



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 8A-0302395

THE APPLICATION OF TEXLAND PETROLEUM, L.P. TO CONSIDER AMENDING THE FIELD RULES FOR THE ACKERLY (DEAN SAND) FIELD IN DAWSON COUNTY, TEXAS

HEARD BY: Paul Dubois – Technical Examiner
Ryan Lammert – Administrative Law Judge

HEARING DATE: December 21, 2016

CONFERENCE DATE: January 24, 2017

APPEARANCES:

John Soule
Rick Johnston

REPRESENTING:

Texland Petroleum L.P.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Texland Petroleum, L.P. seeks to amend the between-well spacing rule for the Ackerly (Dean Sand) Field from 1,200 feet to 900 feet and to add a 40-acre option to the density rule for the field. The application is not protested. The Examiners recommend approval.

DISCUSSION OF THE EVIDENCE

The Ackerly (Dean Sand) Field was discovered in 1954. There are 28 operators in the field, including the applicant, and more than 200 wells. The current field rules for the Ackerly (Dean Sand) Field were first adopted in 1957 and, in relevant part, are as follows:

1. 550'/1200' well spacing;
2. 80-acre units with 40-acre tolerance; and
3. 75% acreage/25% per well allocation of allowables.

Two large units operated by Legacy Reserves, the Ackerly (Dean) Field (60521) and East Ackerly Dean (60687) Units, have entity-for-density exceptions, meaning there is no between-well spacing rule for wells on those units when located at least a regular spacing distance from the nearest unit boundaries. In 1976, the proposal for decision for the Ackerly (Dean) Field Unit entity-for-density pilot project notes that wells drilled on an 80-acre pattern are "not adequately draining the reservoir." In 1996, the final order approving an entity-for-density for the East Ackerly Dean Unit authorized drilling to a density that does "not exceed one producing well for each 40 productive acres within the limits of the unit." That 40-acre density was supported by findings that (1) infill wells have encountered productive sands not encountered by wells drill on 80 acres, (2) that average infill wells would encounter 52,000 barrels of incremental oil and (3) that drilling to a density of 40 acres density will allow the recovery of additional oil. Finally, there are many examples where operators have already drilled to a 40-acre density on the East Ackerly Dean Unit and elsewhere in the field.

Texland operates the Northeast Ackerly Dean Unit offsetting the Ackerly (Dean) Field Unit. The East Ackerly Dean Unit is only one section south and east of Texland's Unit. Texland operates 4 producers and 2 injectors on the Northeast Ackerly Dean Unit. With adoption of the proposed amended field rules, Texland plans to drill 9 additional producers and 5 additional injectors. Texland's Northeast Ackerly Dean Unit is approximately 800 acres in size. Of the 9 proposed producers, 5 will require Rule 38 density exceptions under current field rules. Several of Texland's planned producers are less than 1200 feet from the nearest well and will require Rule 37 between-well spacing exceptions under current rules. The units that have entity-for-density exceptions have no between-well spacing requirement for wells a regular spacing distance from the nearest unit boundary and one of the two units is allowed to drill to a 40-acre density.

Drainage calculations for three wells in the field show that some wells will drain no more than approximately 45 acres and as little as 17 acres. The three wells for which calculations were made are among the only wells with good logs and single-well production data, making meaningful drainage calculations possible.

Texland's proposed amendments will give Texland and every other operator in the field the opportunity to drill infill wells to a density of one well per 40 acres, which will result in the recovery of significant volumes of oil that otherwise will not be recovered. The change in the between-well spacing rule will provide more flexibility as to the location of those infill wells.

FINDINGS OF FACT

1. Notice of hearing was sent to all affected persons, specifically to all operators in the Ackerly (Dean Sand) Field.
2. The Ackerly (Dean Sand) Field was discovered in 1954. The current field spacing and density rules have been in effect since 1957.

3. Amending the field rules to provide for 900 feet between-well spacing and optional units of 40 acres is will allow the drilling of infill wells that will recover of significant volumes of incremental oil that otherwise would not be recovered.
 - a. Two large units in the field, the Ackerly (Dean) Field Unit (60521) and the East Ackerly Dean Unit (60687), both operated by Legacy Operating Reserves LP, are entities-for-density and therefore have no between-well spacing rule for wells drilled a regular spacing distance from the nearest unit boundaries.
 - b. The East Ackerly Dean Unit is already allowed to drill wells to a 40-acre density.
 - c. The East Ackerly Dean Unit and many areas in the field are already developed to a 40-acre density or greater.
 - d. Calculated drainage area for three wells in the field confirm earlier findings by the Commission that infill drilling to a density greater than one well per 80 acres will result in the recovery of significant volumes of incremental oil.


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 § 1.43.
3. The amended field rules requested by Texland will prevent waste, while continuing to protect correlative rights.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend approval of the application of Texland Petroleum, LP to amend field rules for the Ackerly (Dean Sand) Field, Dawson County, Texas.

Respectfully submitted,


Paul Dubois
Technical Examiner


Ryan Lammert
Administrative Law Judge