



RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET NO. 06-0275565

**THE APPLICATION OF PRIME OPERATING COMPANY TO AMEND PERMANENT
FIELD RULES FOR THE RUNNING DUKE (RODESSA) FIELD IN HOUSTON COUNTY,
TEXAS**

HEARD BY: Brian K. Fancher, P.G. - Technical Examiner
Michael Crnich - Legal Examiner

HEARING DATE: May 03, 2012

APPEARANCES:

APPLICANT:

Rick Johnston

REPRESENTING:

Prime Operating Company

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field rules for the Running Duke (Rodessa) Field were adopted in Oil & Gas Docket No. 6-63,022, effective August 29, 1973. The current rules in effect for wells in the field are summarized as follows:

1. 1,320'-3,735' well spacing;
2. 640 acre density with 10% tolerance;
3. Allocation based on 100% acreage;
4. Surface Casing setting requirements.

Prime Operating Company ("Prime") requests that the current field rules be amended as follows:

1. Designation of the field as the correlative interval from 9,615 feet to 10,105 feet, as shown on the log of the Amoco Production Co., Stowe Lumber Co. Gas Unit, Well No.1 (API 42-225-30134), Houston County;

2. 330'-660' well spacing;
3. 80 acre proration units;
4. Allocation based on 50% acreage and 50% deliverability.

The Notice of Hearing dated April 17, 2012 indicates Prime seeks to adopt field rules for the Running Duke (Rodessa) Field that allow for 40 acre proration units accompanied with an allocation formula based on 100% acreage. At the hearing, Prime requested a deviation from the previously mentioned density and allocation formula, to instead incorporate 80 acre proration units and a two factor allocation formula based on 50% acreage and 50% deliverability.

The application was unopposed and the examiners recommend that Field Rules for the Running Duke (Rodessa) Field be adopted, as proposed by Prime.

DISCUSSION OF THE EVIDENCE

The Running Duke (Rodessa) Field is a non-associated field discovered in February 1971 at an average depth of 11,150 feet. The May 2012 gas proration schedule indicates there are no wells nor operators currently active in the subject field. The cumulative production for the field is reported as 34.6 BCF and 73.9 MBC.

At the hearing, Prime submitted evidence that depicts well locations of wells that have produced from the subject field but are currently listed as either plugged and abandoned or inactive status. Located within the aerial extent of the subject field is the Prime, RD Harrison Lease, Well No. 1 (API No. 42-225-30960), currently completed in the Wildcat Field through perforations established at 8,518 feet through 8,532 feet. Prime testified it intends to further develop the Running Duke (Rodessa) Field by re-completing the RD Harrison Well No. 1 into the subject field, thus its request for the proposed field rules submitted at the hearing.

Prime requested that the subject field be designated as the correlative interval from 9,615 feet to 10,105 feet, as shown on the log of the Amoco Production Co., Stowe Lumber Co. Gas Unit, Well No.1 (API 42-225-30134), Houston County. Prime testified the top of the Rodessa formation constitutes the top of the proposed correlative interval for the subject field. Prime further testified that historically, the vast majority of hydrocarbon production from the subject field is attributed to the larger sand members constituting the upper Rodessa formation.

Additionally, Prime testified it seeks to adopt spacing requirements of 330' lease line spacing and 660' between well spacing accompanied with an 80 acre density provision for wells completed in the subject field. In support of its request, Prime submitted volumetric calculations based upon data taken from historic wells completed in the field. The calculations depict that wells completed in the Running Duke (Rodessa) Field have an estimated drainage area ranging from 114 acres to 175 acres per well, depending on the net pay thickness present in a well completed in the subject field.

Due to the greater drainage capability of wells completed in the subject field, Prime requested the standard proration unit be changed from 40 acres per well, as noticed, to 80 acres per well.

Lastly, to satisfy state statute Prime requested a two-factor allocation formula based upon 50% acreage and 50% deliverability. Prime testified that due to the separation of producing sand intervals within the proposed designated correlative field interval, a two-factor allocation is appropriate for the field.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice at least ten days prior to the date of hearing.
2. The Running Duke (Rodessa) Field is a non-associated field discovered in February 1971 at an average depth of 11,150 feet.
3. Current field rules provide for 1,320'-3,735' well spacing, 640 acre density with 10% tolerance, and allocation based on 100% acreage.
4. The May 2012 gas proration schedule indicates there are no active operators or active wells listed in the Running Duke (Rodessa) Field.
5. The Running Duke (Rodessa) Field should be designated as the correlative interval from 9,615 feet to 10,105 feet, as shown on the log of the Amoco Production Co., Stowe Lumber Co. Gas Unit, Well No.1 (API 42-225-30134), Houston County.
6. Wells completed in the Running Duke (Rodessa) Field have an estimated drainage area ranging from 114 acres to 175 acres per well.
7. Allocation based on 50% acreage and 50% deliverability meets statutory requirements and will protect correlative rights.


CONCLUSIONS OF LAW


1. Proper notice of this hearing was given to all persons legally entitled to notice.
2. All things have occurred or been accomplished to give the Railroad Commission jurisdiction in this matter.
3. Amending the field rules for the Running Duke (Rodessa) Field is necessary to prevent waste, protect correlative rights, and promote development of the field.

EXAMINERS' RECOMMENDATION

Based on the above findings and conclusions, the examiners recommend that the field rules for the Running Duke (Rodessa) Field be amended, as ultimately proposed by Prime Operating Company.

Respectfully submitted,


Michael Crnich
Legal Examiner


Brian K. Fancher, P.G.
Technical Examiner