

## OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET NO. 7C-0273987

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THE APPLICATION OF BANNER OPERATING, LLC TO CONSIDER TEMPORARY FIELD RULES FOR THE JUNE ANN (STARKEY-CANYON SD) FIELD, IRION AND TOM GREEN COUNTIES, TEXAS

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**HEARD BY:** Andres J. Trevino P.E., Technical Examiner  
Marshall F. Enquist, Hearings Examiner

**DATE OF HEARING:** February 14, 2012

**APPEARANCES:**

Keith Masters

**REPRESENTING:**

Banner Operating, LLC

### EXAMINER'S REPORT AND RECOMMENDATION

#### STATEMENT OF THE CASE

Banner Operating, LLC requests that temporary field rules be adopted for the June Ann (Starkey-Canyon SD) Field. The proposed rules are summarized as follows:

1. Designation of the June Ann (Cisco) Field as the correlative interval from 6,298 feet to 7,158 feet as shown on the Compensation Density Neutron Microlog log of the Energy From Texas - Turner T.D. Lease Well No. 3;
2. Minimum well spacing of 467'/933' (lease line/between well);
3. 320 acre gas units, maximum diagonal of 6,500', with 10% tolerance, 40 acre optional units, maximum diagonal of 2,100; 80 acre oil units, maximum diagonal of 3,250', with 20 acre tolerance, 40 acre optional units, maximum diagonal of 2,100;
4. An allocation formula based on 90% deliverability and 10% acreage.

Banner Operating requests the field be classified as associated-prorated and the allocation formula remain suspended. The examiners recommend approval of the proposed rules on a temporary basis.

### **DISCUSSION OF EVIDENCE**

The June Ann (Starkey-Canyon SD) Field was discovered in January 2007 at a depth of 6,569 feet. The field is classified as an associated field with one oil well and one gas well in the field. Banner Operating is the only operator in the field.

Banner Operating requests that the field be designated as the correlative interval from 6,298 feet to 7,158 feet as shown on the log of the Turner T.D. Lease Well No. 3. The top of the interval begins at the base of the June Ann (Cisco) Field's interval. The June Ann (Starkey-Canyon SD) interval includes the entire Canyon Sand and the Strawn Limestone formations.

Production has been limited from the fluvial deposited sands and limestones. Banner requests similar density rules to the analogous Canyon Sands field, the T.D. (6575) Field. Banner Operating requests 320 acre density with optional 40 acre units for gas wells, 80 acre density with optional 40 acre units for oil wells. Banner requests similar spacing rules as the June Ann (Cisco) Field immediately above the June Ann (Starkey-Canyon SD) Field to allow future Starkey-Canyon wells to commingle with the Cisco wells should productive intervals be encountered in both fields.

Banner Operating requests the field be classified as associated prorated as any oil wells drilled are likely to be separate accumulations of oil not connected to gas production. There is no evidence there exists an oil rim adjacent to any gas production. Because the proposed designated intervals contains multiple productive zones, a two factor allocation formula is required by statute. Banner Operating proposes that allocation be based on 90% deliverability and 10% acreage. Banner Operating requests the allocation formula be suspended as there is market demand for 100% of the gas produced.

### **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 June Ann (Starkey-Canyon SD) Field was discovered January 2007 at a depth of 6,569 feet. The field is classified as an associated field with one oil well and one gas well in the field. Banner Operating is the only operator in the field.
3. The June Ann (Starkey-Canyon SD) Field should be designated as the entire correlative interval between 6,298 feet to 7,158 feet as shown on the Compensation Density Neutron Microlog log of the Energy From Texas - Turner T.D. Lease Well No. 3. The interval includes the entire Canyon Sand

and the Strawn Limestone formations.

4. Well spacing of 467'/933', gas proration units of 320 acres with optional 40 acres and oil proration units of 80 acres with optional 40 acres should provide for the effective and efficient depletion of the reservoir.
  - a. Production has been limited from the fluvial deposited sands and limestones.
  - b. Similar rules have been adopted for the T.D. (6575) Field, a Canyon Sand field.
  - c. Having similar rules as the June Ann (Cisco) Field immediately above the June Ann (Starkey-Canyon SD) Field will allow future Starkey-Canyon wells to commingle with the Cisco wells should productive intervals be encountered in both fields thereby increasing recovery wells in the fields.
5. The field should be classified as associated prorated as existing oil wells and any future oil wells drilled are likely to be separate accumulations of oil not connected to gas production. There is no evidence there exists an oil rim adjacent to any gas production.
6. Allocation based on 90% deliverability and 10% acreage is a reasonable method of allocation which will protect the correlative rights of mineral owners in the field.
7. The allocation formula should be suspended as there is market demand for 100% of the gas produced.

#### **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. Adoption of the proposed field rules for the June Ann (Starkey-Canyon SD) Field on a temporary basis is necessary to prevent waste, protect correlative rights and promote development of the field.

**RECOMMENDATION**

Based on the above findings and conclusions of law, the examiners recommend that the Commission adopt the field rules proposed by June Ann (Starkey-Canyon SD) Field for the June Ann (Starkey-Canyon SD) Field on a temporary basis, subject to review in 24 months.

Respectfully submitted,

Andres J. Trevino, P.E.  
Technical Examiner

Marshall F. Enquist  
Hearings Examiner