



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0292031

THE APPLICATION OF IMPETRO OPERATING LLC TO ADOPT FIELD RULES FOR THE CRITTENDON (BRUSHY CANYON) FIELD WINKLER COUNTY, TEXAS

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

DATE OF HEARING: October 16, 2014
CONFERENCE DATE: January 27, 2015

APPEARANCES:

REPRESENTING:

APPLICANT:

John Soule
Edward Shaw

Impetro Operating LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

The Crittendon (Brushy Canyon) Field has been under Statewide rules since the field was discovered in 1977. Impetro Operating LLC ("Impetro") proposes to adopt field rules, summarized as follows:

1. A designated correlative interval from 7,304 feet to 8,764 feet as shown on the log of the Tubb Estate –A- Well No. 1022 (API No. 42-495-31858) Winkler County, Texas, to be designated as the Crittendon (Brushy Canyon) Field;
2. Minimum oil well spacing of 467', lease line, with 0' between well spacing, 200' first and last take point provisions for horizontal wells, an off lease penetration point, no-perf zone language, 50' box rule;
3. 80 acre oil proration units with optional 40 acre oil proration units, additional acreage assigned to horizontal wells pursuant to Statewide Rule 86, filing Form P-15;

4. An allocation formula based on 50% acreage, 50% potential;
5. A stacked lateral rule.

Impetro also requests that the field rules be made permanent as there is sufficient data to support the proposed field rules. Notice of the hearing was sent to all operators on the proration schedule for the field in addition to all operators with wells permitted in the field. The application is unopposed and the examiners recommend that field rules be adopted for the Crittendon (Brushy Canyon) Field.

DISCUSSION OF THE EVIDENCE

The Crittendon (Brushy Canyon) Field was discovered on December 5, 1997 at a depth of 8,384 feet. The field has been under Statewide rules since the field was discovered. Based on the amount of field data available, Impetro is requesting to adopt permanent field rules. Impetro is planning on drilling its first horizontal well in the field and has plans to drill additional horizontal wells and requests to adopt horizontal field rules to prevent waste in the field.

Standard Corporation appears on the proration schedule but is currently in the process of plugging their last well in the field. Impetro is requesting similar field rules to those recently adopted in the McGillicutty (Brushy Canyon) Field (Final Order 08-0287470).

Mr. Edward Shaw, Impetro C.O.O, stated that Impetro currently operates all wells in the Crittendon (Brushy Canyon) Field with the exception of the Tubb Estate 26 No. 1 (API No. 42-49511024) operated by Heritage Standard Corp. which Mr. Shaw stated was in the process of being plugged. The wells that have been drilled and completed in the field to-date have been vertical wells. Impetro has permitted a horizontal well in the field that is currently being drilled, the Wolfe Unit No. 3H (API No. 42-495-3215501). The surface location of this well is located in the northeast corner of Section 24 and the bottomhole location located in the northwest corner of Section 24.

The proration schedule for the field shows Impetro to be the operator of 6 wells in the subject field. The only other well listed on the proration schedule is the Tubb Estate 26-1 operated by Heritage Standard Corporation, which shows a delinquent P-5 and a delinquent W-10 (14B denied). There are currently only oil wells in the field. As a result, Impetro requested to withdraw the proposed gas well field rules including the allocation formula for gas wells.

Impetro is requesting to designate the correlative interval from 7,304 feet to 8,764 feet as shown on the log of the Tubb Estate –A- Well No. 1022 (API No. 42-495-31858) Winkler County, Texas, as the Crittendon (Brushy Canyon) Field.

Cumulative well production from the various wells in the field varies and is the reason for adopting 80 acre standard proration units with 40 acre optional proration units. Drainage calculations and estimated reserves for the Tubbs Estate –A-No 1022 (API No. 42-495-31858) indicated a drainage area of 70.25 acres. The Tubbs Estate 21-2 (API No. 42-495-30285) drainage area calculation resulted in a drainage area of 15.06 acres. Based on these drainage calculations Impetro is requesting 80 acre proration units with optional 40 acre proration units for the field.

Impetro anticipates the majority of wells drilled in the future development to be horizontal wells. Exhibit 7 shows planned horizontal wells to be drilled in the field, although the optimum orientation of the wellbores has not been determined at this point. Impetro intends to drill the laterals perpendicular to the preferred fracture plane. The completion of the Wolfe Unit No. 3H well was drilled in an east to west direction, however, the next well will be drilled in a perpendicular direction to the Wolfe Unit No. 3H. The results will aid in determining the preferred fracture plane to drill all future wells in the field. Dual lease line spacing of 200 feet – 467 feet will prevent waste, as 467 feet spacing from the first and last take points will leave oil unrecovered.

There are different porosity stringers within the Brushy Canyon interval. In the future, Impetro anticipates targeting multiple porosity stringers in the correlative interval. As a result, Impetro is requesting a stacked lateral rule to provide for multiple laterals. A similar rule has been adopted in the McGillicutty (Brushy Canyon) Field. Impetro proposes a multiple factor allocation formula based on 50% acres 50% well potential.

FINDINGS OF FACT

1. Notice of this hearing was provided to all operators in the field and all operators with wells permitted in the field at least ten (10) days prior to the date of the hearing.
2. The Crittendon (Brushy Canyon) Field was discovered on December 5, 1997 at a depth of 8,384 feet.
3. The Crittendon (Brushy Canyon) Field is currently under Statewide rules.
4. Adoption of a two factor allocation formula is appropriate. TEX. NAT. RES. CODE ANN. § 85.053 and § 86.089.
5. Adopting a stacked lateral rule will prevent waste.

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. Adopting field rules for the Crittendon (Brushy Canyon) Field will prevent waste.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission adopt field rules for the Crittendon (Brushy Canyon) Field, as proposed by Impetro Operating LLC.

Respectfully submitted,



Karl Caldwell
Technical Examiner



Cecile Hanna
Legal Examiner