



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0292023

THE APPLICATION OF APACHE CORPORATION TO AMEND FIELD RULES FOR
THE THREE BAR (WICHITA) FIELD ANDREWS COUNTY, TEXAS

HEARD BY: Karl Caldwell – Technical Examiner
Terry Johnson – Legal Examiner

DATE OF HEARING: October 29, 2014
RECORD CLOSED: February 5, 2015
CONFERENCE DATE: February 24, 2015

APPEARANCES:

REPRESENTING:

APPLICANT:

Bill Hayenga
Sean Murray
Alicia Fulton

Apache Corporation

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field rules for the Three Bar (Wichita) Field were adopted in Final Order No. 08-0278209, effective November 6, 2012. The current field rules are summarized as follows:

1. Designation of the field as the correlative interval from 6,830 feet to 7,685 feet as shown on the log of Apache Corporation's University AD, Well No. 6;
2. 330'-0' well spacing, 100' dual lease line spacing, take points, no perf zones, 50 foot box rule, and off lease penetration;
3. 80-acre oil units with no maximum diagonal, no individual proration plats;
4. Allocation based on 100% acreage;

5. Stacked lateral rules.

In addition, a MER allowable of 800 BOPD for all wells in the Three Bar (Wichita) Field was granted in Final Order 08-0284445, effective November 26, 2013.

Apache Corporation (Apache) requests to amend current field rule 3 to allow for 40 acre optional density, and to adopt an "expedited Statewide Rule 38" provision that has been adopted in other fields. Apache also requests to amend the current stacked lateral rule language to remove the necessity to include SL in the lease or well name, and to increase the maximum horizontal distance for stacked laterals from the current 300 feet to 660 feet. The evidence in the record did not support a 660-foot stacked lateral rule. Apache did not consider a 400-foot stacked lateral rule to be adverse. The evidence in the record showed production from multiple stratigraphic accumulations of oil and gas. As a result the examiners recommended a multi-factor allocation formula for the field. Apache proposed a two-factor allocation formula, based on 75% acreage and 25% per well. The application is unopposed and the examiners recommend that field rules be amended for the Three Bar (Wichita) Field.

DISCUSSION OF THE EVIDENCE

The current oil proration unit in the subject field is 80 acres. Apache's witness testified that large portions of the Upper and Lower Wichita-Albany Formation will go undrained with the current 80 acre density rules. Apache proposes an optional 40 acre proration unit for the field.

Apache also requests to adopt an "expedited" Statewide Rule 38 provision, which has been adopted in other fields. Apache Late-filed Exhibit No. 22 listed 4 fields where this rule has been previously adopted. Apache's geologist testified that micro-seismic data indicated that the hydraulic fractures extend 300 feet in a horizontal direction from the wellbore and the average fracture height in a vertical direction is a total of 600 feet. In Apache's representative's opinion, parties greater than 300 feet from the wellbore would be unaffected. Based on the results of micro-seismic data, Apache requests to limit the Statewide Rule 38 notice provision to 660 feet.

Apache Exhibit Nos. 10A and 10B contained an excerpt from a Commission presentation on procedures for stacked lateral wells. Apache requested to amend the current stacked lateral language in the field rules that require the letters SL (Stacked Lateral) in the well's lease name. Apache's witness stated that the requirement to include SL in a well's lease name leads to administrative problems with re-naming leases and lease ID numbers. Exhibit Nos. 10A and 10B contained language that the letters SL should be included in the well number if feasible, and the drilling permit and completion report remarks sections should reference if a well is a stacked lateral well.

Apache also requested to increase the current maximum distance of 300 feet for stacked laterals to 660 feet. The evidence in the record did not support the request for 660 feet. Apache did not consider increasing the distance from 300 feet to 400 feet to be adverse.

Micro-seismic data showed that the Upper Wichita Albany and Lower Wichita Albany intervals were not in communication with each other. The entire correlative interval designated for the field is from 6,830 feet to 7,685 feet as shown on the log of Apache Corporation's University AD, Well No. 6. Apache proposed to adopt a two factor allocation formula for the subject field, based on 75% acreage and 25% per well, as has been adopted in the Spraberry (Trend Area) Field.

FINDINGS OF FACT

1. Notice of this hearing was provided to all operators in the field and all operators with wells permitted in the field at least ten (10) days prior to the date of the hearing.
2. Adopting 40 acre optional proration units will prevent waste in the field.
3. The average fracture height (in a vertical direction from the wellbore) in the subject field is 600 feet and the fracture half-length (in a horizontal direction from the wellbore) is 300 feet.
4. Adoption of a two factor allocation formula is appropriate. TEX. NAT. RES. CODE ANN. § 85.053.
5. Amending the stacked lateral rule will provide greater flexibility in drilling stacked laterals as well as eliminate the requirement of SL in a well's lease name.

CONCLUSIONS OF LAW

1. Proper notice was issued as required by all applicable statutes and regulatory codes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Amending the field rules for the Three Bar (Wichita) Field will prevent waste.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission amend the field rules for the Three Bar (Wichita) Field.

Respectfully submitted,



Karl Caldwell
Technical Examiner



Terry Johnson
Hearings Examiner