



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 10-0298753

THE APPLICATION OF UNIT PETROLEUM COMPANY TO AMEND THE FIELD RULES FOR THE BUFFALO WALLOW (GRANITE WASH) FIELD, HEMPHILL COUNTY, TEXAS

HEARD BY: Karl Caldwell – Technical Examiner
Ryan Lammert – Administrative Law Judge

HEARING DATE: February 10, 2016
CONFERENCE DATE: March 29, 2016

APPEARANCES: **REPRESENTING:**

APPLICANT:

Unit Petroleum Company

Mike McElroy
Donna Chandler

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field rules for the Buffalo Wallow (Granite Wash) Field, Hemphill County, Texas, were adopted in Final Order 10-70,837, effective January 3, 1979. The field rules were last amended in Final Order No. 10-0270152, effective June 27, 2011. The current field rules in effect for the field are summarized as follows:

- Rule 1. Designated correlative interval from 10,925 feet to 13,842 feet as shown on the log of the Holland "C" Well No. 2057 (now Well No. 5712), API No. 42-211-31484, Section 57, Block M1, H & GN RR Co. Survey, Hemphill County, Texas
- Rule 2: 467'-0' well spacing, with 200'-467' well spacing for horizontal drainholes (first and last take points, all other take points), 47 foot

box rule, and operators are not required to file Form P-15 or proration unit plats for any well in the field;

- Rule 3: 640 acre gas proration units, with 10% tolerance acreage and 20 acre optional units; 40 acre oil proration units with optional units of 20 acres;
- Rule 4: A stacked lateral rule; and
- Rule 5: Maximum daily oil allowable of 262 BO per day, with an assigned allowable based on 95% potential, 5% per well.

In addition, the gas proration formula is suspended for the field as there is market demand for 100% of the deliverability.

In the notice of hearing, Unit Petroleum Company ("Unit Petroleum") proposed to reduce the lease-line spacing from 467 feet to 330 feet, reduce the dual lease-line spacing to 100'-330' feet, and to reduce the box rule from 47 feet to 33 feet. At the hearing, Unit Petroleum stated it was no longer seeking to reduce the dual lease-line spacing from the current 200 feet from first and last take points. Unit Petroleum's only proposed amendments to the current field rules would be to reduce the lease-line spacing from 467 feet to 330 feet, and to reduce the box rule from the current 47 feet to 33 feet.

The application is unopposed and the Examiners recommend approval of the application.

DISCUSSION OF THE EVIDENCE

The Buffalo Wallow (Granite Wash) Field was discovered on March 25, 1980. The cumulative field production is 736 Bcf of gas and 12 MMBO. Unit Petroleum has drilled a total of 19 horizontal wells in the field. However, some of the horizontal well completions are recent, and not yet listed on the most recent proration schedule for the field.

Donna Chandler, the Applicant's engineering witness, stated that horizontal completions account for the current activity in the field. Ms. Chandler also stated that horizontal wells are recovering additional reserves that vertical wells in the field were not recovering, thus preventing waste. Reducing the lease-line spacing from 467 feet to 330 feet will allow operators to have more horizontal drainhole open to recover otherwise unrecoverable reserves. In addition, the current field rules already have optional 20 acre units for oil and gas wells, and a large percentage of Unit Petroleum's wells are already on 20 acre density. The typical lease-line spacing for 20 acre well

density is 330 feet. Reducing the lease-line spacing from 467 feet to 330 feet will give operators flexibility to drill additional wells in the field. The box rule will also be reduced from the current 47 feet to 33 feet (10% of the lease-line spacing). In Ms. Chandler's opinion, reducing the lease-line spacing from 467 feet to 330 feet will prevent waste of otherwise unrecoverable reserves with the current field rules.

FINDINGS OF FACT

1. Notice of this hearing was provided to all operators in the field at least ten (10) days prior to the date of the hearing and no protests were received.
2. At the hearing, the Applicant stated that the only requested changes to the current field rules at this time are to reduce the lease line spacing from 467 feet to 330 feet and to reduce the box rule from 47 feet to 33 feet.
3. Unit Petroleum Company has drilled 19 horizontal wells in the Buffalo Wallow (Granite Wash) Field.
4. The current field rules for the Buffalo Wallow (Granite Wash) Field provide for optional 20 acre units for both oil and gas wells in the field.
5. A number of Unit Petroleum Company's wells are drilled and completed on 20 acre density.
6. Reducing the lease-line spacing from 467 feet to 330 feet will provide operators with greater flexibility to drill additional wells in the field.
7. Reducing the lease-line spacing from 467 feet to 330 feet will allow operators to have more horizontal drainhole open to recover otherwise unrecoverable reserves.

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 Buffalo Wallow (Granite Wash) 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 Buffalo Wallow (Granite Wash) Field.

Respectfully submitted,



Karl Caldwell
Technical Examiner



Ryan Lammert
Administrative Law Judge