



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 02-0298108

THE APPLICATION OF PIONEER NATURAL RESOURCES USA, INC. TO CONSIDER THE MER ALLOWABLE FOR THE SINOR NEST (LOWER WILCOX) FIELD, LIVE OAK COUNTY, TEXAS.

HEARD BY: Paul Dubois – Technical Examiner
Marshall Enquist – Administrative Law Judge

HEARING DATE: March 3, 2016

CONFERENCE DATE: March 29, 2016

APPEARANCES:

REPRESENTING:

Sandra Buch
Brian Sullivan, P. E.
Cary McGregor, P. E.
Katherine Gallagher

Pioneer Natural Resources USA, Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

This is the application of Pioneer Natural Resources USA, Inc. ("Pioneer") to adopt a maximum efficient rate ("MER") allowable of 600 barrels of oil per day ("bopd") in the Sinor Nest (Lower Wilcox) Field. Pioneer also requests that all overproduction for the field be canceled. Pioneer is the only operator of wells in the Sinor Nest (Lower Wilcox) Field. The application was not protested. The Examiners recommend the MER allowable be granted and overproduction cancelled as requested by Pioneer.

DISCUSSION OF EVIDENCE

The Sinor Nest (Lower Wilcox) Field was discovered in June 2013 with the completion of the Pioneer- Sinor Ranch A No. 01. The New Field Discovery (Form P-7) identified a correlative interval for the reservoir from a depth of 7,940 feet to a depth of 8,129 feet. There are nine producing wells in the field. Pioneer is the only operator. There is no other Wilcox field within approximately ten miles of this field. The top allowable for

fields at this depth under Statewide Rules is 133 BOPD and 266 thousand cubic feet ("MCF") gas per day. The discovery allowable for the field was 340 BOPD and 680 MCFD for a period of 24 months, which expired June 1, 2015.

Wells in this field are capable of efficiently producing in excess of the current allowable. W-10 test data show that the majority of the wells in this field have tested in excess of 500 BOPD. In addition, step rate testing and testing of gas lift demonstrate that wells in this field are capable of efficiently producing at rates in excess of the allowable for the field.

Pioneer conducted step rate tests on two wells in this field to address rate sensitivity. The Sinor Ranch A No. 05 was step rate tested between February 1 and February 29, 2016, with the following results:

Choke Size (inches)	Average oil rate (BOPD)	Average gas rate (MCFD)	Flowing tubing Pressure (psi)	Gas/oil ratio (cubic feet per barrel)
10/64"	375	534	749	1,424
9/64"	210	342	721	1,631
8/64"	145	270	687	1,865
10/64"	284	402	722	1,415

No water was produced during the test. The most efficient production occurred on a choke open 10/64 inches at the beginning and end of the step rate test and the average gas/oil ratios at that choke were 1,424 and 1,415 cubic feet per barrel respectively. The well was less efficient when produced near to its allowable of 133 BOPD, as the gas/oil ratio was 1,865 cubic feet per barrel at an oil rate of 145 BOPD. The highest daily oil rate during the test of the Sinor Ranch A No. 05 well was 434 BOPD.

Pioneer also conducted a step rate test on the Sinor Ranch C No. 01 Well from February 15 through February 29, 2016. This well was tested at choke sizes of 10/64, 9/64, and 8/64, but the well loaded up and stopped flowing at the 8/64 choke size. The highest daily oil rate during the test of the Sinor Ranch C No. 01 well was 371 BOPD.

Pioneer also conducted a well test on the Sinor Ranch A No. 08 Well with gas lift installed. This test showed that with gas lift the well was capable of producing in excess of 600 BOPD.

The cumulative overproduction for the field as of February 1, 2016, was 486,714. This total does not take into account recent correcting supplemental allowables issued by

the proration department, but overproduction remains. Pioneer points out that administrative cancellation of overproduction is permitted under Rule 52 (g) if there is no objection after notice to operators in the field

Thus, Pioneer contends that an MER allowable of 600 BOPD is appropriate in this field to allow wells to produce efficiently. Requiring wells to produce at a reduced rate to meet a lower allowable or to make up overproduction will cause the wells to be produced inefficiently.

FINDINGS OF FACT

1. Notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of hearing.
2. The Sinor Nest (Lower Wilcox) Field was discovered in 2013. The discovery allowable of 340 BOPD expired June 1, 2015.
3. The 1965 Yardstick Allowable for the field is 133 BOPD.
4. Wells in this field are capable of producing at a rate of at least 600 BOPD.
5. The step rate test of the Sinor Ranch A No. 05 Well, conducted between February 1 and February 29, 2016 shows the well produces more efficiently at an increased rate.
 - a. As the well was choked back, the gas-oil ratio increased.
 - b. Cutting back the well is the least efficient way to produce the well.
6. The step rate test of the Sinor Ranch C No. 01 Well shows the well does not produce efficiently at lower rates.
 - a. The well is not rate sensitive.
 - b. At lower rates of oil production, the tubing pressure built up and the well died.
7. The 1965 Yardstick Allowable of 133 BOPD is not sufficient to cover efficient production from wells in the field.

8. An MER allowable of 600 BOPD for all wells in the field will promote conservation, prevent waste and protect correlative rights in the field.
9. The accumulated overproduction for the field as of February 1, 2016 was 486,714 BOPD.
10. Requiring wells in this field to produce at a lower rate to make up overproduction would cause the wells to be produced inefficiently and is not necessary to protect correlative rights.

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. An MER allowable of 600 BOPD will not cause waste and will not harm correlative rights.
4. Cancellation of overproduction for the Sinor Nest (Lower Wilcox) Field will prevent waste and promote conservation.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend the Commission enter an order granting the application of Pioneer Natural Resources USA, Inc. for a field-wide MER allowable of 600 BOPD, and cancelling all overproduction accrued in the field as of the date of Commission's Final Order issued in this matter.

Respectfully submitted,



Paul Dubois
Technical Examiner



Marshall Enquist
Administrative Law Judge