (Deep) was consolidated in 1989 from the Inez (Atoka) Field and the Inez (Fusselman) Field, Order No. 8-51,251, and it currently contains 7 leases with 17 wells on the proration schedule. The Inez (Ellenburger) Field currently has 3 wells on 2 leases on the proration schedule.

Occidental plans to develop the Inez (Consolidated) Field by adoption of field rules to accommodate planned development and drilling of horizontal wells. Testimony in the hearing indicates that approval of the requested field consolidation will promote future development of oil and gas formations, primarily from the Mississippian and Barnett formations. The requested field rules are presents in the table below.

Field	Depth	Formation(s)	Spacing	Density	Allocation	Allowable	Proration Plats
Inez (Consolidated)	8,647'– 13,200'	Wolfcamp, Strawn, Atoka, Barnett, Mississippian, Devonian, Sillurian, Fusselman & Ellenburger	330/0/100	40/20T	100% ac.	10 bopd/ac. Gas AOF	Permitted, but not required

* Summary of the proposed field rules for the proposed Inez (Consolidated) Field.

The testimony on the record asserts that the proposed allocation formula is an acceptable method of allocating production or allowables among the wells in the proposed Inez (Consolidated) Field. Based on the standard unit size and allowable in the existing fields, range of per acre allowable in the existing Inez Fields is 1.7 - 5.5 barrels of oil per day per acre (bopd/ac). Occidental maintains that the current allowables will not be sufficient for the anticipated horizontal wells in the Inez (Consolidated) Field. The projected allowable for Inez (Consolidated) Field of 10 bopd/ac is modeled after the production from the same formations in the Emma (Devonian) Field and Emma (Mississippian) Field that are in the geographic proximity to the proposed Inez (Consolidated) Field.

FINDINGS OF FACT

1. Notice of this hearing was provided to all operators in the field at least ten (10) days prior to the date of the hearing.
2. Occidental Permian, Ltd. requests to consolidate the Inez (Wolfcamp) Field, the Inez (Strawn) Field, the Inez (Deep) Field, and the Inez (Ellenburger) Field into the Inez (Consolidated) Field.
3. The Inez (Deep) Field was consolidated in 1989, Order No. 8-51,251, from Inez (Atoka) and Inez (Fusselman) Fields.
4. Occidental Permian, Ltd. requests adoption of field rules for the proposed Inez (Consolidated) Field for spacing of 330 feet from a lease line and 0 feet between well spacing with 100 feet from the first and last take point.
5. Occidental Permian, Ltd. requests adoption of field rules for the proposed Inez (Consolidated) Field to show the density of proration units to be 40 acres.
6. Occidental Permian, Ltd. requests adoption of field rules for the proposed Inez (Consolidated) Field to have 100% allocation, and 10 bopd/ac of allowable.
7. Occidental Permian, Ltd. requests that for the proration plans can be submitted as part of the reporting process but are not required.
8. The proposed allocation formula is an acceptable method of allocating production or allowables among the wells in the proposed Inez (Consolidated) Field.
9. Adopting of the requested field consolidation and adoption of the filed rules will promote future development of oil and gas formations and will prevent waste in the Inez (Consolidated) Field.
10. Occidental Permian, Ltd. agreed in writing or on the record that, pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), this Final Order can be final and effective on the date a Master Order relating to this Final Order is signed.

CONCLUSIONS OF LAW

1. Proper notice was issued as required by all applicable statutes and regulatory codes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Consolidating Inez Fields and adopting field rules for the Inez (consolidated) Field will prevent waste.
4. Pursuant to §2001.144(a)(4)(A) of the Texas Government Code and by agreement of the parties in writing or on the record, the Final Order can be final and effective when a Master Order relating to this Final Order is signed.

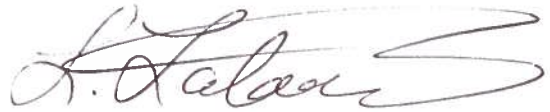
EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission approve consolidation of the Inez (Wolfcamp) Field, the Inez (Strawn) Field, the Inez (Deep) Field, and the Inez (Ellenburger) Field into the Inez (Consolidated) Field and to adopt field rules for Inez (Consolidated) Field, Andrews County, Texas, as requested by Occidental Permian, Ltd..

Respectfully submitted,

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Petar Buva
Technical Examiner

A blue ink signature of Lynn Latombe, featuring a stylized 'L' and 'L' followed by a horizontal line.

Lynn Latombe
Administrative Law Judge