



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0298041

THE APPLICATION OF 338 OIL & GAS, INC. TO AMEND THE SPECIAL FIELD RULES FOR THE RINEHART (AUSTIN CHALK) FIELD, BEXAR COUNTY, TEXAS

HEARD BY: Brian Fancher, P.G. – Technical Examiner
Laura Miles-Valdez – Hearings Examiner

HEARING DATE: October 12, 2015
RECORD CLOSED: October 19, 2015
SUBMISSION DATE: December 17, 2015
CONFERENCE DATE: January 12, 2016

APPEARANCES:

REPRESENTING:

APPLICANT:

James M. Clark, P.E.

338 Oil & Gas, Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

The drilling, completion, and production of wells completed in the Rinehart (Austin Chalk) Field ("Field") is governed by Special Field Rules, per Oil & Gas Final Order 33,588, as amended.

338 Oil & Gas, Inc. ("338") seeks to amend the existing special field rules for the Field, as follows:

1. A designated correlative interval that defines the field from 1,150 feet to 1,400 feet, as shown on the log of the Speedway Bus. PK. Partners LP Lease, Well No. 1 (API No. 42-029-38307);
2. 150' lease line spacing and 300' between-well spacing with no minimum spacing between horizontal and vertical wells;

3. 2-acre proration units for oil or gas wells; Form P-16's in lieu of proration unit plats; and
4. Allocation based on 100% acreage with a maximum daily oil allowable of 27 barrels.

338 submitted its late-filed Exhibit No. 1A on October 19, 2015, effectively closing the record. The application is unopposed. The Examiners recommend that it be approved.

DISCUSSION OF THE EVIDENCE

James Clark, Consulting Petroleum Engineer, testified on behalf of 338. Mr. Clark is registered as a Professional Engineer with the Texas Board of Professional Engineers.

Notice of the subject application was sent by U.S. mail directed to the operators of record in the Field, as well as various Commission staff, on September 11, 2015.

The Field was discovered in January 1956. On July 2, 1956, special field rules were adopted for the Field.¹ Those original special field rules provided the following:

1. 330' lease line spacing and 660' between-well spacing;
2. 10-acre oil proration units with 1,100' maximum diagonal, and 5-acre tolerance;
3. Allocation based on 75% acreage and 25% per well.

On December 14, 1959, the Commission entered Oil & Gas Final Order 1-42,034 that amended the Field's original special field rules by decreasing the minimum acreage requirement to 5-acres and lowering the maximum diagonal to 740 feet.²

Currently, the Field is not defined by a designated, subsurface interval. 338 requests to designate the Field as the correlative interval from 1,150 feet to 1,400 feet.³ That correlative interval includes the Austin Chalk, Eagle Ford, and Buda Formations. Mr. Clark testified that the Eagle Ford and Buda Formations are not economically productive in Bexar County. He testified, however, that the Buda Formation is productive of hydrocarbon gas. For that reason, 338 seeks to include the Buda Formation to intentionally cross-flow the Austin Chalk and Buda Formations in an effort to mobilize the liquid hydrocarbons trapped in the Austin Chalk.⁴ Therefore, 338 believes that its proposed designated correlative interval for the Field is appropriate.

The minimum acreage required to obtain a drilling permit in the Field is 5-acres. 338 requests to lower that minimum acreage requirement to 2-acres. In support of that request, 338 submitted a drainage area calculation based on reservoir parameters observed in the Carl Prinz,

¹ 336 Exh. No. 3 – Copy of Oil & Gas Final Order 33,588; Adopting Rules and Regulations for the Rinehart (Austin Chalk) Field, Bexar County, Texas.

² 336 Exh. No. 4 – Copy of Oil & Gas Final Order 1-42,034; Amending Special Order No. 1-33,588, Issued effective June 18, 1956, Adopting operating Rules for the Rinehart (Austin Chalk) Field, Bexar County, Texas.

³ 338 Exh. No. 2.

⁴ Testimony at 1:40 of audio recording.

Jr. / Leroy G. Friesenhahn Lease (Lease ID No. 01427).⁵ Mr. Clark testified that the Field will drain approximately 2.7-acres per well. Furthermore, 338 submitted drainage area calculations for several other wells completed in the Field,⁶ which range from 1.9 to 8.1-acres. Based on those drainage area calculations, 338 contends that its request to adopt a minimum 2-acre well density in the Field is appropriate.

With regard to 338's request to reduce the Field's minimum well spacing distances, the Examiners note that the Commission's historic practice for 2-acre well density has been 150' lease line spacing and 300' between-well spacing.⁷

FINDINGS OF FACT

1. 338 Oil & Gas, Inc. ("338") seeks to amend special field rules for the Rinehart (Austin Chalk) Field ("Field"), Bexar County, Texas ("Subject Application").
2. Sufficient notice of the Subject Application was made to all affected persons on September 11, 2015.
3. 338 requests to amend the Field's existing special field rules for the Field, as follows:
 - a. A designated correlative interval that defines the field from 1,150 feet to 1,400 feet, as shown on the log of the Speedway Bus. PK. Partners LP Lease, Well No. 1 (API No. 42-029-38307);
 - b. 150' lease line spacing and 300' between-well spacing with no minimum spacing between horizontal and vertical wells;
 - c. 2-acre proration units for oil or gas wells; Form P-16's in lieu of proration unit plats; and
 - d. Allocation based on 100% acreage with a maximum daily oil allowable of 27 barrels.
4. The Field was discovered in January 1956.
5. Amending the Field's minimum acreage requirement from 5-acres to 2-acres per well is reasonable.
6. Amending the Field's minimum well spacing requirements to provide for 150' lease line spacing and 300' between-well spacing comports with historic Commission practice.

⁵ 338 Exh. No. 6.

⁶ 338 Exh. No. 7.

⁷ See Commission's publication entitled Texas Oil and Gas Discussions of Law, Practice and Procedure, Pg. 4.

7. It is reasonable to define the Field as the correlative interval from 1,150 feet to 1,400 feet, as shown on the log of the Speedway Bus. PK. Partners LP Lease, Well No. 1 (API No. 42-029-38307).
8. Adopting the special field rules, as proposed by 338, in the Subject Application will promote development of the Field.

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. Legally sufficient notice has been provided to all affected persons.
3. Amending the special field rules for the Rinehart (Austin Chalk) Field, as proposed by 338 Oil & Gas, Inc., will prevent waste and protect correlative rights.

EXAMINERS' RECOMMENDATION

Based on the above Findings of Fact and Conclusions of Law, the Examiners recommend that the special field rules for the Rinehart (Austin Chalk) Field be amended, as proposed by 338.

Respectfully submitted,



Brian Fancher, P.G.
Technical Examiner



Laura Miles-Valdez
Legal Examiner