



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 09-0294033

**THE APPLICATION OF SILVER SPIKE ENERGY OPERATING, LLC TO ADOPT
FIELD RULES FOR THE SHERMAN, SOUTH (OIL CREEK) FIELD, GRAYSON
COUNTY, TEXAS**

HEARD BY: Paul Dubois – Technical Examiner
Laura Miles-Valdez – Hearings Examiner

HEARING DATE: December 16, 2014

CONFERENCE DATE: March 24, 2015

APPEARANCES:

Bill Spencer
Frank Muser, P.E.

REPRESENTING:

Silver Spike Energy Operating LLC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Silver Spike Energy Operating, LLC (Silver Spike) seeks to adopt field rules for the Sherman, South (Oil Creek) Field in Grayson County, Texas. The field is currently on county regular rules. Silver Spike is the only operator in the subject field. Silver Spike seeks the following field rules:

- A correlative interval from 8,798 feet to 9,016 feet;
- 80 acre standard proration units with 40 acre tolerance provisions;
- 330-foot lease line spacing and 660-foot between well spacing; and,
- A two-factor allocation formula based on 95 percent acreage and 5 percent per well.

Silver Spike also seeks to have any overproduction cancelled. The application is not protested.

The Examiners recommend Silver Spike's application be approved, with a modification to the requested spacing and density provisions. The Examiners recommend 80 acre base units with 40 acre optional units, and spacing based on standard distances for a 40 acre unit of 467 feet to the nearest lease line and 933 feet between wells. Silver Spike did not present evidence to demonstrate that non-standard spacing was warranted. Silver Spike does not consider the recommended provisions to be adverse.

DISCUSSION OF EVIDENCE

The Sherman, South (Oil Creek) Field was discovered May 21, 1971, at a depth of 8,822 feet. There are currently no wells carried on the December 1, 2014, proration schedule. The county regular rules for fields deeper than 5,000 feet include 40-acre standard proration units with 20-acre tolerance provisions, lease line spacing of 467 feet, and between well spacing of 1,200 feet. The 1965 yardstick allowable for this field is 165 barrels of oil (BO) per day (BOPD). The cumulative production from the field is 36,068 BO. Silver Spike has recently completed a well in this field.

On July 12, 2014, Silver Spike completed its Uncle Slayton Lease, Well No. 1, in the Oil Creek, a member of the Ordovician-age Simpson Group. The producing interval for the well is from 8,878 feet to 8,897 feet. On initial potential testing the well produced by flowing 150 BO, and 300 thousand cubic feet (MCF) of gas. The oil gravity was 34.8° API. The gas to oil ratio was 2,000:1 standard cubic feet per barrel, and the flowing tubing pressure was 200 pounds per square inch.

Silver Spike proposes a correlative interval of the field from 8,798 feet to 9,016 feet, as shown on the Gamma Ray-Neutron Log and Electric Log of the Silver Spike Energy Operating, LLC - Uncle Slayton #1 (API No. 42-181-31549), Elizabeth Jones Survey A-625; Grayson County, Texas.

Silver Spike estimates the reservoir pressure to be 3,500 psi, porosity is 13.9 percent, and the water saturation is 27.3 percent. There is 18 feet of net pay in the proposed field interval. Assuming an 80-acre drainage area, Silver Spike estimates a well in the field will recover an estimated 67,000 BO at 8.8 percent recovery.

A two-factor allocation formula is necessary because the proposed correlative interval may include more than one accumulation of oil or gas (see Tex. Nat. Res. Code §85.053(b)(ii)).

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 Sherman, South (Oil Creek) Field was discovered May 21, 1971, at a depth of 8,822 feet. The cumulative production from the field is 36,068 BO.
3. There are currently no wells carried on the December 1, 2014, proration schedule. Silver Spike has recently completed a well in this field
4. Silver Spike's Uncle Slayton Lease, Well No. 1, produced by flowing 150 BO, and 300 thousand cubic feet (MCF) of gas on initial potential testing. The oil gravity was 34.8° API. The gas to oil ratio was 2,000:1 standard cubic feet per barrel, and the flowing tubing pressure was 200 pounds per square inch.
5. The correlative interval from 8,798 feet to 9,016 feet, as shown on the Gamma Ray-Neutron Log and Electric Log of the Silver Spike Energy Operating, LLC - Uncle Slayton #1 (API No. 42-181-31549), Elizabeth Jones Survey A-625; Grayson County, Texas, is appropriate for this field.
6. The reservoir pressure is 3,500 psi, porosity is 13.9 percent, and the water saturation is 27.3 percent. There is 18 feet of net pay in the proposed field interval.
7. Assuming an 80-acre drainage area, Silver Spike estimates a well in the field will recover an estimated 67,000 BO at 8.8 percent recovery.
8. A two-factor allocation formula is necessary because the proposed correlative interval may include more than one accumulation of oil or gas.

CONCLUSIONS OF LAW

1. Resolution of the subject application is a matter committed to the jurisdiction of the Railroad Commission of Texas. Tex. Nat. Res. Code § 81.051
2. All notice requirements have been satisfied. 16 Tex. Admin. Code § 1.45
3. The proposed field rules are necessary to prevent waste, protect correlative rights, and promote the orderly development of the field.

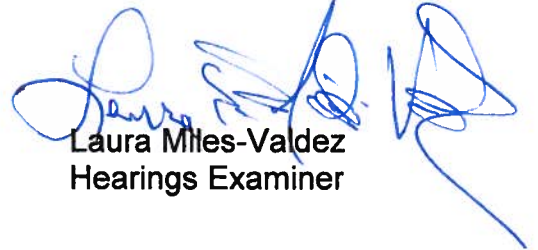
RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend field rules be adopted for the Sherman, South (Oil Creek) Field as requested by Silver Spike Energy Operating, LLC.

Respectfully submitted,



Paul Dubois
Technical Examiner



Laura Miles-Valdez
Hearings Examiner