



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0289289

THE APPLICATION OF PPC OPERATING COMPANY, LLC TO AMEND FIELD RULES FOR THE PRIEST & BEAVERS (QUEEN) FIELD PECOS COUNTY, TEXAS

HEARD BY: Karl Caldwell – Technical Examiner
Cecile Hanna – Legal Examiner

DATE OF HEARING: July 2, 2014 – Standing Hearing
September 18, 2014 – Hearing on Merits

APPEARANCES:

REPRESENTING:

APPLICANT:

Flip Whitworth
Bryan Lauer
Thomas "Buddy" Richter
Whit Myers
Robert Cox

PPC Operating Company, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field rules for the Priest & Beavers (Queen) Field were adopted in Final Order No. 8-37,453, effective March 19, 1958. The current field rules in effect for the field are summarized as follows:

1. 330 ft. lease line, 1,200 ft. between well spacing;
2. 40 acre proration units, with a 2,100' maximum diagonal, 20 acre tolerance;
3. Allocation based on 75% acreage, 25% per well;
4. Required surface casing of 500 feet or base on the Cretaceous rock.

PPC Operating Company, LLC ("PPC") requests that the field rules be amended as shown below:

1. Renumber current rule 1 as rule 2 and designate a correlative interval for the field as rule 1. The entire correlative interval from 2,053 feet to 2,143 feet as shown on the Compensated Neutron log of the PPC Operating Company, Priest & Beavers Unit Well No. 9, (API No. 42-371-37602), Section 28, Block C4, GC & SF Survey, Pecos County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Priest & Beavers (Queen) Field;
2. 330 ft. lease line, 1,200 ft. between well spacing (no change in the well spacing from the previous field rules);
3. Proration unit density of 40 acres with 20 acre tolerance, and optional 20 acre units with no requirement of filing proration unit plats with Form P-15; and
4. Allocation based on 75% acreage, 25% per well (no change in the allocation formula from the previous field rules).

In the notice of application, PPC requested to amend the between well spacing, but withdrew this request. The application was originally protested by Blackwelder Oil, an operator in the Priest & Beavers (Queen) Field. The Middle Pecos Groundwater Conservation District and John Dorris, a land and mineral interest owner in the field, requested party status to protest the application on the basis of potential pollution of useable quality water. On July 2, 2014, a standing hearing was held to determine if the Middle Pecos Groundwater Conservation District and John Dorris had a justiciable interest in the subject field rule amendment proceeding. The examiners determined that neither the Middle Pecos Groundwater Conservation District, nor John Dorris had standing in the field rule hearing because their alleged injury would result from the drilling of additional injection wells in the field, yet the application at issue involved only production wells. Thus, the Middle Pecos Groundwater Conservation District and John Dorris failed to demonstrate an imminent harm. The examiners determined further that their concerns stem from the unripe issue of drilling new injection wells, which is outside the scope of this proceeding. Operator, Blackwelder Oil, was determined to have standing, however, Blackwelder Oil withdrew its protest of the proposed field rule amendments on September 17, 2014. The unprotested field rule hearing was held on September 18, 2014.

The application is unprotested and the examiners recommend that the field rules be amended, as proposed by PPC.

DISCUSSION OF THE EVIDENCE

The Priest & Beavers (Queen) Field was discovered August 28, 1957, at a depth of 2,180 feet. The September 1, 2014 oil proration schedule lists PPC as a current operator in the subject field. The September 1, 2014 proration schedule for the subject field shows the cumulative oil production to be 2,948,532 BO.

The current field rules do not include a correlative interval. PPC is requesting that the entire correlative interval from 2,053 feet to 2,143 feet as shown on the Compensated Neutron log of the PPC Operating Company, Priest & Beavers Unit Well No. 9, (API No. 42-371-37602), Section 28, Block C4, GC & SF Survey, Pecos County, Texas, be designated as a single reservoir for proration purposes and designated as the Priest & Beavers (Queen) Field.

The Priest & Beavers Unit in the Priest & Beavers (Queen) Field was approved for unitization, secondary recovery authority, and entity for density authority in Final Order No. 08-0241623 on April 5, 2005. PPC currently operate 15 injection wells and 15 producing wells in the Priest & Beavers (Queen) Field, with one additional well currently shut-in.

Drainage area calculations performed on eleven wells in the subject field prior to unitization indicated that seven of the eleven wells were draining less than 40 acres, with these drainage areas ranging from 7.8 acres to 34.3 acres. Of the four wells that were estimated to be draining greater than 40 acres, the drainage areas calculated ranged from 41.5 acres to 126 acres. Recovery reserve analysis performed on the wells resulted in a total recovery as of April 4, 2014 of 1,992,033 BO. Based on the status of the current wells, decline analysis indicated the remaining recoverable reserves to be 348,800 BO. The estimated ultimate recovery (EUR) under the current conditions was estimated to be 2,340,833 BO.

PPC is proposing optional 20 acre units for the subject field to prevent waste by recovering additional reserves that would otherwise go unrecovered under the current field rules. Reserve calculations to support an incremental recovery of reserves with an optional 20 acre density field rule were performed to support the proposed optional density. Based on the current production rate of fifteen wells producing approximately 10,000 BO per month, PPC estimates that if fourteen proposed in-fill wells were drilled, an increase of approximately 21,000 BO per month would be recovered. The resulting EUR with the proposed wells, based on decline analysis is 2,726,233 BO. This is an incremental recovery of an additional 385,400 BO.

FINDINGS OF FACT

1. Notice of the field rules hearing was provided to all persons entitled to notice at least ten (10) days prior to the date of the hearing and no protests were received.
2. The Priest & Beavers (Queen) Field was discovered August 28, 1957, at a depth of 2,180 feet.
3. Field rules for the Priest & Beavers (Queen) Field were adopted in Final Order No. 8-37,453, effective March 19, 1958.
4. The current field rules do not contain a correlative interval for the Priest & Beavers (Queen) Field.
5. Adoption of optional 20 acre units and the in-fill drilling and completion of 14 wells is estimated recover an additional 385,400 BO.

CONCLUSIONS OF LAW

1. Proper notice was issued as required by all applicable statutes and regulatory codes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Amending the field rules for the Priest & Beavers (Queen) Field will prevent waste.

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 Priest & Beavers (Queen) Field, as proposed by PPC Operating Company, LLC.

Respectfully submitted,



Karl Caldwell
Technical Examiner



Cecile Hanna
Legal Examiner