



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 7B-0300813

THE APPLICATION OF GUNGOLL, CARL E. EXPLORATION LLC TO ADOPT PERMANENT FIELD RULES FOR THE WHITE HAT (ELLENBURGER) FIELD (FIELD NUMBER 96922500), NOLAN COUNTY, TEXAS

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

HEARING DATE: July 29, 2016

CONFERENCE DATE: September 27, 2016

APPEARANCES: **REPRESENTING:**

APPLICANT:

Richard D. Atkins, P.E.

Gungoll, Carl E. Exploration LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Gungoll, Carl E. Exploration LLC ("Gungoll") seeks to adopt permanent field rules for the White Hat (Ellenburger) Field (the "Field"), Nolan County, Texas. Gungoll is currently under county regular rules and seeks the following permanent field rules:

1. Designate a correlative interval from 6,656 feet to 7,166 feet as shown on the Array Compensated True Resistivity Log of the Gungoll, Carl E. Exploration LLC – White Hat Ranch 21 Lease, Well No. 2 (API No. 42-353-33582) located in Section 21, Block 1A, H&TC RR Co. Survey, A-17, Nolan County, Texas;
2. 330 feet lease-line spacing and 933 feet between-well spacing;

3. 80 acre oil proration units with optional 40 acre density, a 40 acre tolerance provision for the last well on the lease, no maximum diagonal limitation, and the filing of Form P-15 with a lease plat and no well proration unit plats; and
4. Allocation based on a salvage classification with no restrictions on oil or casinghead gas production, and cancellation of all over-production in the field.

Gungoll is the only operator in the field, and the application was not protested. The Administrative Law Judge and Technical Examiner (collectively, "Examiners") recommend that permanent field rules be adopted for the White Hat (Ellenburger) Field as requested by Gungoll.

DISCUSSION OF EVIDENCE

The White Hat (Ellenburger) Field was discovered in March 1965 at a depth of 6,786 feet. The Field is currently on County Regular Rules with an allowable of 111 barrels of oil per day ("BOPD"). Gungoll reported that cumulative production from the field through April 2016 is 276,690 barrels of oil and 17 million cubic feet of gas.

The Field has experienced two phases of development prior to 2015, at which time Gungoll began a third phase of development. There are eleven wells in the Field, and seven have been plugged and abandoned. At present, Gungoll is the only operator in the Field with four active wells, and is targeting lenses within the Ellenburger that have not been produced. Gungoll reported this third phase is considered late stage primary development, and no secondary recovery is anticipated at this time. Current production varies between the four wells from 5 BOPD to 287 BOPD.

The rules and salvage classification requests are similar to several other fields in District 7B. The Suggs (Ellenburger) Field is located about 1.5 miles east of the subject Field. It is the nearest field and carries the same field rules Gungoll has requested for the White Hat (Ellenburger). Gungoll presented log analyses and drainage calculations as supportive evidence for the proposed field rules. A summation of the results is presented in the following table.

Log Analysis and Drainage Calculation Summary							
Well	Top Perforation (Feet)	Bottom Perforation (Feet)	Net Pay (Feet)	Average Porosity (Percent)	Water Saturation (Percent)	Est. Ultimate Recovery (Barrels)	Drainage Area (Acres)
White Hat Ranch 20 #1	6,746	6,840	25	11.3	35.5	6,232	2.1
White Hat Ranch 20 #2	6,716	6,795	22	7.1	22.1	90	0
White Hat Ranch 21 #1	6,686	6,808	52.5	6.2	40.6	240,777	77
White Hat Ranch 21 #2	6,660	6,732	31.5	6.4	42.2	70,318	38

The Commission sent a letter to Gungoll dated May 3, 2016, stating that overproduction had occurred for the White Hat Ranch 21 Lease. Exhibit 7, the Reservoir Data Sheet, indicates the general reservoir mechanics are solution gas drive with a limited water drive. Original reservoir pressure was 2,750 psig, and current reservoir pressure is 1,500 psig. Production amounts are marginal from most of the wells, but Gungoll anticipates greater producing wells from some of the undeveloped lenses in the Ellenburger. If the wells are required to be shut-in, Gungoll is concerned that water influx will limit production, resulting in unrecoverable resources. Therefore, Gungoll requests allocation based on salvage classification with no restrictions on oil or casinghead gas production, and cancellation of all overproduction in the Field.

The Examiners consider adopting the proposed permanent field rules for the White Hat (Ellenburger) Field is appropriate and consistent with other fields in District 7B. Gungoll has demonstrated that the rules 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 White Hat (Ellenburger) Field was discovered in March 1965 at a depth of 6,786 feet.
 - a. The Field is currently on County Regular Rules with an allowable of 111 barrels of oil per day ("BOPD").
 - b. The Field has experienced two phases of development prior to 2015.
 - c. Gungoll is the only operator in the Field, and began production in 2015 with four active wells.
 - d. Cumulative production from the Field through April 2016 was 276,690 barrels of oil and 17 million cubic feet of gas.
3. Log analyses and drainage summaries estimate ultimate recovery of more than 300,000 barrels of oil, and drainage area a maximum of 77 acres.
4. Similar permanent field rules have been adopted in other fields in District 7B including the nearby Suggs (Ellenburger) Field.
5. Because of reservoir mechanics, Gungoll is concerned that water influx will limit production, resulting in unrecoverable resources

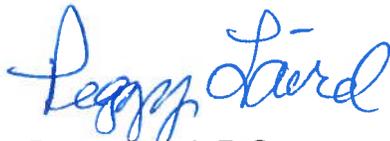
CONCLUSIONS OF LAW

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 permanent field rules will reduce waste and promote development of the Field.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend the Commission adopt permanent field rules for the White Hat (Ellenburger) Field as requested by Gungoll, Carl E. Exploration LLC.

Respectfully submitted,



Peggy Laird, P.G.
Technical Examiner



Ryan M. Lammert
Administrative Law Judge