



RAILROAD COMMISSION OF TEXAS HEARINGS DIVISION

OIL & GAS DOCKET NO. 01-0290024: THE APPLICATION OF AMMONITE OIL AND GAS CORPORATION PURSUANT TO THE MINERAL INTEREST POOLING ACT FOR THE FORMATION OF A POOLED UNIT FOR THE BUTTERFLY DIM (16437) LEASE, WELL NO. J 4H, BRISCOE RANCH (EAGLEFORD) FIELD, DIMMIT COUNTY, TEXAS

OIL & GAS DOCKET NO. 01-0290026: THE APPLICATION OF AMMONITE OIL AND GAS CORPORATION PURSUANT TO THE MINERAL INTEREST POOLING ACT FOR THE FORMATION OF A POOLED UNIT FOR THE IVEY RANCH DIM (18018) LEASE, WELL NOS. A 6H, B 1H, AND B 5H, BRISCOE RANCH (EAGLEFORD) FIELD, DIMMIT COUNTY, TEXAS

OIL & GAS DOCKET NO. 01-0290029: THE APPLICATION OF AMMONITE OIL AND GAS CORPORATION PURSUANT TO THE MINERAL INTEREST POOLING ACT FOR THE FORMATION OF A POOLED UNIT FOR THE GRINGITA DIM (16908) LEASE, WELL NO. A 3H, BRISCOE RANCH (EAGLEFORD) FIELD, DIMMIT COUNTY, TEXAS

APPEARANCES

For Applicant Ammonite Oil and Gas Corporation:

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

For Respondent, Chesapeake Operating, Inc.

Davin McGinnis, Attorney at Law
Meredith Herald, Managing Attorney, South Texas
Stan Williams, Manager-Land, South Texas
Tim Smith, Petroleum Engineer

For the Texas General Land Office (Observer):

Dan Gutierrez, Petroleum Engineer
J. Daryl Morgan, Landman

SUPPLEMENTAL PROPOSAL FOR DECISION

PROCEDURAL HISTORY

Date Applications Filed:	December 12, 2013
Date of Notice of Hearing:	June 8, 2015
Date of Hearing:	July 21, 2015
Transcript Received:	August 10, 2015
Record Closed:	August 10, 2015
Proposal for Decision Issued:	March 13, 2017
Presentation at Open Meeting:	May 23, 2017
Supplemental PFD:	July 5, 2017
Heard by:	Laura Miles-Valdez, Legal Examiner Peggy Laird, Technical Examiner
Authors:	Ryan M. Lammert, Administrative Law Judge Clayton J. Hoover, Administrative Law Judge

REMAND TO TAKE ADMINISTRATIVE NOTICE OF SUSPENSION LETTER FROM GENERAL LAND OFFICE OF THE STATE OF TEXAS

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 in order to take administrative notice of the Suspension Memorandum dated April 17, 2017, issued by the General Land Office for the Ammonite lease. The Suspension Memorandum was admitted into evidence thereby without objection.

Such Suspension Memorandum signed by Commissioner of the General Land Office, George P. Bush, constitutes sufficient evidence that the Ammonite lease remains in force and effect.

Therefore, the Administrative Law Judge and Technical Examiner make no change to the following Findings of Fact and Conclusions of Law, as previously presented and recommended on May 23, 2017:

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 *Carrizo Springs Journal* on June 10, June 17, June 24 and July 1, 2015.¹
3. On or about November 22, 2013, Ammonite sent a voluntary pooling offer to Chesapeake for each of the five proposed MIPA units in these three dockets.

¹ Applicant's Ex. 25.

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 each of these dockets as to the Butterfly Dim (16437) Lease, Well No. J 4H, the Ivey Ranch Dim (18018) Lease, Well No. A 6H, and the Gringita Dim (16908) Lease, Well No. A 3H.
5. Due to the subsequent drilling the Ivey Ranch (18018) Lease, Well No. B-3H on portions of the units, the offers were not fair and reasonable as to the Ivey Ranch (18018) Lease, Well Nos. B 1H or B 5H.
6. 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 Briscoe Ranch (Eagleford) Field, for which the Commission has established the size and shape of proration units. The Briscoe Ranch (Eagleford) Field is a "continuous hydrocarbon system" and constitutes a "continuous hydrocarbon accumulation throughout the reservoir," which is present and reasonably productive in the area covering all of the proposed units.²
7. The Briscoe Ranch (Eagleford) 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 Briscoe Ranch (Eagleford) Field is now 80 acres. An operator is permitted to form optional drilling units of 40 acres.³
8. Formation of the proposed MIPA units is the only option for accessing and producing reserves under the riverbed tracts and the contiguous undrained acreage within the existing leases and units so as to prevent waste.⁴
9. Compulsory pooling as requested by Ammonite will prevent waste in the proposed units. Without compulsory pooling, Ammonite will not be able to drill any wells, Ammonite and its lessees will not have a reasonable opportunity to recover their fair share of hydrocarbons from the reservoir and the underlying hydrocarbons will be left unrecovered.

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 Tr., pg. 192, lns 15-17; pg. 196, lns 22-23; pg. 198, lns 20-25

³ Applicant's Exs. 34, 35, 36, 37, 38, 39 and 40.

⁴ Tr., pg. 86, lns 8-18

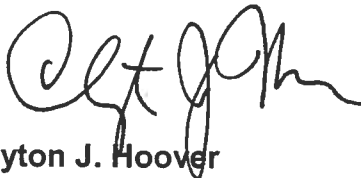
2. As to as to the Butterfly Dim (16437) Lease, Well No. J 4H, the Ivey Ranch (18018) Lease, Well No. A 6H, and the Gringita Dim (16908) Lease, Well No. A 3H, the Commission has jurisdiction over the parties and the subject matter and has authority to issue a compulsory pooling order pursuant to Texas Natural Resources Code § 102.011.
3. Ammonite made fair and reasonable offers to pool voluntarily to Chesapeake, as required by Texas Natural Resources Code § 102.013, as to the Butterfly Dim (16437) Lease, Well No. J 4H, the Ivey Ranch (18018) Lease, Well No. A 6H, and the Gringita Dim (16908) Lease, Well No. A 3H, but not as to the Ivey Ranch (18018) Lease, Well Nos. B 1H and B 5H.
4. The tracts within each proposed MIPA unit are within a common reservoir because they are all within the Briscoe Ranch (Eagleford) Field and are all within a continuous hydrocarbon system, which is being developed as an unconventional resource play.
5. As to the Butterfly Dim (16437) Lease, Well No. J 4H, the Ivey Ranch (18018) Lease, Well No. A 6H and the Gringita Dim (16908) Lease, Well No. A 3H, the terms and conditions of the Commission's Final Order in this proceeding are fair and reasonable, will afford the owner of each tract or interest in each respective unit the opportunity to produce or receive a fair share of, and will prevent waste of, produced hydrocarbons.
6. As to the Ivey Ranch (18018) Lease, Well Nos. B 1H and B 5H, the application must be denied for Ammonite's failure to make a fair and reasonable offer to voluntarily pool.

RECOMMENDATION

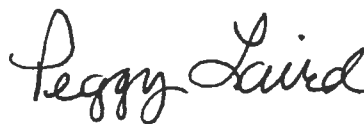
It is recommended that Ammonite's applications be approved as to the proposed units for the Butterfly Dim (16437) Lease, Well No. J 4H, the Ivey Ranch (18018) Lease, Well No. A 6H and the Gringita Dim (16908) Lease, Well No. A 3H, subject to conditions, as set forth in the attached Final Orders.

It is further recommended that Ammonite's applications be denied as to the proposed units for the Ivey Ranch (18018) Lease, Well Nos. B 1H and B 5H.

Respectfully Submitted,



Clayton J. Hoover
Administrative Law Judge



Peggy Laird
Technical Examiner