



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 03-0282907

APPLICATION OF RILEY EXPLORATION, LLC, TO AMEND FIELD RULES FOR THE SERBIN (TAYLOR SAND) FIELD, BASTROP AND LEE COUNTIES, TEXAS

HEARD BY: Paul Dubois - Technical Examiner
Marshall Enquist - Legal Examiner

DATE OF HEARING: July 3, 2013

APPEARANCES:

Dale Miller

John Soule

REPRESENTING:

Riley Exploration, LLC

Texas Vanguard Oil Company

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unprotested application of Riley Exploration, LLC (Riley), for the Commission to consider amending field rules for the Serbin (Taylor Sand) Field as adopted in Order No. 3-90,648, effective November 23, 1987, as amended, which currently provide for:

1. Correlative interval of 5,417 ft to 5,468 ft as indicated on the dual induction, SDL, DSH II log of the Coats Energy Trust Carol L. Mittasch, et al, Well No. 3 (API 287-32022).
2. 330 ft. lease line and 660 ft. between well spacing.
3. 40 acre proration unit with 2,500 ft. diagonal, and optional 20 acre units with 1,500 ft. diagonal.
4. Oil yardstick allowable.
5. Rule 49(b) gas allowable.

Riley proposes the following rules to facilitate horizontal well development of the field:

1. Correlative interval of 5,458 ft to 5,510 ft as indicated on the log of the Tex-Lee Operating Co. Rudolf Lorenz Well No. 7 (API No. 287-31969).
2. Retain 330/660 spacing and adding the following:
 - a. Allow zero feet well spacing between horizontal and vertical wells;
 - b. Take-point provisions with 100-ft first and last take point spacing to property line, lease line or subdivision line;
 - c. Provisions for a 50-ft box rule;
 - d. Provisions for off lease penetration points; and
 - e. Horizontal well spacing allows 100-ft overlap for parallel or sub-parallel drainholes.
3. For horizontal wells, allocation will be based on 100% acreage allowed by Rule 86, proration unit plats will not be required, and maximum diagonal limits are removed.
4. No change.
5. No change.

The application was not protested. The examiners recommend approval of the proposed rules.

DISCUSSION OF THE EVIDENCE

The Serbin (Taylor Sand) Field was discovered on November 19, 1985. Temporary field rules were adopted on November 23, 1987 (Docket 3-90,648). These rules have since been made permanent and amended, most recently on March 1, 1993 (Dockets 3-91,838, 3-93,007 and 03-0200958). A request to amend the field rules in 1997 to allow for 10-acre units was dismissed (Docket 03-0217227).

The Serbin (Taylor Sand) Field is Cretaceous in age and consists of sandstone with high shale content (less than 50% shale.) The correlative interval for the field is about 50 feet in thickness at a depth of approximately 5,500 feet. The field is about four miles wide (east-west) and nine miles long (north-south), straddling the Lee and Bastrop County lines. The July 1, 2013 proration schedules identify 71 gas wells and 361 oil wells. The gas wells are generally on the well-defined west margin of the field, representing the up-dip pinch-outs of the hydrocarbon bearing stratum; the east and south margins of the field are not clearly bounded, and thus are the site of current horizontal exploration. In 1988 the field produced 1,075,484 bbl oil and 4,974,125 MCF casinghead gas. The field has produced 9,221,737 bbl oil, 37,310,175 MCF casinghead gas, 8,109,404 MCF gas well gas, and

40,641 bbl condensate from 1985 through March 2013. Riley is the second largest operator in the field with 98 oil wells and four gas wells; Texas Vanguard Oil Company is the largest operator.

The field has thus far been developed almost exclusively with vertical wells. The first five of eight permitted horizontal wells were drilled beginning in mid-2012. Test data for two of the new horizontal wells indicated 128-133 BOPD, up to 354 MCFD gas, and up to 435 BWPD. The proposed field rules will likely facilitate horizontal exploration to assess whether additional reserves can be recovered with this technology than are being unrecovered by vertical wells alone. However, the central and well-developed portion of the field will likely require reallocation of acreage to allow space with regard to well density requirements before much horizontal exploration can occur.

The proposed field rules are consistent with rules adopted for other fields throughout the state and are generally considered to be conducive to horizontal exploration and production (take point provisions, horizontal-vertical between well spacing, off-lease penetration points, 50-ft box rule, etc.). The 100-foot overlap for parallel or sub-parallel drainholes is less commonly prescribed, but not without precedent or reasonable beneficial use. Riley has also proposed a new type-well to define the correlative interval. The Tex-Lee Operating Co. Rudolf Lorenz Well No. 7 (API No. 287-31969) is located near the center of the field. The correlative interval shown on the log of this well is 5,458 ft to 5,510 ft; it is the same geologic unit as was previously defined, although the depths are slightly different.

FINDINGS OF FACT

1. Notice of this hearing was sent to all operators in the subject field at least ten (10) days prior to the hearing.
2. The hearing was not protested.
3. The Serbin (Taylor Sand) Field has produced more than 9 million barrels of oil and 37 billion cubic feet of gas from 1985 to 2013.
4. The field is well developed with 432 wells currently on the oil and gas proration schedules; nearly all of these wells are vertical.
5. Initial production from horizontal wells drilled on the field margins are 128-133 BOPD.
6. The proposed field rules are consistent with rules recently adopted in other fields experiencing horizontal well development.
7. The proposed field rules will reduce waste and protect correlative rights.

CONCLUSIONS OF LAW

1. Proper notice of this hearing was given to all persons legally entitled to notice.
2. All things have occurred or been accomplished to give the Railroad Commission jurisdiction in this matter.
3. The proposed field rules will prevent waste, protect correlative rights, and satisfy statutory requirements.

EXAMINERS' RECOMMENDATION

Based on the above findings and conclusions of law, the examiners recommend approval of the proposed amended field rules for the Serbin (Taylor Sand) Field.

Respectfully submitted,



Paul Dubois
Technical Hearings Examiner



Marshall Enquist
Legal Hearings Examiner