



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

**OIL AND GAS DOCKET NO. 06-0288699**

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**THE APPLICATION OF FAIR OIL, LTD, TO AMEND FIELD RULES FOR THE MT. VERNON (TRAVIS PEAK) FIELD, FRANKLIN COUNTY, TEXAS**

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**HEARD BY:** Paul Dubois – Technical Examiner  
Marshall Enquist – Hearings Examiner

**HEARING DATE:** May 28, 2014

**APPEARANCES:** **REPRESENTING:**

**APPLICANT:**

John Camp  
Tim Smith

Fair Oil, Ltd

### EXAMINERS' REPORT AND RECOMMENDATION

#### STATEMENT OF THE CASE

This is the application of Fair Oil, Ltd., to amend field rules for the Mt. Vernon (Travis Peak) Field in Franklin County, Texas. Fair Oil seeks to adopt a correlative interval for the field and revise the spacing rules, density rules, and allocation.

The initial notice of hearing inadvertently omitted Harleton Oil & Gas, Inc., who also operates wells in this field. A supplemental notice to Harleton was issued providing more than 10 days notice of the application and hearing. The application was not protested. The examiners recommend the field rules be amended as requested by Fair Oil.

#### DISCUSSION OF THE EVIDENCE

The Mt. Vernon (Travis Peak) Field was discovered on October 8, 1984, at a depth of 7,146 feet. Temporary field rules were established for the field by the Railroad Commission on January 21, 1985 by the Order for Oil and Gas Docket No. 6-84,254. These rules were made permanent on September 8, 1986 in Oil and Gas Docket No. 6-

87,741. The current field rules are summarized below:

1. 660-foot lease line spacing and 1,320-foot between well spacing;
2. 80-acre drilling and proration units; and
3. Acreage-based oil allowable allocation.

Fair Oil is requesting the following changes to the existing field rules:

1. Establish a correlative interval for the field to be the depth interval from 7,110 feet to 7,174 feet in the Stewart-Brody et al well no. 1 (API No. 159-30592);
2. 467-foot lease line spacing and 933-foot between well spacing;
3. Standard 80-acre drilling and proration units, and provide for 40-acre optional units; and
4. Establish a two-factor allocation formula based on 75 percent acreage and 25 percent potential.

The May 1, 2014 oil proration schedule carries three (3) producing oil wells in the Mt. Vernon (Travis Peak) Field. All three wells on the schedule are operated by Fair Oil. Another operator in the field, Harleton Oil & Gas, Inc., has completed at least one well that is not yet on the schedule. The yardstick allowable for the field is 198 bbl oil per day with a 2000:1 scf per bbl gas-oil ratio.

Fair Oil identified 10 well bores of interest in the area of the Mt. Vernon (Travis Peak) Field. These wells include three (3) wells on the May 1, 2014 proration schedule; one (1) well completed in the Mt. Vernon (Travis Peak) Field not yet on schedule; two (2) wells completed in the Mt. Vernon (Pettit) Field that may have productive Travis Peak interval behind casing; three (3) wells completed in the Mt. Vernon (Travis Peak) Field that have since been plugged and abandoned; and, one (1) dry hole. The older wells are generally located to the south, and the more recent (currently producing) wells are to the north.

Fair Oil proposes to establish a correlative interval for the Mt. Vernon (Travis Peak) Field as the depth interval from 7,110 feet to 7,174 feet in Fair Oil's Stewart-Brody et al well no. 1 (API No. 159-30592). On the Schlumberger Platform Express log of the subject well, the gamma ray and spontaneous potential curves indicate an upper and lower sand interval separated by a shale interval. The microlog exhibits crossover in the sand intervals, which is indicative of permeability. The well log also exhibits a neutron density effect, suggestive of gas in the sand zones, although this well produces oil. Below the

proposed correlative interval there are additional Travis Peak-aged sands that exhibit similar characteristics, although these were not shown to be potentially productive of hydrocarbons during drilling of the subject well.

The two sand intervals identified in the type log vary with distance. Adjacent wells may exhibit more or fewer unique sand intervals. In some cases the upper zone is productive and in others the lower zone is productive. Regardless, there does appear to be more than one source of hydrocarbon supply in the field, and therefore a two-factor allocation formula is necessary under the Texas Natural Resources Code. Further, because of the lateral variability in the field, Fair Oil believes that reduced between well spacing (from 1,200 feet to 933 feet) is appropriate and provides flexibility to efficiently site future wells.

To assess the adequacy of the field's density rules, Fair Oil approached the volumetric analysis from two perspectives. Based on the older production from the Sklar & Phillips R. J. Banks No. 1 well (now plugged), which was the best-producing well in the field, Fair Oil estimates the well drained 53 acres. Secondly, Fair Oil cited pressure data from the 1986 review of temporary field rules that relied on pressure data to establish 80-acre drilling and proration units. Therefore, Fair Oil believes that 80-acre base units are appropriate, and that production data supports smaller 40-acre units.

#### 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 Mt. Vernon (Travis Peak) Field was discovered on October 8, 1984, at a depth of 7,146 feet.
3. Temporary field rules were established for the field by the Railroad Commission on January 21, 1985 by the Order for Oil and Gas Docket No. 6-84,254. These rules were made permanent on September 8, 1986 in Oil and Gas Docket No. 6-87,741.
4. The current field rules are summarized below:
  - a. 660-foot lease line spacing and 1,320-foot between well spacing;
  - b. 80-acre drilling and proration units; and
  - c. Acreage-based oil allowable allocation.
5. A correlative interval from 7,110 feet to 7,174 feet in Fair Oil's Stewart-Brody

et al well no. 1 (API No. 159-30592) includes two productive sand intervals separated by a shale interval.

6. The two sand intervals identified in the type log vary with distance, and adjacent wells may exhibit more or fewer unique sand intervals. The stratigraphic variability indicates:
  - a. A two-factor allocation formula is necessary under the Texas Natural Resources Code; and
  - b. Reduced between well spacing (from 1,200 feet to 933 feet) is appropriate and provides flexibility to efficiently site future wells.
7. Based on original reservoir pressure, the Commission in Oil & Gas Docket No. 6-87,741 concluded that wells in the field drained 80 acres. Based on production data, the Sklar & Phillips R. J. Banks No. 1 well drained 53 acres.

#### **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. Amending Field Rules for the Mt. Vernon (Travis Peak) Field will prevent waste, protect correlative rights and promote development of the field.

#### **EXAMINERS' RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission amend the field rules for the Mt. Vernon (Travis Peak) Field, as requested by Fair Oil, Ltd.

Respectfully submitted,



Paul Dubois  
Technical Examiner



Marshall Enquist  
Hearings Examiner