



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0298535

THE APPLICATION OF TEMA OIL AND GAS COMPANY TO ADOPT FIELD RULES FOR THE GRICE (WOLFCAMP) FIELD, LOVING COUNTY, TEXAS

HEARD BY: Karl Caldwell – Technical Examiner
Ryan Lammert – Administrative Law Judge

HEARING DATE: November 24, 2015
CONFERENCE DATE: February 23, 2016

APPEARANCES: **REPRESENTING:**
APPLICANT: Tema Oil and Gas Company
Dale Miller
Gene Lee
Rolla Long III

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Tema Oil and Gas Company ("Tema") is requesting to adopt field rules for the Grice (Wolfcamp) Field, Loving County, Texas and make the field rules permanent. The field is currently under Statewide rules with the designated correlative from 11,615 feet to 12,400 feet as shown on the log section of the discovery well (API No. 301-31868).

Tema proposes to adopt the following field rules:

1. The entire correlative interval from 11,754 feet to 14,847 feet as shown on the log of the EOG Resources Inc, Z&T 24 Well No. 1-X (API No. 42-301-31137), Section 24, Block 51, T-1-N, T&P RR Company Survey, A-1265, Loving County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Grice (Wolfcamp) Field;
2. 330' lease line spacing with no minimum between well spacing;

- a. Horizontal well spacing of 200' from first and last take points to any property line, lease line or subdivision line, and 330' from all other take points to any property line, lease line or subdivision line; and
 - b. NPZ language, 50' box rule, and an off-lease penetration point.
3. Statewide rules for density (40 acres for both oil and gas wells) and Statewide Rule 86 for assigning additional acreage to horizontal wells, filing the Form P-16 for acreage credit, with the operator's option to file individual proration unit plats if desired, and no maximum diagonal;
 4. Allocation formula of 95% deliverability, 5% per well for gas wells, 95% acres, 5% per well for oil wells;
 5. An operator of a flowing oil well may obtain a six-month exception to Statewide Rule 13(b)(4)(A) that flowing oil wells shall be produced through tubing. The exception may be granted administratively; and
 6. For oil wells: a six month exception to the provisions of Statewide Rule 51(a) regarding the 10 day rule for filing the potential test after testing of the well.

Tema is the only operator in the field at this time. Notice of the application was provided to all operators surrounding the lease where the only well in the field has been completed. The application is unopposed. The Examiners recommend adopting the field rules as proposed by Tema for the Grice (Wolfcamp) Field, and making the field rules permanent.

DISCUSSION OF THE EVIDENCE

The Grice (Wolfcamp) Field was discovered on August 6, 2013 at a depth of 12,325 feet with the completion of the Sid M. Kyle 26 Lease, Well No. 1 (API No. 42-301-31868). The well produced 88 BOPD, 192 Mcf gas, and 2181 BWPD, at a flowing tubing pressure of 80 psi on a 28/64" choke on an initial potential test (August 13, 2013). As of September 2015, the cumulative field production for the Grice (Wolfcamp) Field, is 16,685 BO and 56,476 Mcf of casinghead gas.

Tema seeks to amend the correlative interval for the subject field. Tema proposes that the entire correlative interval from 11,754 feet to 14,847 feet as shown on the log of the EOG Resources Inc, Z&T 24 Well No. 1-X (API No. 42-301-31137), Section 24, Block 51, T-1-N, T&P RR Company Survey, A-1265, Loving County, Texas, be designated as a single reservoir for proration purposes and be designated as the Grice (Wolfcamp) Field. Tema also requests to adopt horizontal well rules, including a stacked lateral rule. Expanding the correlative interval for the field and adopting a

stacked lateral rule would allow operators in the field to recover reserves within the correlative interval that may otherwise go unrecovered with a single lateral.

In general, Tema proposes to adopt field rules similar to the nearby Phantom (Wolfcamp) Field, and the correlative interval is similar to the Phantom (Wolfcamp) Field. The rules requested for the Grice (Wolfcamp) Field include include minimum lease line spacing of 330 feet, with no minimum between well spacing, a dual-lease line spacing rule for horizontal wells of 200 feet from first and last take points to any property line, lease line or subdivision line and 330 feet from all other take points to any property line, lease line or subdivision line. Tema also requests the following horizontal well rules: non-perforation zone (NPZ) language, a 50 foot box rule, and an off-lease penetration point rule.

Tema also proposes a multi-factor allocation formula of 95% acreage, 5% per well for oil wells and 95% deliverability and 5% per well for gas wells, and suspension of the gas allocation formula. Tema also proposes language that an operator of a flowing oil well may obtain a six-month exception to the Statewide Rule 13(b)(4)(A) tubing requirement, with the ability to obtain an extension for good cause shown. The Applicant also requests a field rule providing for a six-month exception to Statewide Rule 51(a), which has been previously adopted in numerous fields with field rules where a six-month exception to the Statewide Rule 13(b)(4)(A) tubing requirement has been granted.

The requested horizontal field rules are similar to the field rules for UFT fields and amendments made to Statewide Rule 86 since the hearing was held. Tema also requests that the field rules be made permanent, as the proposed rules are similar to the nearby Phantom (Wolfcamp) Field rules where the rules have been refined with field production data.

Tema requests that the gas allocation formula be suspended pursuant to Statewide Rule 31(j). Tema is the only operator in the field, is connected to the Regency system, and has a market for 100% of the deliverability.

FINDINGS OF FACT

1. Tema is the only operator in the field at this time. Notice of the hearing was provided to all operators surrounding the lease where the well in the field is completed at least ten (10) days' prior to the date of the hearing and no protests were received.
2. The Grice (Wolfcamp) Field was discovered on August 6, 2013 at a depth of 12,325 feet.

3. The Grice (Wolfcamp) Field is located in close proximity to the Phantom Wolfcamp) field and contains a similar correlative interval.
4. A single lateral may not recover all hydrocarbons within the correlative interval. A stacked lateral field rule will allow operators to complete more than one lateral per stacked lateral well within the correlative interval.
5. A multi-factor allocation formula is appropriate as there are multiple stratigraphic accumulations of oil or gas within the correlative interval.
6. Adopting field rules pertaining to horizontal well spacing will maximize hydrocarbon recovery.
7. At this time there is 100% market for all gas produced from the field.

CONCLUSIONS OF LAW

1. Proper notice was issued as required by all applicable statutes and regulatory codes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Adopting field rules and making the rules permanent for the Grice (Wolfcamp) Field will prevent waste.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission adopt field rules for the Grice (Wolfcamp) Field and make the field rules permanent.

Respectfully submitted,



Karl Caldwell
Technical Examiner



Ryan Lammert
Administrative Law Judge