



RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET NO. 02-0241728

**THE APPLICATION OF HILCORP ENERGY COMPANY TO AMEND THE FIELD RULES
FOR VARIOUS TOM O'CONNOR FIELDS, REFUGIO COUNTY, TEXAS**

Heard by: Donna K. Chandler, Technical Examiner

Hearing Date: March 15, 2005

Appearances:

Representing:

John Soule
Michael Allison
Randy Parker

Hilcorp Energy Company

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Hilcorp Energy Company requests that field rules be amended for the following fields:

Tom O'Connor Field
Tom O'Connor (4150) Field
Tom O'Connor (4200) Field
Tom O'Connor (4400) Field
Tom O'Connor (4500 Greta Mass) Field
Tom O'Connor (4600) Field
Tom O'Connor (5500 Sand) Field
Tom O'Connor (5800) Field
Tom O'Connor (5900 Sand) Field

Hilcorp also requests that the following field rules be adopted for each field:

1. No change in designated interval for each field.
2. 150'-300' well spacing for both oil and gas wells;

3. 10 acre density for oil and gas wells with no requirement to identify specific drilling or proration unit acreage or file proration unit plats and no maximum diagonal limitation;
4. capacity allowable for oil and gas wells.

This application was unopposed and the examiner recommends that the field rules for the subject fields be adopted/amended as requested.

DISCUSSION OF EVIDENCE

The Tom O'Connor fields were discovered beginning in 1934 and many are in the late stage of depletion. The nine fields which are the subject of this hearing were all discovered prior to 1977. All of the fields are associated fields except the Tom O'Connor (Greta Mass) and Tom O'Connor (5900 Sand), which are oil only, and the Tom O'Connor (4200), which is gas only. The fields operate under rules ranging from Statewide to 20 acres to 640 acres. The majority of the fields operate under 20 acre rules. Hilcorp is one of only three operators with active wells in the subject fields.

Hilcorp is very active in the fields, with both infill drilling and recompletion of existing wellbores. With this development, Hilcorp is finding additional reserves, indicating that the existing rules in the fields were not effective for maximizing recovery from the fields. The differing field rules in the fields makes it difficult to recompleted or drill new wells without first obtaining Rule 37 and/or Rule 38 exceptions. It is also difficult to assign proration units to wells as each new completion is made on a large lease. There are also several old waterflood units in the various fields.

The proposed field rules will allow for the fields to be produced to final depletion in an orderly manner, with a minimum number of exceptions required. Hilcorp also requests that the fields be exempt from any production limits. Given the depleted nature of the fields, there is no need to limit either oil or gas production from the fields as a waste preventative measure.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice at least ten days prior to the date of hearing.
2. The Tom O'Connor fields were discovered beginning in 1934 and many are in the late stage of depletion. The nine fields which are the subject of this hearing were all discovered prior to 1977.
3. The subject fields operate under rules ranging from Statewide to 20 acres to 640 acres.

4. The proposed rules providing for 150'-300' well spacing and 10 acre density are appropriate for the nine subject fields.
 - a. Hilcorp is actively developing the fields with new wells and recompletions.
 - b. New completions are finding reserves in areas thought to be depleted.
 - c. Identical rules in the nine fields will provide ease in development of the various fields, with a minimum number of spacing and density exceptions required.
5. Exemption of wells in the nine fields from proration limits will not cause waste.

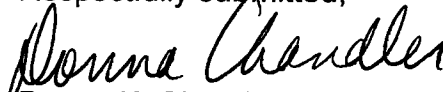
CONCLUSIONS OF LAW

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 various Tom O'Connor Fields will not cause waster or harm correlative rights.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends that the field rules for the nine subject Tom O'Connor fields be amended to provide for 150'-300' well spacing, 10 acre density for oil and gas wells, and capacity allowables for oil and gas wells.

Respectfully submitted,



Donna K. Chandler
Technical Examiner