



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 8A-0300542

THE APPLICATION OF CUSTER & WRIGHT OPERATING, INC. TO AMEND FIELD RULES FOR THE HOOPLE (CLEAR FORK) FIELD, LUBBOCK COUNTY, TEXAS

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

HEARING DATE: July 19, 2016
CONFERENCE DATE: September 27, 2016

APPEARANCES: **REPRESENTING:**

APPLICANT: Custer & Wright Operating, Inc.

Greg Cloud
Mike Paulson
Kevin Wioner

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field rules for the Hoople (Clear Fork) Field, Lubbock County, Texas, were adopted in Final Order No. 8A-74,647, effective March 3, 1980, and last amended in Final Order No. 8A-0271144, effective September 13, 2011. The current field rules in effect for the field are summarized as follows:

- Rule 1: Designation of the field as the correlative interval from 4,267 feet to 5,118 feet, as shown on the log of the Juno Operating Company, LLC - Aoco-Hoople (Clearfork) Unit, Well No. 161R (API No. 42-107-31239;
- Rule 2: 330'-467' well spacing;
- Rule 3: 40 acre oil units with optional 10 acre density; and
- Rule 4: Allocation based on 100% acres with a 1965 Yardstick Allowable of 93 BOPD.

Custer & Wright Operating, Inc. ("Custer & Wright") requests that Field Rules for the Hoople (Clear Fork) Field be amended as follows:

- Rule 1: Designated correlative interval from 4,041 feet to 5,118 feet as shown on the log of the Juno Operating Company, LLC - Aoco-Hoople (Clearfork) Unit, Well No. 161R (API No. 107-31239). The proposed field interval contains the Glorieta and Clear Fork reservoirs;
- Rule 2: 330'-0' well spacing;
- Rule 3: No change to the 40-acre/10-acre density provision. However, amend current Field Rule 3 to include a provision that individual well proration plats are not required, and operators will provide a Form P-16 indicating the amount of acreage that is assigned to each well on a lease; and
- Rule 4: Change the allocation formula to 95% per well / 5% acreage.

All operators listed on the July 1, 2016 oil proration schedule for the Hoople (Clear Fork) Field were provided notice of the hearing. The application is unopposed and the Examiners recommend approval of the application.

DISCUSSION OF THE EVIDENCE

The Hoople (Clear Fork) Field was discovered on May 1, 1976. There are approximately 15 operators in the field and 682 active wells in the field. Both the number of wells, as well as production has increased in the subject field since mid-2013.

Custer & Wright propose to amend the correlative interval for the field. The current type log defining the correlative interval for the field was drilled in the northwest area of the field and only includes the Clear Fork interval and does not include the Glorieta interval. However, the Glorieta interval has been completed along with the Clear Fork interval in the southeast area of the field. Custer & Wright propose to amend the correlative interval for the field from the top of Clear Fork Formation to the top of the Glorieta Formation. Mike Paulson, Custer and Wright's petroleum geologist, testified that as you move from the northwestern area of the field to the southeastern area, the perforations in wells completed in the field are in the interval commonly referred to as the Glorieta Formation. It has been common that wells completed in the southeast area of the Hoople (Clear Fork) Field are perforated in that Glorieta interval. This Glorieta interval is typically not perforated up to the northwest area of the field since there is not much production from that interval in that area, but as you move to the southeast that interval becomes productive. Whether that interval that is perforated in the southeast area of the Hoople (Clear Fork) Field is truly Glorieta is a geological question.

According to Mr. Paulson, some people would consider it to be all Clear Fork, but historically that interval has been called Glorieta. The reservoirs are not dissimilar. Historically all operators have perforated throughout the entire interval (Clear Fork and Glorieta) and permitted the wells in the Hoople (Clear Fork) Field. Both intervals are a dolomite-based matrix.

Custer & Wright is also requesting to maintain the current lease line spacing of 330 feet, but to amend the between well spacing to zero feet. A large amount of acreage in the subject field is already being developed with zero feet between well spacing, as the largest leases in the field have been granted entity-for-density with no minimum between well spacing requirements. These leases include the Clark Wood Ranch (Final Order Oil and Gas Docket No. 8A-0287583) and the AOCO Hoople (Clearfork) Unit, (Final Order Oil and Gas Docket Nos. 8A-0221306 & 8A-0221506). Amending the field rules to provide for no minimum between well spacing will allow operators to optimize well locations to maximize the recovery of reserves and is consistent with the current between well spacing of the leases that have been granted entity-for-density authority in the subject field.

Custer & Wright is also requesting to use Form P-16 to indicate the amount of acreage assigned to each well on a lease, with no requirement to file individual proration unit plats, and to remove the diagonal provision. Custer & Wright also propose to change the allocation formula to 95% per well, 5% acreage. This two factor allocation formula will help to ensure wells completed on the optional 10 acre density will not exceed the daily allowable.

FINDINGS OF FACT

1. Notice of this hearing was provided to all operators in the field at least ten (10) days prior to the date of the hearing and no protests were received.
2. The current type log defining the correlative interval for the field was drilled in the northwest area of the field.
 - a. The current type log designating the correlative interval for the field was only completed in the Clear Fork interval from 4,267 feet to 5,118 feet, as shown on the log of the Juno Operating Company, LLC - Aoco-Hoople (Clearfork) Unit, Well No. 161R (API No. 42-107-31239);
 - b. From a historical standpoint, it has been common for wells completed in the southeast area of the Hoople (Clear Fork) Field to be perforated in the Glorieta interval;
 - c. The Glorieta interval is typically not perforated up to the northwest area of the Hoople (Clear Fork) Field since there is little production from that

- interval in that area, but to the southeast that interval becomes productive;
- d. Historically all operators have perforated throughout the entire Clear Fork and Glorieta intervals and permitted the wells in the Hoople (Clear Fork) Field;
 - e. Both the Clear Fork and Glorieta intervals are a dolomite-based matrix; and
 - f. Designating the correlative interval for the field to be from 4,041 feet to 5,118 feet as shown on the log of the Juno Operating Company, LLC - Aoco-Hoople (Clearfork) Unit, Well No. 161R (API No. 107-31239) which contains the Glorieta and Clear Fork reservoirs is representative of the historical completions throughout the entire Hoople (Clear Fork) Field.
3. A large amount of the acreage in the Hoople (Clear Fork) Field is already being developed with zero feet between well spacing.
 - a. Several large leases in the Hoople (Clear Fork) Field have been granted entity-for-density with no minimum between well spacing requirements;
 - b. The Clark Wood Ranch Lease was granted entity-for density authority in the Hoople (Clear Fork) Field in Final Order No. 8A-0287583; and
 - c. The AOCO Hoople (Clearfork) Unit was granted entity-for-density authority in the Hoople (Clear Fork) Field in Final Order Nos. 8A-0221306 & 8A-0221506.
 4. Changing the allocation formula from 100% acreage to a multi-factor allocation formula will help prevent wells completed on the optional 10 acre density from exceeding the daily allowable for 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. Amending the field rules for the Hoople (Clear Fork) Field will prevent waste.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission amend the field rules for the Hoople (Clear Fork) Field, Lubbock County, Texas.

Respectfully submitted,



Karl Caldwell
Technical Examiner



Ryan Lammert
Administrative Law Judge