

**RAILROAD COMMISSION OF TEXAS  
OFFICE OF GENERAL COUNSEL  
OIL AND GAS SECTION**

**OIL & GAS DOCKET NOS. 10-0229120,  
10-0229121, 10-0229122, 10-0229123,  
0229124, 10-0229125, 10-0229126, 10-  
0229127, 0229128, 10-0229129, 10-0229130,  
10-0229132, 0229133, 0229135, 0229136, 10-  
0229137, 10-0229138, 10-0229139, AND  
0229140**

**APPLICATIONS OF BP AMERICA  
PRODUCTION COMPANY FOR  
EXCEPTIONS TO STATEWIDE RULES 37  
AND/OR 38 FOR NINETEEN WELLS ON  
THE FLORES, FLORES "86", FLORES "95",  
AND HUBER ET AL. LEASES, TEXAS  
HUGOTON<sup>®</sup> FIELD, SHERMAN AND  
MOORE COUNTIES, TEXAS**

**FINAL ORDER**

The Commission finds that, after statutory notice in the above-numbered dockets, heard on March 4-14, 2002, the examiners have made and filed a report and proposal for decision containing findings of fact and conclusions of law, which was served on all parties of record, and that this proceeding was duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas

The Commission, after review and due consideration of the proposal for decision and the findings of fact and conclusions of law contained therein, and any exceptions and replies thereto, hereby adopts as its own Findings of Fact Nos. 1 through 11 and Conclusions of Law Nos. 1 through 4 contained in the proposal for decision, and incorporates said findings of fact and conclusions of law as if fully set out and separately stated herein. The Commission makes the following additional Findings of Fact and Conclusions of Law:

**FINDINGS OF FACT**

12. The Herington and Upper Krider formations have lesser permeability and lesser porosity development than the Lower Krider.

13. In the area of BP's proposed Flores Lease, Well Nos. 47, 48, 49, 52, and 55, and proposed Flores "95" Lease, Well No. 57, existing wells are not efficiently and effectively draining 640 acres per well, particularly in the Herington and Upper Krider zones.

14. BP's proposed Flores Lease, Well Nos. 47, 48, 49, 52, and 55, and proposed Flores "95" Lease, Well No. 57 will not drain gas from any offsetting tract or materially affect production by wells on any offsetting tract.

a. These wells are proposed to be drilled at locations which are about 1-2 miles from any offsetting tract of another operator and about 1.5 miles or greater from any offsetting well of another operator.

b. Between the proposed locations of these wells and the locations of offsetting wells of another operator are existing wells operated by BP, which have drainage areas creating no flow boundaries.

15. BP's proposed Flores Lease, Well Nos. 47, 48, 49, 52, and 55, and proposed Flores "95" Lease, Well No. 57 will recover hydrocarbons that cannot be recovered by any existing well or additional wells drilled at regular locations.

a. The area of the Flores Lease and Flores "95" Lease in which these wells will be drilled has a high percentage of gas contained in zones having relatively little permeability, as evidenced by Lorenz Plots for existing wells surrounding the area.

b. There are no locations on the Flores Lease and Flores "95" Lease that are regular under the provisions of Statewide Rule 38.

16. BP will not be afforded a reasonable opportunity to recover its fair share of hydrocarbons beneath the Flores Lease and Flores "95" Lease or their equivalent unless Rule 37/38 exceptions are granted to drill proposed Flores Lease, Well Nos. 47 and 49 and Flores "95" Lease, Well No. 57, and unless Rule 38 exceptions are granted to drill proposed Flores Lease, Well Nos. 48, 52, and 55.

17. The proposed locations of Flores Lease, Well Nos. 47, 48, 49, 52, and 55 and Flores "95" Lease, Well No. 57 are reasonable.

a. These proposed locations are 1-2 miles from any offsetting tract of another operator and there are existing BP wells between these locations and such offsetting tracts.

b. Wells drilled at these locations will not likely drain gas from tracts of other operators offsetting the Flores and Flores "95" Leases or materially affect production of wells on such offsetting tracts.

c. These locations are outside the drainage areas of older high cumulative wells on the Flores and Flores "95" tracts and/or are necessary to avoid conflict with steep terrain near Palo Duro Creek or pivotal irrigation systems on the surface.

18. Proposed Flores Lease, Well Nos. 41, 42, 43, 44, 45, 46, 50, 53, and 54, Flores "86" Lease, Well Nos. 51 and 56, and Huber Et Al. Lease, Well Nos. 4 and 5 are proposed to be drilled by BP on the perimeter of the Flores Lease area, generally less than one mile and in some cases as close as 1,250' from offsetting tracts of other operators.

19. Lower pressures in the eastern, northeastern, and southeastern portions of the Flores Lease as compared with pressures on adjacent tracts may already be causing gas to migrate from the adjacent tracts to the Flores Lease.

20. Proposed Flores Lease, Well Nos. 41, 42, 43, 44, 45, 46, 50, 53, and 54, Flores "86" Lease, Well Nos. 51 and 56, and Huber Et Al. Lease, Well Nos. 4 and 5 may cause migration of gas to the Flores, Flores "86" and Huber Et Al. tracts from adjacent tracts and/or adversely affect the production of wells of other operators on offsetting tracts.

21. BP did not present sufficient evidence to establish that proposed Flores Lease, Well Nos. 41, 42, 43, 44, 45, 46, 50, 53, and 54, Flores "86" Lease, Well Nos. 51 and 56, and Huber Et Al. Lease, Well Nos. 4 and 5 will recover hydrocarbons beneath the subject tracts that will not be recovered by existing wells or by additional wells at regular locations or that the granting of Rule 37 and/or Rule 38 exceptions for such proposed wells is necessary to afford BP a reasonable opportunity to recover its fair share of hydrocarbons beneath the leases or their equivalent in kind.

a. BP was unable to volumetrically calculate original gas in place for the areas where these wells are proposed to be drilled due to limited availability of modern electric logs.

b. BP's estimates of gas that existing wells are seeing within their drainage areas as determined by pressure versus cumulative plots are not necessarily related to the areas in which the proposed wells are to be drilled in that pressure versus cumulative plots do not define the size or extent of drainage areas of existing wells.

c. BP's rate versus time recovery estimates for existing wells in the area where the proposed wells will be drilled are forecast with a linear decline as opposed to an exponential decline and tend to underestimate future recovery by existing wells.

22. BP did not present sufficient evidence to establish that peculiar, unusual, or abnormal conditions exist in the subject reservoir beneath the Flores/Huber tracts as compared to adjacent and surrounding parts of the Texas Hugoton Field.

a. Conditions existing in the reservoir beneath the Flores/Huber tracts are essentially the same as exist beneath BP's Price "D" Lease about 4-5 miles to the north.

b. Heterogeneity in the reservoir beneath the Flores/Huber tracts exists also in other portions of the Texas Hugoton Field.

c. Local variations in permeability are common in the Texas Hugoton Field.

d. Depositional environment and geological models relevant to the Flores/Huber tracts apply to other areas of the Texas Hugoton Field, including areas adjacent to and surrounding the Flores/Huber tracts.

#### CONCLUSIONS OF LAW

5. The granting of Rule 37 and Rule 38 exceptions to drill BP's proposed Flores Lease, Well Nos. 47 and 49 and Flores "95" Lease, Well No. 57, and Rule 38 exceptions to drill BP's proposed Flores Lease, Well Nos. 48, 52, and 55 is necessary to prevent confiscation and protect correlative rights.

6. The granting of Rule 37 and/or Rule 38 exceptions for BP's proposed Flores Lease, Well Nos. 41, 42, 43, 44, 45, 46, 50, 53, and 54, Flores "86" Lease, Well Nos. 51 and 56, and Huber Et Al. Lease, Well Nos. 4 and 5 is not necessary to prevent confiscation or to protect correlative rights.

7. The granting of Rule 37 and/or Rule 38 exceptions for BP's proposed Flores Lease, Well Nos. 41, 42, 43, 44, 45, 46, 50, 53, and 54, Flores "86" Lease, Well Nos. 51 and 56, and Huber Et Al. Lease, Well Nos. 4 and 5 is not necessary to prevent waste.

Therefore, it is **ORDERED** by the Railroad Commission of Texas that the applications of BP America Production Company for exception permits under the provisions of Statewide Rule 37 and/or Statewide Rule 38 to drill its Flores Lease, Well Nos. 41, 42, 43, 44, 45, 46, 50, 53, and 54, Flores "86" Lease, Well Nos. 51 and 56, and Huber Et Al. Lease, Well Nos. 4 and 5 are **DENIED**.

It is further **ORDERED** by the Railroad Commission of Texas that the applications of BP America Production Company for exception permits under the provisions of Statewide Rule 37 and Statewide Rule 38 to drill its Flores Lease, Well Nos. 47 and 49, and Flores "95" Lease, Well No. 57 and under the provisions of Statewide Rule 38 to drill its Flores Lease, Well Nos. 48, 52, and 55 in the Texas Hugoton Field be and they are hereby **APPROVED** at the following locations:

**Rule 37 and Rule 38 Exceptions**

**[0229128] FLORES LEASE, WELL NO. 47 LOCATION:**

10,015' from the north line and 15,048' from the west line of the lease and 545' from the south line and 792' from the east line of the T&NO RR Co./T. C. Denton Survey, Abstract No. A-574, Sherman County, Texas

**[0229136] FLORES LEASE, WELL NO. 49 LOCATION:**

9,310' from the north line and 6,530' from the east line of the lease and 1,250' from the south line and 1,250' from the east line of the T&NO RR Co./D. Pincham Survey, Abstract No. A-506, Sherman County, Texas

**[0229133] FLORES "95" LEASE, WELL NO. 57 LOCATION:**

440' from the south line and 2,296' from the east line of the lease and 440' from the south line and 2,296' from the east line of the T&NO RR Co. Survey, Abstract No. A-317, Sherman County, Texas

**Rule 38 Exceptions**

**[10-0229138] FLORES LEASE, WELL NO. 48 LOCATION:**

8,760' from the north line and 11,810' from the east line of the lease and 1,800' from the south line and 1,250' from the east line of the T&NO RR Co. Survey, Abstract No. A-438, Sherman County, Texas

**[10-0229130] FLORES LEASE, WELL NO. 52 LOCATION:**

11,610' from the south line and 10,710' from the west line of the lease and 1,050' from the south line and 150' from the west line of the T&NO RR Co. Survey, Abstract No. A-451, Sherman County, Texas

**[10-0229126] FLORES LEASE, WELL NO. 55 LOCATION:**

11,941' from the north line and 10,239' from the east line of the lease and 1,381' from the north line and 321' from the west line of the T&NO RR Co./D. Pincham Survey, Abstract No. A-504, Sherman County, Texas.

**CONDITIONS**

1. **Fresh Water Sand Protection.** The operator must set and cement sufficient surface casing to protect all usable-quality water as defined by the Texas Natural Resource Conservation Commission. Before drilling a well, the operator must obtain a letter from the Texas Natural Resource Conservation Commission stating the depth to which water needs protection. Write: Texas Natural Resource Conservation Commission, Surface Casing, P. O. Box 13087, Capitol Station, Austin, Texas 78711-3087. File a copy of the Texas Natural Resource Conservation Commission letter with the appropriate district office.
2. **Permit at Drilling Site.** A copy of the Form W-1 (Drilling Permit Application), the location plat, a copy of Statewide Rule 13 alternate surface casing setting depth approval from the district office, if applicable, and this drilling permit must be kept at the permitted well site throughout the drilling operations.
3. **Notification of Setting Casing.** The operator MUST call in notification to the appropriate district office a minimum of eight (8) hours prior to the setting of surface casing, intermediate casing, AND production casing. The individual giving notification MUST be able to advise the district office of the docket number.
4. **Producing Well.** Statewide Rule 16 requires that the operator submit a Form W-2 (oil well) or Form G-1 (gas well) to the appropriate Commission district office within thirty (30) days after completion of such well. Completion of the well in a field authorized by this order voids the order for all other fields included in the order unless the operator indicates on the initial completion report that the well is to be a dual or multiple completion and promptly submits an application for multiple completion. All zones are required to be completed before the expiration date of this order.

5. **Dry or Noncommercial Hole.** Statewide Rule 14(b)(2) prohibits suspension of operations on each dry or noncommercial well without plugging unless the hole is cased and the casing is cemented in compliance with Commission rules. If properly cased, Statewide Rule 14(b)(2) requires that plugging operations must begin within a period of one (1) year after drilling or operations have ceased. Plugging operations must proceed with due diligence until completed. An extension to the one year plugging requirement may be granted under the provisions stated in Statewide Rule 14(b)(2).
6. **Intention to Plug.** The operator must file a Form W-3A (Notice of Intention to Plug and Abandon) with the district office at least five (5) days prior to beginning plugging operations. If, however, a drilling rig is already at work on location and ready to begin plugging operations, the district director or the director's delegate may waive this requirement upon request, and verbally approve the proposed plugging procedures.
7. **Notification of Plugging a Dry Hole.** The operator **MUST** call to notify the appropriate district office a minimum of four (4) hours prior to beginning plugging operations. The individual giving notification **MUST** be able to advise the district office of the docket number and all water protection depths for that location as stated in the Texas Natural Resource Conservation Commission letter.
8. **Plugged Wells.** Should this well ever be plugged and abandoned, the Commission will consider such plugging and abandonment as prima facie evidence that production from said well is no longer necessary to prevent confiscation of applicant's property or to prevent waste; and upon such plugging and abandonment, the authority for such well as granted under this permit shall cease.
9. **Permit Expiration.** This permit expires two (2) years from the date this order becomes administratively final, unless actual drilling operations have begun. The permit period will not be extended.

Each exception to the examiners' proposal for decision not expressly granted herein is overruled. All requested findings of fact and conclusions of law which are not expressly adopted herein are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

It is further **ORDERED** by the Commission that this order shall not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a timely motion for rehearing is filed by any party at interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to TEX. GOV'T CODE §2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by

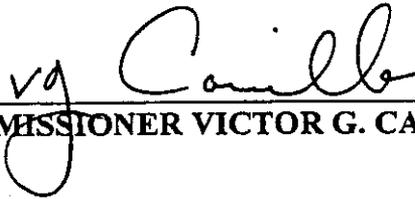
operation of law, is hereby extended until 90 days from the date the order is served on the parties.

Done this 22 day of July, 2003.

RAILROAD COMMISSION OF TEXAS

  
CHAIRMAN MICHAEL L. WILLIAMS

COMMISSIONER CHARLES R. MATTHEWS

  
COMMISSIONER VICTOR G. CARRILLO



ATTEST:  
  
SECRETARY