



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

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**OIL & GAS DOCKET NO. 01-0297416: THE APPLICATION OF AMMONITE OIL AND GAS CORPORATION PURSUANT TO THE MINERAL INTEREST POOLING ACT FOR THE FORMATION OF A POOLED UNIT FOR THE HOLLER (18134) LEASE, WELL NOS. 1H AND 2H, EAGLEVILLE (EAGLE FORD-1) FIELD, MCMULLEN COUNTY, TEXAS**

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### APPEARANCES

**For Applicant Ammonite Oil and Gas Corporation:**

Rob Hargrove, Attorney at Law  
William Osborn, President, Ammonite Oil and Gas Corporation

**For Respondent, EOG Resources, Inc.**

Doug Dashiell, Attorney at Law  
Tim Smith, Petroleum Engineer

### SUPPLEMENTAL PROPOSAL FOR DECISION, AMENDED RECOMMENDATION

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### PROCEDURAL HISTORY

Date Application Filed:	August 27, 2014
Date of Notice of Hearing:	September 1, 2015
Date of Hearing:	October 16, 2015
Transcript Received:	November 2, 2015
Record Closed:	December 22, 2015
Proposal for Decision Issued:	March 29, 2017
Presentation at Open Meeting:	May 23, 2017
Supplemental PFD:	July 5, 2017
Heard by:	Laura Miles-Valdez, Legal Examiner Paul Dubois, Technical Examiner
Author:	Clayton J. Hoover, Administrative Law Judge

### **REMAND FOR POST HEARING CONFERENCE**

At the Open Meeting of the Commission on May 23, 2017, the issue of the validity of Ammonite's lease from the State of Texas was raised, and the docket was remanded for evidence on whether the Ammonite lease on the 64-acre GLO tract was still in effect. A Post Hearing conference was held on June 5, 2017. Ammonite contends that its lease is still in effect, although there was no additional evidence presented to show that the required delay rentals were paid or that the General Land Office had issued a suspension letter. Counsel for Ammonite represented that a suspension letter had been requested, but none was offered into evidence.

On June 6, 2017, the Administrative Law Judge issued a letter ruling as follows:

**"From yesterday's post-hearing conference, it is clear that Ammonite has no evidence of delay rental payments made after the 2015 hearing and no suspension from the Commissioner of the General Land Office for their lease on the 64 acres. This leads to the conclusion that Ammonite no longer has a valid lease."**

Accordingly, EOG contends that the Ammonite Application for the proposed MIPA units must be denied and dismissed.

**The Administrative Law Judge and Technical Examiner agree and issue the following amended Findings of Fact and Conclusions of Law and an amended Recommendation:**

#### **FINDINGS OF FACT**

1. Notice of the hearing was provided by mail to all interested parties at mailing addresses provided by the applicant at least 30 days prior to the hearing.
2. In addition, notice was published in *The Progress*, a newspaper of general circulation in McMullen County, on October 7, September 16, 23 and 30, 2015.<sup>1</sup>
3. On or about July 22, 2014, Ammonite sent a voluntary pooling offer to EOG for each of the two proposed MIPA units in this docket. No counteroffer was made by EOG.
4. The basic terms, including the 10% risk penalty, outlined in the voluntary pooling offer made by Ammonite have been found to be fair and reasonable in other cases and are fair and reasonable in this docket as to the Holler (18134) Lease, Well

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<sup>1</sup> Applicant's Ex. 18.

Nos. 1H and 2H.

5. The tracts within each proposed MIPA unit are within a common reservoir. They are embraced within a continuous hydrocarbon system and are all within the Eagleville (Eagle Ford-1) Field, for which the Commission has established the size and shape of proration units. The Eagleville (Eagle Ford-1) Field is a "continuous hydrocarbon system" which is present and reasonably productive in the area covering both of the proposed units.
6. The Eagleville (Eagle Ford-1) Field was discovered in 2007, and field rules were first established in 2011. This field has special field rules providing for 330-foot lease-line spacing, and there is no between-well spacing requirement. The standard drilling and proration unit for the Eagleville (Eagle Ford-1) Field is now 80 acres. An operator is permitted to form optional drilling units of 40 acres.<sup>2</sup>
7. Formation of the proposed MIPA units is the only option for accessing and producing reserves under the State-owned tracts and the contiguous undrained acreage within the existing leases and units so as to prevent waste.<sup>3</sup>
8. Compulsory pooling as requested would prevent waste in the proposed units. Without compulsory pooling, the owner of the GLO tract will not be able to drill any wells and will not have a reasonable opportunity to recover their fair share of hydrocarbons from the reservoir and the underlying hydrocarbons will be left unrecovered.
9. Although the technical requirements for the proposed units appear to be met, the Ammonite lease from the State of Texas appears to have expired, leaving Ammonite without the leasehold interest it held when the Application was filed.

### CONCLUSIONS OF LAW

1. Pursuant to Texas Natural Resources Code § 102.016, notice of the hearing was given to all interested parties by mailing the notices to their last known addresses at least 30 days before the hearing and, in the case of parties whose whereabouts were unknown, by publication of notice for 4 consecutive weeks in a newspaper of general circulation in the county where the proposed unit is located at least 30 days before the hearing.
2. Ammonite made fair and reasonable offers to pool voluntarily to EOG, as required by Texas Natural Resources Code § 102.013, as to the Holler (18134) Lease, Well Nos. 1H and 2H.
4. The tracts within each proposed MIPA unit are within a common reservoir because they are all within the Eagleville (Eagle Ford-1) Field and are all within

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<sup>2</sup> Applicant's Exs. 19 and 20.

<sup>3</sup> Tr., Pg. 57 - Pg. 58, ln. 14

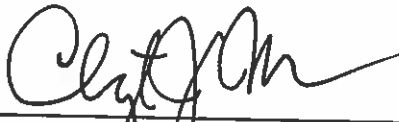
a continuous hydrocarbon system, which is being developed as an unconventional resource play.

5. Because Ammonite no longer holds a valid lease on the 64 acres covered by the lease from the State of Texas, the Application should be denied and dismissed.

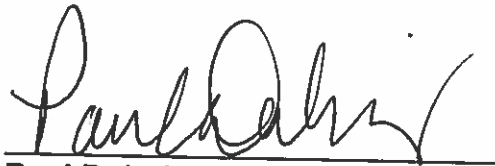
**RECOMMENDATION**

It is recommended that Ammonite's application be denied and dismissed as to the proposed units for the Holler (18134) Lease, Well Nos. 1H and 2H, as set forth in the attached Final Order.

Respectfully Submitted,



**Clayton J. Hoover**  
*Administrative Law Judge*



**Paul Dubois**  
*Technical Examiner*