



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0292026

**THE APPLICATION OF PPC OPERATING COMPANY, LLC TO AMEND FIELD RULES
FOR THE RENDERBROOK CREEK (MISS) FIELD, STERLING COUNTY, TEXAS**

HEARD BY: Brian Fancher, P.G. - Technical Examiner
Laura Miles-Valdez - Legal Examiner

HEARING DATE: October 16, 2014

APPEARANCES:
APPLICANT:

REPRESENTING:

Thomas "Buddy" Richter, P.E.

PPC Operating Co., LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

PPC Operating Co., LLC ("PPC") seeks to amend the special field rules in effect for the Renderbrook Creek (Miss) Field ("the Field"), which is governed by the following special field rules:

1. The Field is designated as the correlative interval from 8,176 feet to 8,208 feet, as shown on the log of the Bright & Co. - Bunton Well No. 2, H&T.C. Survey (Abstract 36), Sterling County;
2. 467' lease, property, or subdivision line spacing and 1,200' between well spacing;
3. 80-acre proration units and 40-acre tolerance for the last well on a lease; 3,250' maximum diagonal for 80-acre proration unit; and,
4. Allocation based on 100% acreage.

Dated September 03, 2014, the subject application's Notice of Hearing ("NOH") indicates that PPC seeks to amend the existing special field rules to provide for the following:

1. No change;
2. 330' lease, property, or subdivision line spacing and 0' between well spacing;
3. 40-acre proration units with 20-acre tolerance; 20-acre optional proration units and removal of proration unit plats;
4. No change.

The application is unopposed. The examiners recommend that special field rules for the Field be amended, as proposed by PPC.

DISCUSSION OF THE EVIDENCE

Mr. Thomas "Buddy" Richter, P.E., a consulting petroleum engineer, testified on behalf of PPC. Mr. Richter is licensed as a Professional Engineer with the Texas Board of Professional Engineers with specialization in petroleum engineering.

The Field was discovered on July 5, 1991, with the completion of Bright & Co.'s Stanford Lease, Well No. 1. Temporary Special Field Rules were adopted on August 3, 1992, per Oil and Gas Docket Final Order No. 8-98,116. On June 7, 1993, the Renderbrook Creek (Miss) Unit was formed by Bright & Co. for secondary recovery purposes through Oil and Gas Final Order No. 08-0201547. After that, the Temporary Special Field Rules were changed to permanent status on April 11, 1994¹, which are the Field's existing special field rules.

The October 2014 Oil Proration Schedule indicates that PPC is the only operator in the Field with five producing wells and three injection wells. All of PPC's existing eight wells are located on the Renderbrook Creek (Miss) Unit. As of October 1, 2014, the Field has cumulatively produced 1.34 million barrels of oil (BO)².

PPC proposes to drill additional infill wells in the Field on its Renderbrook Creek (Miss) Unit. Mr. Richter testified that PPC only seeks to drill vertical wells in the Field because horizontal drilling appears to be uneconomic at this time.

PPC submitted a production graph for the Field that ranges from January 1991 to roughly October 2014. Prior to the formation of the Renderbrook Creek (Miss) Unit in 1993, the oil and gas production declined rapidly from its peak monthly production of 15,000 BO and 30 million cubic

¹ Exh. No. 3.

² Exh. No. 4.

feet of gas (MMCFG) to less than 5,000 BOPM and 7 MMCFG per month. After secondary recovery began on the Renderbrook Creek (Miss) Unit, the field's monthly production surged to a peak of about 11,000 BO and 25 MMCFG. Since then, the Field's annual production rate has steadily declined except for short periods of production increase as a result of infill drilling. In March 2012, PPC acquired the Renderbrook Creek (Miss) Field and began increasing the monthly water injection rates to over 25,000 barrels of water per month. As a result, the monthly production from the Field has increased yet again, and is averaging about 2,100 BOPM and 6 MMCFG per month³.

PPC requests to amend the existing well spacing in the Field to allow for a minimum distance of 330' lease, property, or subdivision line spacing and 0' between well spacing. In other words, with respect to the minimum well spacing requirement in the Field, a well would be at a normal location as long as it is not located inside 330' from the nearest lease, property, or subdivision line. Mr. Richter asserted that no waste would occur as a result of its proposed well spacing amendments⁴. In support of this assertion, PPC submitted a plat which illustrates the surface locations and calls for Well Nos. 364, 400, 401, and 500, as well as completion report results and 2013 Form W-10 results for each named well. In summary, Mr. Richter concluded that the mentioned wells do not communicate with one another because each well's between well-spacing distance coupled with the wells' respective daily production decline rate exhibit isolated production from each named well in the Field⁵.

PPC seeks to amend the existing minimum acreage requirement in the field from 80-acres to 40-acres with 20-acre options. That is, with respect to the Field's minimum acreage requirement, a well would be at a normal location so long as at least 20-acres can be allocated to each well drilled on its respective lease. PPC submitted a hydrocarbon recovery efficiency analysis for its Renderbrook Creek (Miss) Unit. In summary, PPC alleges that the estimated ultimate recovery from the Field will increase from seventeen percent (17%) to thirty percent (30%) if its proposed acreage amendments are adopted⁶, thus justifying for decreasing the minimum acreage requirement in the Field.

Finally, PPC requests that the current requirement to file proration unit plats for each additional well completed in the field be removed and substituted with filing Form P-15s.

In conclusion, PPC requests that its proposed field rule amendments be granted to allow for flexibility in locating future drilled wells within the Field, which is only comprised of PPC's Renderbrook Creek (Miss) Unit. PPC intends to drill up to eighteen additional new vertical wells

³ Exh. No. 7.

⁴ Tape recording at 15:28.

⁵ Tape recording 19:50.

⁶ Exh. No. 12.

in the Field, and believes its proposed rules will promote development of the remaining recoverable reserves in the Field. PPC asserts that correlative rights will not be adversely affected if its proposed rules are adopted because there are no other operators in the Field, and all mineral interest owners are participating in the Renderbrook Creek (Miss) Unit⁷.

FINDINGS OF FACT

1. PPC Operating Co., LLC (“PPC”) seeks to amend the special field rules in effect for the Renderbrook Creek (Miss) Field (“the Field”).
2. PPC requests the following field rules:
 - a. 330' lease, property, or subdivision line spacing and 0' between well spacing for wells in the Field;
 - b. 40-acres proration units with 20-acre optional proration units for wells in the Field; and,
 - c. Filing Form P-15s in lieu of individual proration unit plats for each future well completed in the Field.
3. The Field was discovered on July 5, 1991, with the completion of Bright & Co.’s Stanford Lease, Well No. 1.
4. Temporary Special Field Rules were adopted on August 3, 1992 in Oil and Gas Docket Final Order No. 8-98,116.
5. On June 7, 1993, the Renderbrook Creek (Miss) Unit was unitized by Bright & Co. for secondary recovery purposes through Oil and Gas Final Order No. 08-0201547.
6. Permanent Special Field Rules were adopted for the Field on April 11, 1994.
7. Removal of the between well spacing requirement from the Field will facilitate infill drilling by providing maximum flexibility in placing well locations in the Field.
8. PPC is the only operator in the Field, and its Renderbrook Creek (Miss) Unit is the only active lease/unit in the Field.
9. The Renderbrook Creek (Miss) Unit contains at least five producing wells and three injection wells. PPC intends to drill additional wells in the Field.

⁷ Exh. No. 14.

10. Amending the existing minimum acreage requirement from 80-acres to 40-acres, and incorporating 20-acre optional proration units in the Field will promote development of the remaining recoverable reserves and will increase the recovery of the remaining recoverable reserves in the Field.
11. Adoption of PPC's proposed field rule amendments is appropriate for further development of the Field by increasing the amount of recoverable reserves obtained from the Field.

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. Amending field rules as proposed by PPC Operating Co., LLC is necessary to prevent waste and protect correlative rights in the Renderbrook Creek (Miss) Field.

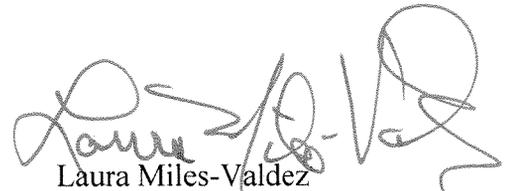
EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that field rules be amended for the Renderbrook Creek (Miss) Field , as proposed by PPC Operating Co., LLC.



Brian Fancher, P.G.
Technical Examiner

Respectfully submitted,



Laura Miles-Valdez
Legal Examiner