



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 8A-0298890

**THE APPLICATION OF KINDER MORGAN PRODUCTION CO LLC TO AMEND
FIELD RULES FOR THE TALL COTTON (SAN ANDRES) FIELD, GAINES COUNTY,
TEXAS**

HEARD BY: Brian Fancher, P.G. – Technical Examiner
Randall Collins – Administrative Law Judge

HEARING DATE: January 4, 2016
RECORD CLOSED: January 4, 2016
SUBMISSION DATE: February 11, 2016
CONFERENCE DATE: February 23, 2016

APPEARANCES:

REPRESENTING:

APPLICANT:

Bill Hayenga
Anino Adokpaye

Kinder Morgan Production Co., LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

The existing special field rules for the Tall Cotton (San Andres) Field ("Field") were adopted on May 22, 2014, per Oil & Gas Final Order 8A-0287578, and provide as follows:

1. A designated correlative interval that defines the field from 5,280 feet to 5,800 feet, as shown on the log for the Kinder Morgan Production Co., LLC, Bergen Lease, Well No. 1 (API No. 42-165-37662) located in Section 427, Block G, CCSD & RGNG RR Co. Survey (A-128) in Gaines County;
2. 330' minimum property, lease, or subdivision line spacing with no minimum between well spacing distance;
3. Capacity exempt allowable for oil and gas wells

In the instant case, Kinder Morgan Production Co., LLC (“KM”) seeks to amend the Field’s existing field rules by incorporating 10-acre optional density for oil and gas wells in the Field. The application is unopposed. The examiners recommend that it be granted.

DISCUSSION OF THE EVIDENCE

Anino Adokpaye, Senior Reservoir Engineer with KM, testified on behalf of KM.

Notice of the Subject Application was made to all operators in the Field, as well as the Oil & Gas Division Staff, on November 24, 2015.

KM is the only operator in the Field. Well density in the Field is governed by Statewide Rule 38, which provides for 40-acre drilling and proration units. Again, KM seeks to amend the existing field rules that govern the field by incorporating 10-acre optional drilling and proration units.

Development of the Field is performed through tertiary recovery methods due to reserves in the Field existing in the form of residual oil zones (“ROZ”). KM has implemented an intricate pattern of injection and production wells in the Field thus far. The Field’s December 2015 Proration Schedule indicates 16 production wells and 15 injection wells are on schedule. KM evidenced that the daily oil production in the Field has continuously risen since May 2015. In December 2015, the Field produced between 500 to 600 barrels of oil per day.

KM plans to implement a new development phase (“Phase II”) in the Field in the near future, which consists of 20-acre, 15-acre, and 10-acre injector-producer patterns. KM evidenced that 10-acre density in the Field will increase production from the Field by roughly 18 percent. As a result, KM argues that 10-acre optional drilling proration units in the Field will prevent waste.

FINDINGS OF FACT

1. Kinder Morgan Production Co., LLC (“KM”) seeks to amend the existing special field rules for the Tall Cotton (San Andres) Field (“Field”), Gaines County, Texas (“Subject Application”).
2. Notice of the Subject Application was made to all operators in the Field, as well as the Oil & Gas Division Staff, on November 24, 2015.
3. KM is the only operator in the Field.
4. KM was the only party to appear at the hearing held to consider the Subject Application on January 4, 2016.
5. KM seeks to amend the field rules that govern the Field by providing for 10-acre optional drilling and proration units.

6. Amending the field rules for the Field to provide for 10-acre optional units will increase recovery from the Field by up to 18 percent.
7. Amending the Field's field rules to provide for 10-acre optional drilling and proration units will prevent waste.

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. Legally sufficient notice has been provided to all affected persons.
3. Amending the special field rules for the Tall Cotton (San Andres) Field, as proposed by Kinder Morgan Production Co., LLC, will prevent waste and protect correlative rights.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the special field rules for the Tall Cotton (San Andres) Field be amended to provide for 10-acre optional drilling and proration units, as proposed by Kinder Morgan Production Co., LLC.

Respectfully submitted,



Brian Fancher, P.G.
Technical Examiner



Randall Collins
Administrative Law Judge