



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

**OIL AND GAS DOCKET NO. 08-0289901**

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**THE APPLICATION OF RKI EXPLORATION & PRODUCTION LLC OF VARIOUS WELLS, SANDBAR (BONE SPRING) FIELD, LOVING COUNTY, TEXAS**

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**HEARD BY:** Karl Caldwell – Technical Examiner  
Marshall Enquist – Legal Examiner

**DATE OF HEARING:** July 24, 2014  
**RECORD CLOSED:** February 3, 2015  
**DATE OF CONFERENCE:** February 24, 2015

**APPEARANCES:**

**REPRESENTING:**

**APPLICANT:**

Steve Towns  
Nguyen Ngoc

RKI Exploration & Production LLC

**EXAMINERS' REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

This is the application of RKI Exploration & Production LLC (RKI) to reclassify 16 oil wells as gas wells in the Sandbar (Bone Spring) Field, Loving County, Texas. The application was not protested.

**DISCUSSION OF THE EVIDENCE**

On June 12, 2012, the Commission issued a Final Order to Oil & Gas Docket No. 08-0275393, the application of Anadarko Petroleum Corporation to amend field rules and to authorize permanent gas well classification for wells in the Sandbar (Bone Spring) Field. Under this Order, the Commission authorized permanent gas well classification for all wells completed in the field with a gas-oil ratio (GOR) of 3,000:1 cubic feet per barrel and above, effective the date of initial completion.

RKI seeks to have the 16 oil wells listed in Table 1 reclassified as gas wells pursuant to the existing field rules established by the Commission in Oil and Gas Docket No. 08-

0275393. RKI requests the same Final Order language as Oil and Gas Docket No. 08-0286383, in which 24 oil wells in the Sandbar (Bone Spring) Field were permanently reclassified as gas wells, based on the 3,000:1 GOR field rule. (RKI Exhibit No. 16).

**Table 1: Well List**

<b>Well Name</b>	<b>API No.</b>
CBR 8-1H	42-301-31546
CR 2-1H	42-301-31555
CR 12-1H	42-301-31579
CR 16-1H	42-301-31801
Robinson 5-1H	42-301-31755
CBR 8-2H	42-301-31597
CBR 22-1H	42-301-31815
CBR 18-1H	42-301-31565
Lindsay 10-1H	42-301-31726
Lindsay 10-2H	42-301-32041
CBR 28-1H	42-301-31939
Robinson 5-2H	42-301-31918
Lindsay 10-5H	42-301-31791
Pecos State 46-1H	42-301-31937
Lindsay 10-3H	42-301-32043
CBR 20-1H	42-301-31875

Three (3) wells, (CBR 12-1H, CBR 16-1H, Lindsay 10-1H) exhibited a GOR less than the 3,000:1 threshold on initial potential testing. RKI submitted a late-filed exhibit, received January 7, 2015, that contained re-tests for these three wells. These re-tests were filed after the wells "cleaned-up". All three wells exhibited a GOR greater than 3,000:1. The re-tests for two of the wells were conducted within three days of the original test dates (CBR 12-1H, Lindsay 10-1H). The re-test for the CBR 16-1H was conducted less than two months from the initial potential test and exhibited a GOR of 10,688 on re-test. In Oil and Gas Docket No. 08-0286383, (RKI Exhibit No. 16), wells that exhibited GORs exceeding 3,000:1 within five months of initial completion in the Sandbar (Bone Spring) Field were granted permanent gas well classification, effective the date of initial completion. In this docket, the examiners concluded that some time was need after initial completion for the wells to clean up and represent a stabilized production rate for testing. The examiners also noted that the tests must be conducted early in the life of the well, prior to initial reservoir

pressure declining in order to be representative of the initial reservoir conditions.

RKI specifically requests reclassification via a Commission Final Order to facilitate its application for a severance tax reduction under Statewide Rule 101 and Section 201 of the Texas Tax Code. RKI's representative stated that a Commission Final Order is necessary to meet the Texas Comptroller of Public Accounts' requirements for this tax reduction, as was done in Oil and Gas Docket No. 08-0286383.

Several of the oil wells RKI is requesting to have permanently reclassified as gas wells have no gas production reported on RKI's production tables, but do report oil production. RKI's witness stated that this was due to the wells needing to clean up before gas was able to be measured, as well as pump issues (RKI letter, dated February 3, 2015).

#### **FINDINGS OF FACT**

1. Notice of this application and hearing was provided to all persons entitled to notice at least ten (10) days prior to the date of the hearing.
2. On June 12, 2012 the Commission issued a Final Order to Oil & Gas Docket No. 08-0275393, authorizing the permanent classification as gas wells for all wells completed in the field with a gas-oil ratio (GOR) of 3,000:1 cubic feet per barrel and above, effective the date of initial completion.
3. RKI demonstrated that the 16 subject wells reached a stabilized GOR of 3,000:1 or greater once the wells had cleaned-up after completion.
4. Wells completed in the Sandbar (Bone Spring) Field with a stabilized GOR of 3,000:1 or greater may be permanently classified as gas wells, effective the date of initial completion pursuant to the current field rules.

#### **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. The 16 wells listed in Table 1 meet the requirements of field rules for the Sandbar (Bone Spring) Field to be permanently classified as gas wells, effective the date of initial completion.

**RECOMMENDATION**

The examiners recommend that the sixteen oil wells listed in Table 1 be permanently reclassified as gas wells, effective the date of initial completion.

Respectfully submitted,



Karl Caldwell  
Technical Examiner



Marshall Enquist  
Legal Examiner