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RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0299179

THE APPLICATION OF ELK MEADOWS RESOURCES LLC FOR CONSOLIDATION OF THE DEMPSEY CREEK (SAN ANDRES) FIELD INTO THE FULLERTON (SAN ANDRES) FIELD IN ANDREWS AND GAINES COUNTIES, TEXAS

HEARD BY: Peggy Laird, P.G. – Technical Examiner
Ryan Larson – Administrative Law Judge

PREPARED BY: Peggy Laird, P.G. – Technical Examiner
Dana Lewis - Administrative Law Judge

HEARING DATE: February 8, 2016

CONFERENCE DATE: May 3, 2016

APPEARANCES:	**REPRESENTING:**
APPLICANT:	
George Neale Rick Johnston Gary Alsobrook	Elk Meadows Resources LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Elk Meadows Resources LLC ("EMR") initially proposed that the Fullerton (San Andres) Field ("Fullerton") and the Dempsey Creek (San Andres) Field be consolidated, and Field Rules for the Fullerton be amended. EMR amended its November 24, 2015, request for hearing, and no longer asks for consolidation of the Dempsey Creek (San Andres) Field into the Fullerton. EMR is requesting the Field Rules for the Fullerton be

amended in Andrews and Gaines Counties, Texas, as set forth in the November 24, 2015, request for hearing.

Field Rules for the Fullerton were adopted in Final Order No. 8-38,183, effective June 30, 1958, and have been amended three times. The current Field Rules are summarized as follows:

1. Designation of the field as the entire correlative interval from 4,246 feet to 5,393 feet as shown on the log of the Texland Petroleum, LP – C.W. Logsdon "E" Lease, Well No. 26;

2. 330-foot lease line spacing, 0-foot between well spacing;

3a. 40 acre gas units with a maximum diagonal of 2,100 feet, optional 10 acre units with a maximum diagonal of 1,100 feet;

3b. 40 acre oil units with a maximum diagonal of 2,100 feet with 10 acre tolerance, optional 10 acre units with a maximum diagonal of 1,100 feet;

4a. Allocation of gas wells classified as associated-prorated, 100% acreage; and

4b. Oil allowable of 93 barrels of oil per day ("BOPD") based on the 1947 Yardstick Allowable.

EMR requests the following amendments to the existing provisions in the field rules: (1) for Field Rule No. 2, no changes to the spacing pattern of 330'/0', add a take point rule that allows for no perforation zones, add a drill box rule, and add an off-lease penetration point rule; and (2) add a new Rule 5 that provides for stacked laterals.

All operators in the captioned fields were notified, and no protests were received. The Technical Examiner ("TEX") and Administrative Law Judge ("ALJ") recommend that the Fullerton rules be amended as requested by EMR.

DISCUSSION OF EVIDENCE

The Fullerton (San Andres) Field was discovered in May 1945 at an average depth of 4,800 feet. There are multiple operators, and 376 producing wells are carried on the proration schedule. Field Rules currently provide for 330' lease line spacing, 0' between well spacing, 40 acre density with 10 acre tolerance, gas allocation based on 100% acreage and an oil allowable based on the 1947 Yardstick of 93 BOPD. Cumulative production from the field through October 2015 is 60.91 million barrels of oil ("MMBO") and 20.82 billion cubic feet of gas ("BCFG").

EMR plans to further develop the Fullerton by drilling horizontal wells and requests horizontal drainhole well field rules in order to facilitate production of additional resources. The proposed additions to Field Rule No. 2 are as follows: (1) add provisions for take points pursuant to Statewide Rule 86, for purposes of spacing horizontal wells; (2) add a "box rule" for horizontal drainhole wells, which would allow drainholes to deviate fifty feet from either side of their permitted tract, while remaining in compliance with their drilling permits; and (3) provide for an "off-lease" penetration point that may allow for additional resources to be recovered. EMR provided evidence that the production interval was over 1,000 feet thick and that the addition of a stacked lateral rule would enable the applicant to produce hydrocarbons more efficiently.

The proposed provisions for "take points," off-lease penetration points, a 50-foot "box rule" and stacked laterals for horizontal wells, will allow for future development of the field. Similar horizontal well field rules have been adopted for other fields with tight reservoirs, including the nearby Dempsey Creek (San Andres) Field.

The ALJ and TEX consider the requested field rule amendments for the Fullerton are appropriate and consistent with previous rules adopted for similar fields. EMR has demonstrated that the amendments are necessary to continue development of the field, which will allow for the recovery of resources and prevention of waste.

FINDINGS OF FACT

1. Notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of hearing and no protests were received.

2. The Fullerton (San Andres) Field was discovered in May 1945 at an average depth of 4,800 feet.

    a. There are multiple operators and 376 producing wells carried on the proration schedule.

    b. Cumulative production from the Fullerton as of October 2015 was 60.91 MMBO and 20.82 BCFG.

3. EMR anticipates further development in the Fullerton by drilling horizontal wells.

4. Similar horizontal drainhole field rules have been adopted in other fields with tight reservoirs, including the nearby Dempsey Creek (San Andres) 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. All notice requirements have been satisfied. 16 Tex. Admin. Code § 1.45

3. The proposed field rule amendments will prevent waste and promote development of the Field.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the ALJ and TEX recommend the field rules for the Fullerton (San Andres) be amended as requested by Elk Meadows Resources LLC.

Respectfully submitted,

Peggy Laird, P.G.
Technical Examiner

Dana Lewis
Administrative Law Judge