

THE APPLICATION OF OXY USA WTP LP TO AMEND FIELD RULE NO. 1 FOR THE SALLIE ANN (SPRABERRY-WOLFCAMP) FIELD, ECTOR AND MIDLAND COUNTIES, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner

DATE OF HEARING: September 17, 2010

APPEARANCES:

REPRESENTING:

APPLICANT:

John Soule
Tim Lyons

OXY USA WTP LP

OBSERVER:

Greg Cloud

COG Operating LLC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

The Sallie Ann (Spraberry-Wolfcamp) Field currently operates under Field Rules adopted by Final Order No. 08-0242896, effective July 22, 2005, as amended. The Field Rules currently in effect for the field are summarized as follows:

1. Designation of the field as the correlative interval from 7,050 feet to 10,097 feet as shown on the log of the Henry Petroleum LP - Sallie 23 Lease, Well No. 1 (API No. 42-135-38774);
2. 660'-1,320' well spacing;
3. 160 acre oil units with optional 80 acre density;
4. Allocation based on 75% acres and 25% potential with a 515 BOPD top allowable.

OXY USA WTP LP ("OXY") requests that Field Rule No. 1 be amended to include the entire Wolfcamp Formation as shown below:

1. Designation of the field as the correlative interval from 7,052 feet to 10,240

feet as shown on the log of the Henry Petroleum LP - Sallie 23 Lease, Well No. 3 (API No. 42-135-39322).

This application was unopposed and the examiner recommends that Field Rule No. 1 for the Sallie Ann (Spraberry-Wolfcamp) Field be amended, as proposed by OXY.

DISCUSSION OF THE EVIDENCE

The Sallie Ann (Spraberry-Wolfcamp) Field was discovered in December 2004 at an average depth of 7,050 feet. There are 195 producing oil wells and 7 operators carried on the proration schedule. The top allowable in the field is 515 BOPD, with an allowable gas-oil ratio of 2,000 cubic feet per barrel. Cumulative production from the field through August 2010 is 8.4 MMBO and 10.6 BCFG.

The field is currently defined as the correlative interval from 7,050 feet to 10,097 feet as shown on the log of the Henry Petroleum LP - Sallie 23 Lease, Well No. 1. This interval includes the Clearfork, Spraberry, Dean and a portion of the Wolfcamp formations. Approximately 140 feet of the lower Wolfcamp formation is not included in the designated interval.

To include all of the of the Wolfcamp formation down to the top of the Strawn formation, the Sallie Ann (Spraberry-Wolfcamp) Field should be designated as the correlative interval from 7,052 feet to 10,240 feet as shown on the log of the Henry Petroleum LP - Sallie 23 Lease, Well No. 3 (API No. 42-135-39322), Section 23, Block 42, T-3-S, T&P RR Co. Survey, Ector County, Texas. Expansion of the correlative interval for the field will not cause waste because the interval includes zones which all have similar reservoir and fluid properties. In addition, this is the same correlative interval that is designated for the Spraberry (Trend Area) Field, which is located to the east of the Sallie Ann (Spraberry-Wolfcamp) Field.

The field already has a two factor allocation formula and OXY requests no change to the formula.

FINDINGS OF FACT

1. Notice of this hearing was given to all operators of wells in the Sallie Ann (Spraberry-Wolfcamp) Field at least ten days prior to the date of hearing.
2. The Sallie Ann (Spraberry-Wolfcamp) Field was discovered in December 2004 at an average depth of 7,050 feet. There are 195 producing oil wells and 7 operators carried on the proration schedule.
3. The field is currently defined as the correlative interval from 7,050 feet to 10,097 feet as shown on the log of the Henry Petroleum LP - Sallie 23 Lease, Well No. 1. This interval includes the Clearfork, Spraberry, Dean and a portion of the Wolfcamp formations.

4. Approximately 140 feet of the lower Wolfcamp formation is not included in the designated interval.
5. To include all of the of the Wolfcamp formation down to the top of the Strawn formation, the Sallie Ann (Spraberry-Wolfcamp) Field should be designated as the correlative interval from 7,052 feet to 10,240 feet as shown on the log of the Henry Petroleum LP - Sallie 23 Lease, Well No. 3 (API No. 42-135-39322).
6. Expansion of the correlative interval for the field will not cause waste because the interval includes zones which all have similar reservoir and fluid properties.
7. The proposed designated interval is the same correlative interval that is designated for the Spraberry (Trend Area) Field, which is located to the east of the Sallie Ann (Spraberry-Wolfcamp) Field.
8. The field already has a two factor allocation formula and OXY requests no change to the formula.

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. Amending Field Rule No. 1 for the Sallie Ann (Spraberry-Wolfcamp) Field is necessary to prevent waste, protect correlative rights and promote development of the field.

EXAMINER'S RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends that Field Rule No. 1 for the Sallie Ann (Spraberry-Wolfcamp) Field be amended, as proposed by OXY USA WTP LP.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Hearings Examiner