



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

**OIL AND GAS DOCKET NO. 01-0284016**

---

**THE APPLICATION OF CABOT OIL & GAS CORPORATION TO AMEND FIELD RULES FOR THE INDIO TANKS (PEARSALL) FIELD, ATASCOSA, DIMMIT, FRIO, LA SALLE, MAVERICK AND ZAVALA COUNTIES, TEXAS**

---

**HEARD BY:** Andres J. Trevino, P.E. - Technical Examiner  
Marshall Enquist - Legal Examiner

**HEARING DATE:** September 4, 2013

**APPEARANCES:**

Dale Miller

**REPRESENTING:**

Cabot Oil & Gas Corporation

### EXAMINER'S REPORT AND RECOMMENDATION

#### STATEMENT OF THE CASE

Field Rules for the Indio Tanks (Pearsall) Field were adopted in Final Order No. 01-0270897, effective July 26, 2011. The Field Rules are summarized as follows:

1. Designation of the field as the correlative interval from 9,220 feet to 10,090 feet as shown on the log of the TXCO Resources Inc. - Glass Ranch "B" Lease, Well No. 177 (API No. 42-323-32970);
2. 330'-0' well spacing, 100' lease line spacing for the first and last take points with special provisions for "take points", no perf zones and a 50 foot "box" rule and off lease penetration for horizontal wells,;
3. 320 acre gas units with optional 40 acre density and special provisions for the assignment of acreage to horizontal wells with a maximum acreage assigned to a well of 640 acres;
4. Allocation for gas wells based on 100% acres with AOF status;
5. Special provisions for horizontal "stacked lateral" wells.

Cabot Oil & Gas Corporation ("Cabot") requests that the field rules be amended to provide for 80 acre base units with optional 40 acre units for oil wells, special provisions for the assignment of additional acreage to horizontal wells with a maximum acreage assigned to an oil well of 640 acres and an allocation for oil wells be based on 100% acres. The examiners recommended to Cabot that because the Pearsall formation is a shale, oil wells should have unlimited net gas-oil ratio authority as there is no gas cap that requires protection in the reservoir and casinghead gas production maybe unnecessarily be restricted by Rule 49(b).

The application is unopposed and the examiners recommend that Field Rules be amended for the Indio Tanks (Pearsall) Field, as requested by Cabot.

### **DISCUSSION OF EVIDENCE**

The Indio Tanks (Pearsall) Field was discovered in November 2007 at a depth of 10,100 feet. The field is classified as an associated with AOF status and operates under Special Rules that provide for the development with horizontal wells. There are currently 24 producing gas wells and one producing oil well on the proration schedule. There are 17 additional oil wells that have been completed but not yet placed on the proration schedule. The field is currently undergoing rapid development and Cabot request density and allocation formula for the oil wells being completed. Cumulative production from the field through June 2013 is 12.3 BCFG and 283.4 MBO.

Production from the Indio Tanks (Pearsall) Field has been primarily from gas wells. In 2012 the first oil wells have been completed in the field. To date approximately 18 oil wells have been completed. Cabot request density and allocation rules be adopted for oil wells.

Cabot requests 80 acre oil units with optional 40 acre density and additional acreage assigned to horizontal wells based on a formula. The maximum acreage assigned to any oil well will be limited to 640 acres regardless of lateral length. The horizontal rules proposed by Cabot for purposes of assigning acreage and allowing take points are similar to those which have been adopted in the Hawkville (Eagleford Shale) Field, First Shot (Austin Chalk) Field, Jordanton (Buda) Field and Pearsall (Austin Chalk) Field. Because the oil wells are in early stages of production there is insufficient data to properly calculate drainage area. Cabot felt using oil well densities similar other area tight fields was reasonable.

Cabot requests that allocation formula for oil wells be based on 100% acreage as the Pearsall interval is a shale. The examiners recommend unlimited net gas-oil ratio authority as there is no gas cap that requires protection in the reservoir. Cabot also requests that the allocation formula remain suspended, as there is a 100% market demand for all of the gas produced from the field.

**FINDINGS OF FACT**

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. The Indio Tanks (Pearsall) Field was discovered in November 2007 at a depth of 10,100 feet.
  - a. The field is classified as an associated field with AOF status and operates under Special Rules with horizontal well provisions.
  - b. There are currently 24 producing gas wells and one producing oil well on the proration schedule. There are an additional 17 oil wells that have been completed but not yet placed on the proration schedule.
  - c. Cumulative production from the field through June 2013 is 12.3 BCFG and 283.4 MBO.
3. Adoption of 80 acre oil units with optional 40 acre density and additional acreage assigned to horizontal wells based on a formula is appropriate.
  - a. The maximum acreage assigned to any horizontal oil well will be limited to 640 acres regardless of lateral length.
  - b. The oil wells are in early stages of production therefor there is insufficient data to properly calculate drainage area. .
  - c. The Indio Tanks (Pearsall) Field is in the early stages of oil development and should be developed with similar field rules as other area shale fields and "tight" fields.
4. The Pearsall Shale formation is a tight formation without a gas cap. Restricting casinghead gas production is not necessary to prevent waste.
5. Oil allocation based on 100% acreage is a reasonable formula which will protect correlative rights of mineral owners in the field.
6. Continued suspension of the allocation formula is appropriate, as there is a 100% market demand for all of the gas produced from the field.

**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 Indio Tanks (Pearsall) Field is necessary to prevent waste, protect correlative rights and promote development of the field.

**RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission amend field rules for the Indio Tanks (Pearsall) Field, as requested by Cabot Oil & Gas Corporation.

Respectfully submitted,



Andres J. Trevino, P.E.  
Technical Examiner



Marshall Enquist  
Legal Examiner