



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0292749

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**THE APPLICATION OF WAPITI OPERATING, LLC TO AMEND FIELD RULES FOR THE A.W.P. (OLMOS) FIELD, LA SALLE AND MCMULLEN COUNTIES, TEXAS**

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

**HEARING DATE:** December 5, 2014  
**RECORD CLOSED:** December 5, 2014  
**SUBMISSION DATE:** December 17, 2014  
**CONFERENCE DATE:** January 27, 2015

**APPEARANCES:**

**REPRESENTING:**

**APPLICANT:**

John Camp  
Dale Miller  
Corey McKeon

Wapiti Operating, LLC

### EXAMINERS' REPORT AND RECOMMENDATION

#### STATEMENT OF THE CASE

The existing special field rules for the A.W.P. (Olmos) Field (the "Field") were amended on December 9, 2014, per Oil & Gas Final Order 01-0290632, and provide:

1. A designated correlative interval that defines the field from 9,000 feet to 10,154 feet, as shown on the log for the Escondido Resources II, LLC, Nichols Lease, Well No. 1H (API No. 42-311-34298), located in McMullen County, Texas;
2. 330' minimum property, lease, or subdivision line spacing, and 0' minimum between well spacing; horizontal well spacing based on take points; 100' first and last take points; Non-Perforated Zones ("NPZs"); a 33' subsurface box rule; off-lease penetration points; additional acreage assignment for horizontal wells pursuant to Statewide Rule 86; and Form P-15s in lieu of proration unit plats;

3. 80-acre proration units, with 40-acre tolerance; 40-acre optional proration units; no maximum diagonal;
4. Top oil allowable based on a formula of 272 barrels of oil multiplied by the fraction: acreage assigned to the well / maximum acreage authorized by the field rules for a vertical well (adjustments pursuant to Statewide Rule 49(b)); Gas well allocation based on 100% deliverability (Absolute Open Flow);
5. Exceptions to Statewide Rule 13's tubing requirement for flowing oil wells; and,
6. Exceptions to Statewide Rule 51's well potential test filing for flowing oil wells.

Dated November 12, 2014, the captioned docket's Notice of Hearing ("NOH") indicates that Wapiti Operating, LLC ("Wapiti") seeks to amend the existing special field rules, and proposes the following amendments:

1. No change;
2. No change;
3. Amend the existing optional proration unit density from 40-acres per well to 20-acres;
4. No change;.

The subject application is unopposed, and the examiners recommend that the application be approved, as requested by Wapiti.

### **DISCUSSION OF THE EVIDENCE**

Mr. Dale Miller testified as an expert in petroleum engineering on behalf of Wapiti in the captioned docket, which centers on one request - to amend the Field's existing optional well density provision (*i.e.*, proration units) from 40-acres to 20-acres. The Field was discovered in December 1981, and is designated as an associate-prorated field. However, all gas wells completed in the Field have been granted authority to produce natural gas without any gas allocation constraint (*i.e.*, Absolute Open Flow). Mr. Miller concluded that the Field produces from the Olmos Sandstone reservoir, approximately 1,500 to 2,500 feet below the Eagleford Formation. The Field's cumulative production through November 2014 is roughly 50 million barrels of oil and 493 billion cubic feet of natural gas.

Wapiti operates 129 oil wells on approximately 6,630-acres, primarily in the Field's oil window. Wapiti produces approximately 1,100 gross barrels of oil per day from the Field<sup>1</sup>. Mr. Miller testified that Wapiti seeks to downsize the Field's minimum optional acreage from 40-acres to 20-acres, based on several factors.

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<sup>1</sup> See Wapiti Exh. No. 2, pages 3 and 4.

First, Wapiti plans to drill approximately 25 wells in 2015, and 90 additional wells thereafter<sup>1</sup>. Mr. Miller stated that because Wapiti intends to drill such a large volume of new wells in the Field, amending the optional proration unit to 20-acres is necessary for development at regular locations, with respect to well density requirements. In support of its position, Wapiti submitted a copy of several volumetric calculations for wells in the Field. In summary, depending on whether a 20% or 14% recovery factor is utilized, drainage areas range from 12.8 to 24.5-acres and 18.3 to 35-acres, respectively. In other words, depending on a well's location in the Field, drainage areas vary from less than 20-acres to greater than 20-acres per well. Mr. Miller testified the result of the mentioned drainage calculations led to the adoption of the existing 40-acre optional proration units, which were adopted in Oil & Gas Final Order No. 1-82,599.

Next, Wapiti submitted a copy of the Final Order and Examiner's Report and Recommendation ("ERR") for Oil & Gas Docket No. 01-0229154, which approved an Entity For Density for Swift Energy Co.'s SBR Lease in the Field ("Swift's application"). In Swift's application, the Commission held that the average drainage area for wells in the Field is only 12.3-acres, and very few of the existing or proposed wells have overlapping drainage areas<sup>2</sup>. Furthermore, the presiding examiner in Docket No 01-0229154's opined that 20-acre optional proration units should be adopted in the Field, based on the evidence presented by Swift, to which Mr. Miller concurred.

Lastly, Mr. Miller testified that the mentioned historical data used to develop the Field's special field rules, with regard to the existing 40-acre optional proration unit provision, is in part antiquated. Mr. Miller alleged that the net formation thickness value ("K-value") that was incorporated into the historical drainage area calculations is based on about 33 feet, when in fact it should be expanded to about 74 feet. The result of increasing the K-value to 74 feet consequently decreases the drainage area to less than 20-acres<sup>3</sup>.

In conclusion, Mr. Miller believes that Wapiti's proposed field rule amendment will provide for orderly drilling, completion, and operation of wells in the subject field while preventing waste and protecting correlative rights<sup>4</sup>.

### **FINDINGS OF FACT**

1. Wapiti Operating, LLC ("Wapiti") seeks to amend the existing special field rules for the A.W.P. (Olmos) Field (the "Field"), La Salle and Dimmit Counties, Texas ("the subject application").
2. In the subject application, Wapiti requests only to amend the 40-acre optional proration unit provision in the existing special field rules.

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<sup>1</sup> See Audio recording at 8:30.

<sup>2</sup> See Wapiti Exh. No. 9 – O&G Docket 01-0229154 Examiner's Report and Recommendation, Finding of Fact No. 5(d).

<sup>3</sup> Compare Wapiti Exh No. 6 with Wapiti Exh. No. 8; See audio recording at 28:00.

<sup>4</sup> See Audio recording at 33:30.

3. Wapiti operates approximately 129 wells in the Field on roughly 6,630-acres, which is primarily located in the Field's oil window.
4. The reservoir composing the Field is made of the Olmos Formation.
5. The historic range of drainage areas encountered from wells in the Field ranges from 13 to 25 and 18 to 35-acres, based on either a twenty percent (20%) or fourteen percent (14%) recovery factor, respectively, and assuming all other physical properties are the same.
6. Commission Oil and Gas Docket No. 01-0229154 (Application for Entity For Density on Swift Energy Co.'s SBR Lease in the Field), Finding of Fact No. 5(d) holds that the average drainage area in the field is 12.3-acres.
7. Amending the existing special field rules to provide for 20-acre optional proration units will promote development of the field.

#### **CONCLUSIONS OF LAW**

1. Resolution of the subject application is a matter committed to the jurisdiction of the Railroad Commission of Texas – Tex. Nat. Res. Code §81.051.
2. Legally sufficient notice has been provided to all affected persons.
3. Amending the special field rules for the A.W.P. (Olmos) Field, as proposed by Wapiti Operating, LLC, will prevent waste and protect correlative rights.

#### **EXAMINERS' RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the examiners recommend that the special field rules for the A.W.P. (Olmos) Field be amended to provide for 20-acre optional proration units, as proposed by Wapiti Operating, LLC.

Respectfully submitted,



Brian Fancher, P.G.  
Technical Examiner



Laura Miles-Valdez  
Legal Examiner