



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 8A-0279068

THE APPLICATION OF PPC OPERATING COMPANY LLC TO RENUMBER AND AMEND FIELD RULES FOR THE GIN (SPRABERRY) FIELD, DAWSON COUNTY, TEXAS

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

HEARING DATE: January 3, 2013

APPEARANCES:

REPRESENTING:

APPLICANT:

Thomas H. Richter

PPC Operating Company LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field Rules for the Gin (Spraberry) Field were adopted in Final Order No. 8A-55,772, effective February 11, 1966. The Field Rules are summarized as follows:

1. 660'-1,320' well spacing;
2. 80 acre oil units;
3. Allocation based on 100% acres with a top oil allowable of 215 BOPD;
4. Surface casing requirements.

PPC Operating Company LLC ("PPC") requests that the Field Rules be renumbered and amended, as shown below:

1. Designated correlative interval from 8,000 feet to 8,150 feet as shown on the log of the PPC Operating Company LLC - Gin Unit, Well No. 501 (API No. 42-115-10252), formerly known as the Texaco E & P Inc. - United Presbyterian Church Lease, Well No. 1;

2. 330'-0' well spacing;
3. 80 acre oil units with optional 40 acre density;
4. Allocation based on 100% acres with a top oil allowable of 215 BOPD.

PPC also requests that the filing of Form P-15 and proration unit plats not be required and that it be granted a 60 day exception to the "10-Day Rule" requirement to file a potential test that is stated in Statewide Rule 51(a).

The application is unopposed and the examiners recommend that the Field Rules for the Gin (Spraberry) Field be renumbered and amended, as proposed by PPC.

DISCUSSION OF EVIDENCE

The Gin (Spraberry) Field was discovered in August 1965 at an average depth of 8,100 feet. There are 13 producing oil wells and three operators carried on the proration schedule. Field Rules currently provide for 660'-1,320' well spacing, 80 acre oil units and allocation based on 100% acres. Cumulative production from the field through August 2012 is 8.1 MMBO and 7.1 BCFG.

There is currently no defined correlative interval for the field. PPC requests that the field be defined as the correlative interval from 8,000 feet to 8,150 feet as shown on the log of the PPC Operating Company LLC - Gin Unit, Well No. 501 (API No. 42-115-10252), formerly known as the Texaco E & P Inc. - United Presbyterian Church Lease, Well No. 1, Section 8, Block 36, T-5-N, T&P RR Co. Survey, A-963, Dawson County, Texas. The correlative interval includes the entire Spraberry Gin Sand formation. From log analysis, PPC estimated an average porosity of 20%, an average saltwater saturation of 36%, an average net pay thickness of 20 feet and a current recovery factor of 11% of the original oil in place. Although the Gin Unit is currently under secondary recovery by waterflooding, the primary drive mechanism was a solution gas drive.

PPC is developing the Gin Unit by drilling infill wells and initiating a 40 acre 5-Spot waterflood pattern. PPC is proposing to drill 38 producing and 17 injection wells and believes the proposed development will increase the recovery factor to 16% of the original oil in place, or 1.85 MMBO. PPC requests 330'-0' well spacing and 80 acre oil units with optional 40 acre density to provide for the efficient and effective recovery of reserves from the proposed waterflood development project. A no minimum between well spacing limitation is necessary to promote the efficient and effective development of the remaining hydrocarbons in an attempt to recover any bypassed oil from the waterflood operations.

PPC also requests that the filing of Form P-15 and proration unit plats not be required. In addition, PPC requests that it be granted a 60 day exception to the "10-Day Rule" requirement to file a potential test that is stated in Statewide Rule 51(a). The

additional time will allow PPC to obtain valuable reservoir and production equipment sizing information, which will result in a production test that is fundamentally more representative of the enhanced secondary recovery project.

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. The Gin (Spraberry) Field was discovered in August 1965 at an average depth of 8,100 feet.
 - a. There are 13 producing oil wells and three operators carried on the proration schedule.
 - b. Field Rules currently provide for 660'-1,320' well spacing, 80 acre oil units and allocation based on 100% acres.
3. The Gin (Spraberry) Field should be defined as the correlative interval from 8,000 feet to 8,150 feet as shown on the log of the PPC Operating Company LLC - Gin Unit, Well No. 501 (API No. 42-115-10252), formerly known as the Texaco E & P Inc. - United Presbyterian Church Lease, Well No. 1, Section 8, Block 36, T-5-N, T&P RR Co. Survey, A-963, Dawson County, Texas. The correlative interval includes the entire Spraberry Gin Sand formation.
4. Field Rules for the Gin (Spraberry) Field that provide for 330'-0' well spacing and 80 acre oil units with optional 40 acre density are appropriate for the field.
 - a. PPC Operating Company LLC ("PPC") is developing the Gin Unit by drilling infill wells and initiating a 40 acre 5-Spot waterflood pattern.
 - b. PPC is proposing to drill 38 producing and 17 injection wells and believes the proposed development will increase the recovery factor to 16% of the original oil in place, or 1.85 MMBO.
 - c. A no minimum between well spacing limitation is necessary to promote the efficient and effective development of the remaining hydrocarbons in an attempt to recover any bypassed oil from the waterflood operations.
5. Not requiring the filing of Form P-15 and proration unit plats will eliminate unnecessary paperwork.

6. A 60 day exception to the "10-Day Rule" requirement to file a potential test that is stated in Statewide Rule 51(a) will allow PPC to obtain valuable reservoir and production equipment sizing information, which will result in a production test that is fundamentally more representative of the enhanced secondary recovery project.

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. Renumbering and amending the Field Rules for the Gin (Spraberry) Field is necessary to prevent waste, protect correlative rights and promote development of the field.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission renumber and amend the Field Rules for the Gin (Spraberry) Field, as requested by PPC Operating Company LLC.

Respectfully submitted,


Richard D. Atkins, P.E.
Technical Examiner


Terry Johnson
Legal Examiner

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

**OIL AND GAS DOCKET
NO. 8A-0279068**

**IN THE GIN (SPRABERRY) FIELD,
DAWSON COUNTY, TEXAS**

**FINAL ORDER
AMENDING AND RENUMBERING THE FIELD RULES FOR THE
GIN (SPRABERRY) FIELD
DAWSON COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on January 3, 2013, the presiding examiners have made and filed a report and recommendation containing findings of fact and conclusions of law, for which service was not required; that the proposed application is in compliance with all statutory requirements; and that this proceeding was duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas.

The Commission, after review and due consideration of the examiners' report and recommendation, the findings of fact and conclusions of law contained therein, hereby adopts as its own the findings of fact and conclusions of law contained therein, and incorporates said findings of fact and conclusions of law as if fully set out and separately stated herein.

Therefore, it is **ORDERED** by the Railroad Commission of Texas that the Field Rules for the Gin (Spraberry) Field, Dawson County, Texas adopted in Final Order No. 8A-55,772, effective February 11, 1966, are hereby renumbered and amended. The renumbered and amended Field Rules are set out in their entirety below:

RULE 1: The entire correlative interval from 8,000 feet to 8,150 feet as shown on the log of the PPC Operating Company LLC - Gin Unit, Well No. 501 (API No. 42-115-10252), formerly known as the Texaco E & P Inc. - United Presbyterian Church Lease, Well No. 1, Section 8, Block 36, T-5-N, T&P RR Co. Survey, A-963, Dawson County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Gin (Spraberry) Field.

RULE 2: No well for oil or gas shall hereafter be drilled nearer than **THREE HUNDRED THIRTY (330)** feet to any property line, lease line, or subdivision line. There is no minimum between well spacing limitation. The aforementioned distances in the above rule are minimum distances to allow an operator flexibility in locating a well; and the above spacing rule and the other rules to follow are for the purpose of permitting only one well to each drilling and proration unit. Provided however, that the Commission will grant exceptions to permit drilling within shorter distances and drilling more wells than herein prescribed, whenever the Commission shall have determined that such exceptions are necessary either to prevent waste or to prevent the confiscation of property. When exception to these rules is desired, application therefor shall be filed and will be acted upon

in accordance with the provisions of Commission Statewide Rules 37 and 38, which applicable provisions of said rules are incorporated herein by reference.

In applying this rule the general order of the Commission with relation to the subdivision of property shall be observed.

RULE 3: The acreage assigned to the individual oil well for the purpose of allocating allowable oil production thereto shall be known as a proration unit. The standard drilling and proration units are established hereby to be EIGHTY (80) acres. No proration unit shall consist of more than EIGHTY (80) acres except as hereinafter provided. All proration units shall consist of continuous and contiguous acreage which can reasonably be considered to be productive of oil. No double assignment of acreage will be accepted.

If after the drilling of the last well on any lease and the assignment of acreage to each well thereon in accordance with the regulations of the Commission there remains an additional unassigned acreage of less than EIGHTY (80) acres, then and in such event the remaining unassigned acreage up to and including a total of FORTY (40) acres may be assigned as tolerance acreage to the last well drilled on such lease or may be distributed among any group of wells located thereon, so long as the proration units resulting from the inclusion of such additional acreage meet the limitations prescribed by the Commission.

An operator, at his option, shall be permitted to form optional drilling units of FORTY (40) acres. A proportional acreage allowable credit will be given for a well on a fractional proration unit.

There is no maximum diagonal limitation and operators shall not be required to file Form P-15 or proration unit plats for any well in this field.

RULE 4: The maximum daily oil allowable for each well in the subject field shall be the 1965 Yardstick Allowable of 215 barrels of oil per day and the actual allowable for an individual well shall be determined by multiplying the allowable for a well in the field by a fraction, the numerator of which is the acreage assigned to the well for proration purposes and the denominator of which is the maximum acreage authorized by these field rules for proration purposes, exclusive of tolerance acreage. The daily oil allowable for a well in the field shall be adjusted in accordance with Statewide Rule 49(a) when applicable.

RULE 5: All operators of oil wells in the field shall file a Form W-2 (Oil Well Potential Test) within 10 days after an oil well is completed or recompleted in the field. However, if the productive potential of the well cannot be accurately gauged at the time of the initial test due to waterflood operations or similar factors, the Form W-2 may be a "records only" filing detailing the completion date, equipment configuration of the well and other information required by Statewide rule 51(a) and the Form W-2, but excluding productive potential information. When a "records only" Form W-2 is filed, the operator shall file an amended Form W-2 with all required information, including accurate productive

potential data, within 60 days of the date the "records only" form W-2 was filed. If such an amended Form W-2 is filed within the prescribed 60 day period, the allowable for the well will be backdated to the date the "records only" W-2 was filed and no waivers from other operators in the field or exceptions to Statewide Rule 51(a) will be required.

Done this 12th day of February, 2013.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Divisions' Unprotested Master
Order dated February 12, 2013)**