



# RAILROAD COMMISSION OF TEXAS

## OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET NO. 7C-0272342

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THE APPLICATION OF TRILOGY OPERATING, INC. FOR BLANKET AUTHORITY FOR EXCEPTION TO STATEWIDE RULE 10 FOR THE SPRABERRY (TREND AREA) FIELD AND VARIOUS FIELDS, VARIOUS COUNTIES, TEXAS

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HEARD BY: Richard D. Atkins, P.E. - Technical Examiner  
Christopher Hotchkiss - Legal Examiner

DATE OF HEARING: December 14, 2011

APPEARANCES:

REPRESENTING:

APPLICANT:

Dale E. Miller  
Chris Smith

Trilogy Operating, Inc.

OBSERVERS:

Brian R. Sullivan  
Sandra Bolz Buch  
Weldon Pierce

Pioneer Natural Res. USA, Inc.

Ana Maria Marsland-Griffith

COG Operating LLC

John Soule

Occidental Permian Ltd. and OXY USA Inc.

### EXAMINER'S REPORT AND RECOMMENDATION

#### STATEMENT OF THE CASE

Trilogy Operating, Inc. ("Trilogy") requests that the Commission approve a blanket authority for exception to Statewide Rule 10 for any wells in the Spraberry (Trend Area) Field and any of the fields listed in Attachment A. At the hearing, OXY USA Inc. withdrew its request to include the Mabee (Clear Fork) Field, since the field's H<sub>2</sub>S concentration was 35,412 ppm.

The application was unopposed and the examiners recommend approval of the requested blanket authority for exception to Statewide Rule 10.

### **DISCUSSION OF THE EVIDENCE**

The Spraberry (Trend Area) Field covers approximately 2 million acres in portions of three RRC Districts in the Midland Basin. The current designated interval for the Spraberry (Trend Area) Field is the entire correlative interval from 6,865 feet to 10,605 feet as shown on the log of the Houpt Lease, Well No. 1. This interval includes the Clearfork, Spraberry, Dean and Wolfcamp formations which extends to the top of the Strawn formation.

Trilogy has identified other formations below the Wolfcamp formation that are covered by the Spraberry (Trend Area) Field. These fields include both oil and gas fields, many of which do not have any wells currently on the proration schedule. Trilogy has also identified 788 Statewide Rule 10 exceptions which have been previously approved by the Commission for the Spraberry (Trend Area) Field and various combinations of the fields now proposed for blanket authority for exception to Statewide Rule 10.

The Spraberry (Trend Area) Field is being actively developed. Between May 2008 and April 2010, 1,600 wells were drilled in the field and production increased from 90,000 BOPD to 120,000 BOPD. It is expected that this development will continue with infill drilling. A typical completion in the Spraberry (Trend Area) Field is capable of initially producing at a rate of about 55 BOPD. A typical completion in another field interval is expected to initially produce at a rate of about 20 BOPD. Any commingled completion will likely require artificial lift and cross-flow between the fields is not expected.

On average, a Spraberry Field well will ultimately recover approximately 95,000 BO and a typical completion in another field interval will recover less than 10,000 BO. A stand-alone completion is not economic in most cases. As a result of commingling two zones, Trilogy calculated that incremental reserves of approximately 2,500 BO and/or 25,400 MCFG will be produced due to the lower combined economic limit. This incremental reserve amount would be attributed to every field interval that was completed in an individual well.

Trilogy requests that wells which are downhole commingled in the subject fields be assigned to the Spraberry (Trend Area) Field for proration purposes. However, if a well is not initially completed in the Spraberry (Trend Area) Field, then Trilogy requests that the field assignment be at the operators discretion.

**FINDINGS OF FACT**

1. Notice of this hearing was issued to all operators in all of the subject fields.
2. The Spraberry (Trend Area) Field covers approximately 2 million acres in portions of three RRC Districts in the Midland Basin.
3. The Spraberry (Trend Area) Field is currently designated as the correlative interval from 6,865 feet to 10,605 feet as shown on the log of the Houpt Lease, Well No. 1. This interval includes the Clearfork, Spraberry, Dean and Wolfcamp formations which extends to the top of the Strawn formation.
4. Trilogy has identified other formations below the Wolfcamp formation that are covered by the Spraberry (Trend Area) Field. These fields include both oil and gas fields, many of which do not have any wells currently on the proration schedule.
5. Trilogy has identified 788 Statewide Rule 10 exceptions which have been previously approved by the Commission for the Spraberry (Trend Area) Field and various combinations of the fields now proposed for blanket authority for exception to Statewide Rule 10.
6. Any commingled well will likely require artificial lift and cross-flow between the fields is not expected.
7. As a result of commingling two zones, Trilogy calculated that incremental reserves of approximately 2,500 BO and/or 25,400 MCFG will be produced due to the lower combined economic limit. This incremental reserve amount would be attributed to every field interval that was completed in an individual well.

**CONCLUSIONS OF LAW**

1. Proper notice was issued as required by all applicable codes and regulatory statutes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Approval of the requested blanket authority for exception to Statewide Rule 10 for all wells in the Spraberry (Trend Area) Field and the fields listed in Attachment A will prevent waste and will not harm correlative rights.

**EXAMINER'S RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission approve the blanket authority for exception to Statewide Rule 10 for all wells in the Spraberry (Trend Area) Field and the various fields listed in Attachment A, as requested by Trilogy Operating, Inc.



Christopher Hotchkiss  
Legal Examiner

Respectfully submitted,



Richard D. Atkins, P.E.  
Technical Examiner

**ATTACHMENT A (PAGE 1)**

The operator of any well downhole commingled in any combination of the subject fields shall file the appropriate drilling permit, completion forms, an abbreviated Statewide Rule 10 Data Sheet for Wells Subject to Fieldwide Statewide Rule 10 exception (See Attachment B) and shall file at the same time, the appropriate Commission required administrative Statewide Rule 10 exception downhole commingling fee. Such applications may be approved without notice and hearing. This provision shall apply to the following fields:

<b><u>FIELD NO.</u></b>	<b><u>FIELD NAME</u></b>
03547 150	Argonaut (Fusselman)
07629 300	Betty Sue (Devonian)
08044 100	Big Spring (Atoka)
08044 400	Big Spring (Fusselman)
08044 530	Big Spring (Mississippian)
08044 600	Big Spring (Strawn)
08044 800	Big Spring (Strawn, Lo.)
11751 400	Breedlove (Strawn)
11753 500	Breedlove, North (Devonian)
11756 600	Breedlove, South (Strawn)
11759 500	Breedlove, West (Devonian)
16559 500	Cedar Flats (Miss.)
23736 600	Deadwood (Strawn)
23739 500	Deadwood, West (Strawn)
25395 100	Dora Roberts (Consolidated)
25395 166	Dora Roberts (Devonian)
33154 200	Frysak Farms (Devonian)
41462 666	Hill Ranch (Miss)
45073 500	J. L. M. (Mississippian)
49790 500	Kiva (Dev)
56378 750	Mabee (Strawn)
61098 750	Midland, East (Strawn)
61104 333	Midland, W. (Atoka)
61104 666	Midland, West (Strawn)
61118 664	Midland Farms (Strawn)
61140 500	Mid-Mar (Strawn)
61143 800	Mid-Mar, East (Strawn)
62433 700	Mon Bak (Strawn)
69235 333	Parks, N. (Penn.)
69765 200	Paul Page (Atoka)
70877 200	Petey (Fusselman)
71021 430	Petty 48 (Upper Strawn)

**ATTACHMENT A (PAGE 2)**

<b><u>FIELD NO.</u></b>	<b><u>FIELD NAME</u></b>
79768 175	Sale Ranch (Fusselman)
85280 300	Spraberry (Trend Area)
85280 900	Spraberry (Trend Area Strawn)
85448 150	STA (Atoka)

**OXY FIELDS TO BE INCLUDED IN THE APPLICATION PER LETTER DATED  
SEPTEMBER 28, 2011:**

<b><u>FIELD NO.</u></b>	<b><u>FIELD NAME</u></b>
55256 142	Lowe (Dean)
55256 030	Lowe (Atoka)
56378 666	Mabee (Dean)
56380 800	Mabee, North (Wolfcamp)
56822 875	Magutex (Wolfcamp)
56822 050	Magutex (Atoka)
79735 500	Saint Wilma (Strawn)

PROPOSED DATA SHEET FOR INDIVIDUAL WELLS  
ATTACHMENT B

Rev. 06/17/2011

STATEWIDE RULE 10 EXCEPTION DATA SHEET

\$150.00 Fee Required

County Well Specific\*

RRC District 08

Date XX/XX/2011

(1) Operator Name, Address, RRC ID No., Name & Phone No. of Contact Person

Operator Name Operator No. XXXXXX  
Address Contact Person  
City, State Zip Ph. No. (XXX)XXX-XXXX

Does the applicant request to receive all Commission correspondence concerning the administrative review of this application VIA EMAIL ONLY? If yes, indicate email address \_\_\_\_\_

(2) API# 42-XXX-XXXXX Lease name & well # Provided per application.

(3) Field Information. Indicate the following for each field:

(a) Field name	<u>Spraberry (Trend Area)</u>	<u>Various Other Fields</u>
(b) Field number	<u>Dist. 7C: 85279200, Dist. 8: 85280300</u>	<u>See List</u>
(c) Oil or gas	_____	_____
(d) Spacing and density rules	<u>A complete list of fields is attached to</u>	
(e) Top allowable	<u>Docket No. 7C-0272342.</u>	
(f) Discovery date	_____	
(g) Depth	_____	
(h) Hydrogen sulfide status (Statewide Rule 36)	<u>Included on List of Fields.</u>	

(4) Indicate an instance (operator, lease, well no., or docket #) wherein the Commission has granted a Statewide Rule 10 Exception for these same zones (If none, all operators in all of the zones must be notified of this application.) Blanket Rule 10 Exception re Docket No. 7C-0272342.

(5) Is this well currently on the Commission's schedule as a multi-completed well in the zones cited above? \_\_\_\_\_  
If not, explain well status in detail and indicate if Form W-1 has been filed for zones not on the schedule. \_\_\_\_\_

Indicate completion date of the subject well in each zone. \_\_\_\_\_

(6) Is this a regular location with respect to all zones for which the exception is requested? \_\_\_\_\_

(7) If the answer to item (6) is "NO", was a Rule 37 permit obtained? \_\_\_\_\_ If so, state the Rule 37 case Number. \_\_\_\_\_

(8) Are the Royalty and Working Interests identical with respect to all proposed combined zones in the well? Yes  
This order will apply only where Royalty and Working Interests are identical for all applicable zones.

(9) Attach history of subject well including all of the following:

(a) Current producing capabilities for each zone \_\_\_\_\_  
(b) Current shut-in BHP for each zone \_\_\_\_\_  
(c) Method of determining shut-in BHP for each zone \_\_\_\_\_  
(d) Anticipated drawdown pressure for each zone under commingled producing conditions \_\_\_\_\_  
(e) Drawdown pressure for each zone under producing conditions without commingling \_\_\_\_\_

(10) Indicate estimated daily commingled production:

(a) Gas: \_\_\_\_\_ MCF/day  
(b) Oil/Condensate: \_\_\_\_\_ BBL/day  
(c) Water: \_\_\_\_\_ BBL/day

(11) Attach schematic diagram of current and proposed well completion. Indicate where production tubing will be set. Indicate the tops of cement for each string of casing. Indicate perforated depths and which perforations belong to which field.

(12) Attach a service list showing all affected operators. The applicant shall give notice by serving a copy of the application on all affected operators at the same time the application is filed with the commission. The applicant must certify on the application that each operator on the service list has been served notice via a copy of this application.

(13) Will combined production be artificially lifted? \_\_\_\_\_ Are any of the zones capable of being produced separately without artificial lift? \_\_\_\_\_ If so, indicate which zones. \_\_\_\_\_

(14) Attach a detailed summary as to why the well cannot be produced as a multi-completed well. Also, include detailed reasons for desiring the requested exception. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(15) Will cross-flow exist under flowing conditions if combined production is permitted? \_\_\_\_\_ Will cross-flow exist under shut-in conditions if combined production is permitted? \_\_\_\_\_ If cross-flow did exist in either case, would reservoir damage result? \_\_\_\_\_

(16) Present evidence that the fluids from all zones are compatible by answering the following:

(a) Will down-hole commingling cause scale build-up within the well? \_\_\_\_\_ Present any necessary evidence. \_\_\_\_\_

Will down-hole commingling cause any other damage to the well? \_\_\_\_\_ Present any necessary evidence. \_\_\_\_\_

(b) How will the operator monitor the issues addressed by item (a) above? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(17) Present evidence as to the additional recovery of hydrocarbons which will result from down-hole commingling. Also present evidence of the estimated recoverable reserves from each zone without commingling. Indicate the following:

(a) Remaining recoverable reserves for each zone **without** commingling \_\_\_\_\_

(b) Abandonment rate for each zone **without** commingling \_\_\_\_\_

(c) Remaining recoverable reserves for each zone **with** commingling \_\_\_\_\_

(d) Abandonment rate for each zone **with** commingling \_\_\_\_\_

(18) If commingling is not approved, what action will the operator take? \_\_\_\_\_

(19) Indicate the field that you request the commingled wellbore be assigned to for proration purposes (for first time application in these fields only) **If a completion is made in the Spraberry (Trend Area) Field it will be placed in such field, if a completion is not made in that field then the field choice is at the operator's discretion.**

Upon review of this application, the Commission may require additional information to be provided.

Filing instructions: File the original and any required attachments and fees with the Railroad Commission by hand delivery or mail to the following address:

RAILROAD COMMISSION OF TEXAS  
ATTN: ENGINEERING UNIT  
PO BOX 12967  
AUSTIN TX 78711-2967

If you have been served notice of this application and you wish to request a hearing on this application, you must mail or fax (512-463-6780) a letter to the engineering unit in the Austin office stating your intent to appear in protest. A copy of this intent to appear in protest must also be mailed to the applicant on the same date. This intent to appear in protest must be received in the Railroad Commission's Austin office no later than 14 days following the date of this application at 5:00 PM.