



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0284789

THE APPLICATION OF CONOCOPHILLIPS COMPANY TO AMEND FIELD RULES FOR THE SANDBAR (BONE SPRING) FIELD, LOVING COUNTY, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner
Laura Miles-Valdez - Legal Examiner

HEARING DATE: October 24, 2013

APPLICANT:

APPEARANCES:

Jamie Nielson
Greg Cloud

REPRESENTING:

ConocoPhillips Company

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field Rules for the Sandbar (Bone Spring) Field were adopted in Final Order No. 08-0267636, effective November 30, 2010, as amended. The current Field Rules in effect for the field are summarized as follows:

1. Designation of the field as the correlative interval from 8,007 feet to 11,067 feet as shown on the log of the Anadarko E&P Onshore LLC - Sandbar 54-2-39 Lease, Well No. 1 (API No. 42-301-31431);
2. 467'-0' lease line spacing with special provisions for "take points", 200' lease line spacing for the first and last take points, 50' "box" rule and "off-lease" penetration point for horizontal drainhole wells;
3. 320 acre units with optional 40 acre density, a table for the assignment of additional acreage to horizontal drainhole wells and the filing of Form P-15 without proration unit plats;
4. Allocation based on 95% acreage and 5% per well with AOF status and oil wells have unlimited net gas-oil ratio authority;

5. Special provisions for an exception to Statewide Rule 13(b)(5)(a), which requires producing a flowing oil well through tubing;
6. Special provisions for an exception to Statewide Rule 51(a), which requires 10 days for the filing of paperwork related to the completing of oil wells.

The field also has a special provision that wells with a gas-oil ratio of 3,000 cubic feet per barrel or higher be permanently classified as gas wells, effective the date of first production for each well.

ConocoPhillips requests that the Field Rules be amended to extend the table for the assignment of additional acreage to horizontal drainhole wells to include horizontal laterals that are longer than 9,000 feet.

The application was unopposed and the examiners recommend that the Field Rules for the Sandbar (Bone Spring) Field be amended, as proposed by ConocoPhillips.

DISCUSSION OF EVIDENCE

The Sandbar (Bone Spring) Field was discovered in September 2010 at an average depth of 8,900 feet. The field is classified as associated-100% AOF. There are 21 producing gas wells, 18 producing oil wells and five operators carried on the proration schedules. The field operates under Field Rules that provide for 467'-0' well spacing and 320 acre units with optional 40 acre density. Cumulative production from the field through September 2013 is 19.8 BCFG and 1.7 MMBO.

ConocoPhillips is developing the field with horizontal drainhole wells and requests that the Field Rules be amended to extend the table for the assignment of additional acreage to horizontal drainhole wells to include horizontal laterals that are longer than 9,000 feet. ConocoPhillips is planning on drilling horizontal drainhole laterals that are longer than 9,000 feet and proposes that an additional 160 acres be assigned for each 1,500 feet of horizontal drainhole lateral that is drilled beyond 9,000 feet. This proposal would continue the same progression that is currently used in the table. ConocoPhillips also requests that the gas allocation formula remain suspended, as there is a 100% market demand for all of the gas produced from the field.

FINDINGS OF FACT

1. Notice of this hearing was provided to all persons entitled to notice at least ten (10) days prior to the date of the hearing and no protests were received.
2. The Sandbar (Bone Spring) Field was discovered in September 2010 at an average depth of 8,900 feet.

- a. The field is classified as associated-100% AOF.
 - b. There are 21 producing gas wells, 18 producing oil wells and five operators carried on the proration schedules.
 - c. The field operates under Field Rules that provide for 467'-0' well spacing and 320 acre units with optional 40 acre density.
 - d. The field is actively being developed with horizontal drainhole wells.
3. Extending the table for the assignment of additional acreage to horizontal drainhole wells to include horizontal laterals that are longer than 9,000 feet is appropriate for the Sandbar (Bone Spring) Field.
- a. ConocoPhillips Company is planning on drilling horizontal drainhole laterals that are longer than 9,000 feet.
 - b. An additional 160 acres assigned for each 1,500 feet of horizontal drainhole lateral that is drilled beyond 9,000 feet will continue the same progression that is currently used in the table.
4. Continued suspension of the allocation formula is appropriate, as there is a 100% market demand for all of the gas produced from the field.

CONCLUSIONS OF LAW

1. Proper notice of this hearing was issued.
2. All things have been accomplished or have occurred to give the Commission jurisdiction in this matter.
3. Amending the Field Rules for the Sandbar (Bone Spring) Field is necessary to prevent waste, protect correlative rights and promote development of the field.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission amend the Field Rules for the Sandbar (Bone Spring) Field, as requested by ConocoPhillips Company.

Respectfully submitted,


Richard D. Atkins, P.E.
Technical Examiner


Laura Miles-Valdez
Legal Examiner