



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 10-0291184

THE APPLICATION OF APACHE CORPORATION FOR A NEW FIELD DESIGNATION AND ADOPTING TEMPORARY FIELD RULES FOR THE BIVINS, LIT (CANYON LIME) FIELD, OLDHAM COUNTY, TEXAS

HEARD BY: Paul Dubois – Technical Examiner
Marshall Enquist – Hearings Examiner

HEARING DATE: September 19, 2014

CONFERENCE DATE: January 27, 2015

APPEARANCES:

Bill Spencer
James M. Clark

REPRESENTING:

Apache Corporation

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Apache Corporation (Apache) requests that a new field designation called the Bivins Lit (Canyon Lime) Field (ID No. 08490 750) be approved for its Bivins-Lit Lease, Well No. 1101. Apache proposes that the following Temporary Field Rules be adopted for the new field, subject to review in 24 months:

1. Designation of the field as the correlative interval from 7,593 feet to 9,675 feet as shown on the Induction Log of the Apache Corporation Bivins-Lit #1101(API# 42-359-30385), Section 110, Block 47; H & TC RR Co Survey A-695; Oldham County, Texas.
2. 330 feet lease line and zero (0) feet between well spacing; take point provisions with 100' lease line spacing for the first and last take points; a 50-

foot box rule; provisions for off-lease penetration point for horizontal drainhole wells; and no perforation zone provisions.

3. 160 acre units with a special provision for additional acreage assignment to horizontal drainhole wells based on the formula $A = (L \times 0.15) + 160$;
4. Allocation based on 95% acres and 5% per well, with a Top Oil Allowable based on the 1965 Yardstick Allowable of 353 barrels of oil per day;
5. Special provisions for stacked laterals in horizontal drainhole wells.

Apache also requests that proration unit plats not be required for individual wells, but that Form P-15 be filed to designate the number of acres to be assigned to each well with no maximum diagonal limitation.

The application is unopposed and the examiners recommend approval of the new field designation and adoption of Temporary Field Rules for the Bivins Lit (Canyon Lime) Field, subject to review in 24 months, as requested by Apache.

DISCUSSION OF EVIDENCE

Apache completed its Bivins-Lit Lease (Lease ID pending) Well No. 1101 (API No. 42-359-30385) as a wildcat well in the Canyon Lime Formation on January 29, 2014. The well is located about 13.3 miles southeast of Channing in Oldham County. The vertical well was completed to a total depth of 10,311 feet. The casing was perforated from 9,380 feet to 9,390 feet. On February 15, 2014, on initial potential testing the well produced by pumping 28 barrels of oil, 17 MCF gas and 11 barrels of water. The gas to oil ratio was 607 bbl/CF. The oil gravity was 41.5° API. On September 18, 2014, a bottom hole pressure test indicated a corrected bottom hole pressure of 2,431 pounds per square inch (gauge) based on fluid level. Although discovered by a vertical well, the proposed Bivins, Lit (Canyon Lime) Field is anticipated to be a horizontal play. Apache followed the discovery well with a horizontal well (API 42-359-30399), but a casing collapse caused that well to be temporarily abandoned. More horizontal wells are permitted for the proposed field interval.

Apache seeks to designate the field as the correlative interval from 7,593 feet to 9,675 feet as shown on the induction log of the Apache Corporation Bivins Lit Lease Well No. 1101, in Section 110, Block 47, H & TC RR Co. Survey A-695, Oldham County, Texas. The correlative interval is 2,082 feet thick and corresponds to the entire Canyon Lime Formation.

The nearest current or historical production is from the Paint Ridge (Canyon Granite

Wash) Field about 12,700 feet west of the discovery well. The Paint Ridge (Canyon Granite Wash) Field produces from a clastic formation in the depth interval from 9,186 to 9,600 feet. The Paint Ridge field clastic producing interval is not correlative to the proposed Bivins, Lit (Canyon Lime) Field; the clastic Paint Ridge lithology pinches out towards the east and does not exist at the discovery well. There is no correlative (stratigraphic equivalent) production within 2.5 miles of the discovery well.

Apache intends to develop the field with horizontal wells. Because production data from the proposed field is very limited, Apache proposes to model temporary field rules based on those adopted for a similar stratigraphic interval in the Hartley West (Canyon) Field in Hartley County, Texas. Apache seeks temporary field rules for a period of 24 months. For spacing provisions, Apache seeks 330 foot lease line spacing, no between well spacing limitation, and 160 acre drilling and proration units. Apache is requesting a common suite of horizontal field rules including take points, dual lease line take point spacing (100 feet from the first and last take point and 330 feet perpendicular), no perforation zones, a 50-foot box rule, and off-lease penetration points. Apache is also seeking provisions for stacked lateral wells.

FINDINGS OF FACT

1. Apache completed its Bivins-Lit Lease (Lease ID pending) Well No. 1101 (API No. 42-359-30385) as a wildcat well in the Canyon Lime Formation on January 29, 2014.
2. The well is located about 13.3 miles southeast of Channing in Oldham County.
3. The vertical well was completed to a total depth of 10,311 feet. The casing was perforated from 9,380 feet to 9,390 feet.
4. On February 15, 2014, on initial potential testing the well produced by pumping 28 barrels of oil, 17 MCF gas and 11 barrels of water.
5. The correlative interval from 7,593 feet to 9,675 feet is 2,082 feet thick and corresponds to the entire Canyon Lime Formation.
6. The nearest current or historical production is from the Paint Ridge (Canyon Granite Wash) Field about 12,700 feet west of the discovery well.
7. There is no correlative (stratigraphic equivalent) production within 2.5 miles of the discovery well.

8. The proposed temporary field rules are modeled on and identical to those adopted for a similar stratigraphic interval in the Hartley West (Canyon) Field in Hartley County, Texas.
9. The temporary field rules requested by Apache will enable it to begin field development and to obtain information necessary for field optimization and permanent field rules.

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. All notice requirements have been satisfied. 16 Tex. Admin. Code § 1.45
3. The proposed new field designation and temporary field rules will prevent waste, protect correlative rights, and promote the orderly development of the field.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend a new field designation and adopting temporary field rules for the Bivins, Lit (Canyon Lime) Field, as proposed by Apache Corporation.

Respectfully submitted,



Paul Dubois
Technical Examiner



Marshall Enquist
Hearings Examiner