



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 04-0273388

THE APPLICATION OF OXY USA, INC. TO CONSOLIDATE VARIOUS MCALLEN AND PHARR FIELDS INTO THE MCALLEN-PHARR (CONSOLIDATED) FIELD AND TO ADOPT FIELD RULES FOR THE MCALLEN-PHARR (CONSOLIDATED) FIELD, HIDALGO COUNTY, TEXAS

HEARD BY: Andres J. Trevino P.E., Technical Examiner
Terry Johnson- Legal Examiner

HEARING DATE: July 31, 2013

APPLICANT:

John Soule
Mimi Winetroub

REPRESENTING:

Oxy USA, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Oxy USA, Inc. (Oxy) requests that 27 McAllen and Pharr Fields listed in Attachment "A" be consolidated into a new field called the McAllen-Pharr (Consolidated) Field.

Oxy requests that the following rules be adopted for the McAllen-Pharr (Consolidated) Field:

1. Designated interval from 5,800 feet to 15,300 feet as shown on the composite log of the McAllen Fieldwide Unit, Well No. 65 and the Pharr Fieldwide Unit, Well No. 52;
2. Well spacing a minimum of 330 feet from lease lines with no between-well spacing limitation, 100 foot spacing for first and last take points on horizontal laterals, take point language, NPZ language, 33 foot box rule and off-lease penetration-point language;
3. 40 acre drilling units, 10% tolerance and optional 20 acre units, no filing of individual proration plats be required;
4. Allocation based 50% deliverability and 50% acreage, allocation formula to

be suspended, and annual G-10 testing;

This application was unopposed and the examiners recommend approval of Oxy's request for field consolidation and field rules.

DISCUSSION OF THE EVIDENCE

The 27 fields which are the subject of this hearing were discovered beginning in 1946. The McAllen-Pharr structure is a highly faulted, down-thrown block with major fault separation between the McAllen Fault and the Donna Fault. The fields are stacked reservoirs consisting of lenticular Frio sands deposited in a deltaic sequence. The 27 fields are in the late stage of depletion and are less than two years away abandonment. All 27 fields are non-associated gas fields and all operate under Statewide or Special Rules.

There are 97 actively producing wells. A total of 135 wells have been drilled in the fields. Many wells are completed in multiple fields. The 27 McAllen and Pharr Fields have produced 352.7 BCF of gas and 2.2 MM barrels of condensate. Oxy believes many sands still exist that have not been drained. Oxy will drill additional wells within the depleted reservoirs targeting the various sands within the consolidated interval. Oxy plans to recomplete approximately 25 wells and drill four additional wells in the field to recover an estimated 15 BCF of gas and 75,000 BC.

Oxy requests that the consolidated field be designated as the interval from 5,800 feet to 15,300 feet as shown on the composite log of the McAllen Fieldwide Unit, Well No. 65 and the Pharr Fieldwide Unit, Well No. 52. The interval begins from the top of the 6500 Sand to the base of the Hensley Sand, all sands are Frio sands. Consolidation of the various sands into a single field will result in the recovery of additional reserves which would otherwise be uneconomic by producing multiple reservoirs simultaneously.

Oxy requests a density rule of 40 acres with an optional 20 acres for the consolidated field due to the small average drainage pattern on some wells. Many of the individual fields' reservoirs in the proposed consolidated field have low permeability which reduces the effective drainage area. Eleven of the 27 fields have approved tight gas sand designations. The surface locations within the proposed consolidated field are very limited because the large area lies within the city limits of the City of McAllen and the City of Pharr, Texas. Eliminating the between-well spacing requirement will provide opportunities for infill drilling without the need for Rule 37 exceptions. Oxy requests to eliminate the requirement to file individual proration plats and instead file Form P-15 indicating the number of acres assigned to each well as there will be no between well spacing. Oxy requests that G-10 testing be conducted annually instead of semi-annually as the reservoirs are nearly depleted and are of low pressures.

Oxy is requesting standard horizontal Field Rules to promote the efficient and effective development of the remaining hydrocarbons with horizontal wells should an operator choose to do so. Oxy requests standard provisions for "take points", no perf zones

(NPZ's) 100' lease line spacing for the first and last take points, a 33 foot "box" rule and "off-lease" penetration point for horizontal drainhole wells. Similar rules have been adopted in other horizontal play reservoirs, including the Barnett Shale, Cotton Valley and Eagle Ford formations.

FINDINGS OF FACT

1. Notice of this hearing was sent to all persons legally entitled to notice at least ten days prior to the date of hearing.
2. The 27 fields which are the subject of this hearing were discovered beginning in 1946. All of the fields are non-associated gas fields. There are 97 actively producing wells. A total of 135 wells have been drilled in the fields. Many wells are completed in multiple fields. The 27 McAllen and Pharr Fields have produced 352.7 BCF of gas and 2.2 MM barrels of condensate.
3. The McAllen-Pharr structure is a highly faulted, up-thrown block with major fault separation between the McAllen Fault and the Donna Fault. The fields are stacked reservoirs consisting of lenticular Frio sands deposited in a deltaic sequence.
4. The 27 individual fields have reached very mature stage of depletion and are less than two years away abandonment.
5. All of the fields to be consolidated operate under Statewide or Special Rules.
6. Consolidation of the fields will result in the recovery of additional reserves from the various fields as a result of a lower combined economic limit.
7. The McAllen-Pharr (Consolidated) Field should be designated as the correlative interval from 5,800 feet to 15,300 feet as shown on the composite log of the McAllen Fieldwide Unit, Well No. 65 and the Pharr Fieldwide Unit, Well No. 52. The interval begins from the top of the 6500 foot Sand to the base of the Hensley Sand, all sands are Frio sands.
8. The surface locations within the proposed consolidated field are very limited because the large area lies within the city limits of the City of McAllen and the City of Pharr, Texas.
9. The proposed 330'/0' well spacing rule for the consolidated field will provide flexibility in drilling infill wells for completion in the various undrained, faulted Frio sands without the need for Rule 37 exceptions.
10. A density rule providing for 40 acre density with optional 20 acres is appropriate for the consolidated field due to the small average drainage pattern on some wells. Many of the individual fields' reservoirs in the

proposed consolidated field have low permeability which reduces the effective drainage area. Eleven of the 27 fields have approved tight gas sand designations.

11. Field Rules providing for standard horizontal field rules that provide for provisions for "take points", 100' lease line spacing for the first and last take points, a 33 foot "box" rule and "off-lease" penetration point for horizontal drainhole wells will provide consistency in developing the field and will allow greater flexibility in selecting future drilling locations.
12. Allocation based 50% acreage and 50% deliverability will protect correlative rights and satisfy statutory requirements.
13. All fields proposed to be consolidated within the McAllen-Pharr (Consolidated) Field is either a single well field or is currently producing at 100% AOF.
14. Annual G-10 testing is appropriate as the fields are pressure depleted.

CONCLUSIONS OF LAW

1. Proper notice of this hearing was given to all persons legally entitled to notice.
2. All things have occurred or been accomplished to give the Railroad Commission jurisdiction in this matter.
3. Consolidation of the fields as proposed by Oxy USA, Inc. is necessary to prevent waste and protect correlative rights.
4. The proposed field rules will prevent waste, protect correlative rights, and satisfy statutory requirements.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiners recommend that the 27 subject fields be consolidated into the new McAllen-Pharr (Consolidated) Field and that the requested field rules be adopted for the McAllen-Pharr (Consolidated) Field.



Andres J. Trevino P.E.
Technical Examiner

Respectfully submitted,



Terry Johnson
Hearings Examiner

Attachment "A"

<u>Field Name</u>	<u>Field Number</u>
MCALLEN (BIEDENHARN)	58721 060
MCALLEN (BIEDENHARN, LOWER)	58721 061
MCALLEN (COLLAVO 8100)	58721 220
MCALLEN (GRISSOM 7900)	58721 460
MCALLEN (HACKNEY LAKE NORTH)	58721 480
MCALLEN, WEST (BIEDENHARN, UPPER)	58728 258
PHARR (7500)	71087 870
MCALLEN (GRAHAM 8500)	58721 440
MCALLEN (GRAHAM 8500 FB-C)	58721 443
MCALLEN (GRAHAM 8500 FB D)	58721 444
MCALLEN (HANSEN)	58721 520
MCALLEN (MOSER 8200)	58721 720
MCALLEN (9400)	58721 960
PHARR (8500)	71087 928
MCALLEN (MARKS)	58721 640
MCALLEN (MARKS FB E)	58721 700
PHARR (FB-L, MARKS)	71087 464
PHARR (MARKS)	71087 696
MCALLEN (BOND)	58721 075
MCALLEN (BOND A)	58721 080
MCALLEN (CONSOLIDATED FB-B)	58721 230
MCALLEN (LOWER FRIO)	58721 625
PHARR (BOND)	71087 058
PHARR (FB-C, BOND)	71087 174
PHARR (HENSLEY)	71087 590
PHARR (REICHERT)	71087 812
MCALLEN (COOK)	58721 240