



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 03-0280361

THE APPLICATION OF WAPITI OPERATING, LLC TO CONSIDER A NEW FIELD DESIGNATION AND TO ADOPT FIELD RULES FOR THE PROPOSED NEWTON (DEEP WILCOX) FIELD, NEWTON COUNTY, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner
Terry Johnson - Legal Examiner

HEARING DATE: February 25, 2013

APPEARANCES: REPRESENTING:

APPLICANT:

Dale E. Miller

Wapiti Operating, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Wapiti Operating, LLC ("Wapiti") requests that a new field designation called the Newton (Deep Wilcox) Field, ID No. 65393 700, be approved for its Wapiti Oil & Gas BP Runnels Lease, Well No. 1. Wapiti proposes that the following Field Rules be adopted for the new field:

1. Designation of the field as the correlative interval from 11,720 feet to 15,021 feet as shown on the log of the Wapiti Operating, LLC - Wapiti Oil & Gas BP Runnels Lease, Well No. 1 (API No. 42-351-30881);
2. Allocation based on 95% acres and 5% per well with a top oil allowable based on the 1965 Yardstick Allowable of 262 barrels of oil per day.

Wapiti also requests that proration unit plats not be required for individual wells, but that Form P-15 be filed to designate the number of acres to be assigned to each well with no maximum diagonal limitation.

The application is unopposed and the examiners recommend approval of the new field designation and adoption of Field Rules for the Newton (Deep Wilcox) Field, as proposed by Wapiti.

DISCUSSION OF THE EVIDENCE

Wapiti completed its Wapiti Oil & Gas BP Runnels Lease, Well No. 1, in October 2012 with perforations in the Deep Wilcox formation from 13,885 feet to 14,006 feet. On initial test, the well produced flowing at a maximum rate of 46 BOPD, 123 MCFGPD and 451 BWPD with a gas-oil ratio of 2,673 cubic feet per barrel. There is no comparable production within a 2.5 mile radius of the discovery well.

A new field designation should be approved for the Wapiti Oil & Gas BP Runnels Lease, Well No. 1. Wapiti requests that the field be defined as the correlative interval from 11,720 feet to 15,021 feet as shown on the log of the Wapiti Operating, LLC - Wapiti Oil & Gas BP Runnels Lease, Well No. 1 (API No. 42-351-30881), M. Runnels Survey, A-14, Newton County, Texas. The correlative interval includes the entire Deep Wilcox formation.

Wapiti proposes that the field remain on Statewide Rules for spacing and density. To satisfy state statutes, Wapiti requests that a two factor allocation formula based on 95% acres and 5% per well be adopted for the field. Wapiti proposes a top oil allowable based on the 1965 Yardstick allowable of 262 barrels of oil per day. Wapiti also requests that proration unit plats not be required for individual wells, but that Form P-15 be filed to designate the number of acres to be assigned to each well with no maximum diagonal limitation.

FINDINGS OF FACT

1. Notice of this application and hearing was provided to all persons entitled to notice at least ten (10) days prior to the date of the hearing.
2. Wapiti Operating, LLC ("Wapiti") completed its Wapiti Oil & Gas BP Runnels Lease, Well No. 1, in October 2012 with perforations in the Deep Wilcox formation from 13,885 feet to 14,006 feet. On initial test, the well produced flowing at a maximum rate of 46 BOPD, 123 MCFGPD and 451 BWPD with a gas-oil ratio of 2,673 cubic feet per barrel.
3. The Wapiti Oil & Gas BP Runnels Lease, Well No. 1, is entitled to a new field designation as there is no comparable production within a 2.5 mile radius of the discovery well.
4. The Newton (Deep Wilcox) Field should be defined as the correlative interval from 11,720 feet to 15,021 feet as shown on the log of the Wapiti Operating, LLC - Wapiti Oil & Gas BP Runnels Lease, Well No. 1 (API No. 42-351-30881), M. Runnels Survey, A-14, Newton County, Texas. The correlative interval includes the entire Deep Wilcox formation.

5. Allocation based on 95% acres and 5% per well with a top oil allowable based on the 1965 Yardstick Allowable of 262 barrels of oil per day is a reasonable formula which will satisfy state statutes and protect correlative rights of mineral owners in the field.
6. The filing of Form P-15 to designate the number of acres to be assigned to each well for proration purposes with no proration unit plats will eliminate unnecessary paperwork.

CONCLUSIONS OF LAW

1. Proper notice of this hearing was issued.
2. All things have been accomplished or have occurred to give the Commission jurisdiction in this matter.
3. Approval of the requested new field designation and adoption of Field Rules for the proposed Newton (Deep Wilcox) Field will prevent waste, protect correlative rights and promote the orderly development of the field.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission approve the new field designation and adopt Field Rules for the proposed Newton (Deep Wilcox) Field, as requested by Wapiti Operating, LLC.

Respectfully submitted,



Richard D. Atkins, P.E.
Technical Examiner



Terry Johnson
Legal Examiner