



RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET NO. 8A-0274131

THE APPLICATION OF TEXLAND PETROLEUM, LP TO AMEND FIELD RULE NOS. 2 AND 3 FOR THE DEMPSEY CREEK (SAN ANDRES) FIELD, ANDREWS AND GAINES COUNTIES, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner
James M. Doherty - Legal Examiner

DATE OF HEARING: February 2, 2012

APPEARANCES:

REPRESENTING:

APPLICANT:

John Soule
Rick Johnston

Texland Petroleum, LP

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

The Dempsey Creek (San Andres) Field currently operates under Field Rules adopted in Final Order No. 8A-0272902, effective December 13, 2011. The Field Rules in effect for the field are summarized as follows:

1. Designation of the field as the correlative interval from 4,316 feet to 4,738 feet as shown on the log of the Texland Petroleum, LP - Twilight Lease, Well No. 1;
2. 330'-500' well spacing;
3. 40 acre oil units with optional 20 acre density;
4. Allocation based on 100% acreage with a top allowable based on the 1947 Yardstick Allowable of 93 BOPD.

Texland Petroleum, LP ("Texland") requests that Field Rule Nos. 2 and 3 be amended for the Dempsey Creek (San Andres) Field. The amended Field Rules are summarized as follows:

2. 330'-0' well spacing with special provisions for "take points", "off lease" penetration point and a 33 foot "box" rule for horizontal drainhole wells;
3. 40 acre oil units with optional 20 acre density and the filing of Form P-15 with no proration plats.

The application was unopposed and the examiners recommend that Field Rule Nos. 2 and 3 be amended for the Dempsey Creek (San Andres) Field, as proposed by Texland.

DISCUSSION OF EVIDENCE

The Dempsey Creek (San Andres) Field was discovered in July 1955 at an average depth of 4,300 feet. There are 13 producing oil wells and two operators carried on the proration schedule. The field operates under Field Rules that provide for 330'-500' well spacing and 40 acre oil units with optional 20 acre density. Cumulative production from the field through September 2011 is 241.9 MBO and 49.2 MMCFG.

Texland will be developing the Dempsey Creek (San Andres) Field by drilling infill horizontal wells and requests horizontal drainhole well field rules in order to promote the efficient and effective development of the remaining hydrocarbons. The proposed 330'-0' well spacing with special provisions for "take points", "off lease" penetration point and a 33 foot "box" rule for horizontal drainhole wells will allow for future development in the field. Similar horizontal drainhole well field rules have been adopted in other fields with tight reservoirs, which includes the Eagle Ford, Barnett Shale and Granite Wash formations.

Texland requests that a field rule be adopted which includes language relevant to the measurement of distances to lease lines for horizontal drainhole wells. Texland's proposed rule specifies that, for purposes of lease line spacing, the nearest "take point" in a horizontal well be used. This take-point could be a perforation, if a horizontal well is cased and cemented, an external casing packer in a cased well, or any open-hole section in an uncased well. For purposes of the assignment of additional acreage to horizontal drainhole wells pursuant to Statewide Rule 86, it is proposed that the distance between the first and last take-point in a horizontal well be used.

Texland proposes a tolerance "box" rule for horizontal drainhole wells that would allow drainholes to deviate 33 feet from either side of their permitted track without the necessity of obtaining a Statewide Rule 37 exception. As drilled wells for which all points are located within the "box" would be considered in compliance with their drilling permits.

In some cases, it is beneficial to penetrate the reservoir off lease, while still having "take points" no closer to lease lines than allowed under the field rules. Texland requests that Field Rules for the subject field provide for an "off-lease" penetration point. Statewide Rule 86 requires that the penetration point of a horizontal drainhole well be on the lease. In this field, a well generally requires approximately 600 feet of horizontal displacement to make the 90 degree turn from vertical to horizontal. If the penetration point is required to be on the lease, then the first point of production would be about 600 feet from the lease line. The proposed rule will allow approximately 300 feet of additional producing drainhole, resulting in the recovery of additional oil and gas reserves. Similar rules allowing an "off-lease" penetration point have been adopted in other fields, after notice to the mineral owners of the "off-lease" tract on which the penetration point is to be located and if no protest is received.

Texland also requests that proration unit plats not be required for individual wells, but that Form P-15 be filed to designate the number of acres to be assigned to each well for proration purposes.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. The Dempsey Creek (San Andres) Field was discovered in July 1955 at an average depth of 4,300 feet.
 - a. There are 13 producing oil wells and two operators carried on the proration schedule.
 - b. The field operates under Field Rules that provide for 330'-500' well spacing and 40 acre oil units with optional 20 acre density.
3. Texland is developing the Dempsey Creek (San Andres) Field by drilling infill horizontal drainhole wells.
4. Field Rules that provide for 330'-0' well spacing with special provisions for "take points", "off lease" penetration point and a 33 foot "box" rule for horizontal drainhole wells will provide consistency in developing the field and will allow greater flexibility in selecting future drilling locations.
5. A spacing rule which utilizes "take-points" in a horizontal well for the determination of well spacing will not harm correlative rights.

- a. A "take-point" in a horizontal drainhole well in this field may be a perforation, if a horizontal well is cased and cemented, an external casing packer in a cased well, or any open-hole section in an uncased portion of the wellbore.
 - b. "Take points" will allow the horizontal drainhole length on a lease to be maximized.
 - c. For purposes of assignment of additional acreage to horizontal drainhole wells pursuant to Statewide Rule 86, the distance between the first and last take-points in a horizontal well should be used.
6. The proposed 33 foot "box" rule is necessary to allow operators reasonable minor deviations from the wellbore track that has been permitted.
 7. Allowing an "off-lease" penetration point will result in maximum producing drainhole length, thereby increasing ultimate recovery from horizontal drainhole wells. The proposed rule will allow approximately an additional 200 feet of producing drainhole. To protect correlative rights, prior notice and opportunity to object should be given to the mineral owners of "off-lease" surface locations.
 8. Similar horizontal drainhole well field rules have been adopted in other fields with tight reservoirs, which includes the Eagle Ford, Barnett Shale and Granite Wash formations.
 9. The filing of Form P-15 to designate the number of acres to be assigned to each well for proration purposes with no proration plats will eliminate unnecessary paperwork.

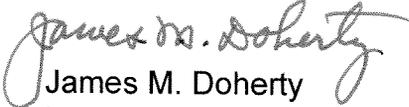
CONCLUSIONS OF LAW

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 Field Rule Nos. 2 and 3 for the Dempsey Creek (San Andres) Field is necessary to prevent waste, protect correlative rights and promote development of the field.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission amend Field Rule Nos. 2 and 3 for the Dempsey Creek (San Andres) Field, as proposed by Texland Petroleum, LP.

Respectfully submitted,


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Legal Examiner


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