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RAILROAD COMMISSION OF TEXAS HEARINGS DIVISION

OIL AND GAS DOCKET NO. 8A-0305771

**THE APPLICATION OF RAW OIL & GAS, INC. FOR PERMANENT FIELD RULES IN
THE MONARCH (SAN ANDRES) FIELD, GAINES COUNTY, TEXAS**

HEARD BY: Richard Eyster, P. G. - Technical Hearings Examiner
Jennifer Cook - Administrative Law Judge

HEARING DATE: August 30, 2017

APPEARANCES:

Dale E. Miller

REPRESENTING:

Raw Oil & Gas, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Raw Oil & Gas, Inc. ("Raw") requests the Commission adopt the permanent field rules for the Monarch (San Andres) Field, as shown below:

1. Designated Correlative Interval from 5,410' to 5,760' as shown on the Dual Spaced Neutron, Spectral Density, Spectral Gamma Ray Type Log of the Midland Oil and Gas, Inc., Sidewinder Lease Well No. 1 located 1603' FWL & 688' FNL of Section 22, Block C-43 in the Public School Land Survey A-1764, Gaines County, Texas.
2. 330'-330' well spacing.
3. 40 acre base proration units with optional 20 acre units, 10 acre tolerance provision for the last well on the lease, the filing of Form P-16 to designate the number of acres to be assigned to individual wells with a plat of the entire lease, no requirement to file individual well proration unit plats and no maximum diagonal limitation, provided however that an operator may file individual proration plats if they so desire. No Maximum Diagonal Rule in effect for the Field.

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4. The oil field allocation formula of 100% acreage based on the 1965 yardstick allowable remains unchanged.

The application is unopposed and the Technical Examiner and the Administrative Law Judge (collectively the "Examiners") recommend that Permanent Field Rules be adopted for the Monarch (San Andres) Field, as proposed by Raw.

DISCUSSION OF THE EVIDENCE

The Monarch (San Andres) Field was discovered on February 15, 1981 and the field is governed under statewide rules. Currently the field has been developed with a total of seven wells with five oil leases. The initial potential of the wells ranged from a high of 58 BOPD to a low of 9 BOPD. The most recent new completion was drilled in January 2017. There are four producing oil wells on the August 2017 Oil Proration Schedule that are presently active.

The cumulative production from the field through May 2017 is 286,325 BO and 13,504 MCFG. Raw intends to do more infill drilling and hence, is requesting reduced spacing rules of 330'/330' with no maximum diagonal limitation. The current rules provide for 467'/1,200' well spacing. The requested spacing will give the flexibility for the field development and will promote the efficient and effective development of the remaining hydrocarbons, thereby preventing waste and protecting correlative rights.

Raw also proposes to have 40 acre base proration units with optional 20 acre units. From log analysis, Raw estimated an average porosity of 11%, an average water saturation of 38%, an average net pay thickness of 39.4 feet, a formation volume factor of 1.13 RBL/STB and a recovery factor of 12% for the field. The reservoir primary drive mechanism is a very strong liquid expansion. The recoverable oil in place for a 40 acre unit is 2,247 STB/Ft and for a 20 acre unit is 1,124 STB/Ft.

Raw provided drainage area calculations for seven wells from the field and the drainage area varies from a high of 72 acres to a low of 1 acre. Based upon the drainage area calculations, Raw has proven that the requested Field Rules are appropriate for the orderly drilling, completion and operation of wells in the field and that they will prevent waste and protect correlative rights.

Raw also requests allocation for the field be based on 100% acreage with the top oil allowable to be based on the 1965 Yardstick allowable of 102 BOPD remains unchanged.

FINDINGS OF FACT

1. Notice of this hearing was provided to all persons entitled to notice at least ten (10) days prior to the date of the hearing and no protests were received.
2. The Monarch (San Andres) Oil Field was officially discovered on February 15,

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- 1981.
- a. There are seven wells have historically been completed in the field.
 - b. The field is active with four producing oil wells.
3. The proposed designated correlative interval is from 5,410' to 5,760' as shown on the Dual Spaced Neutron, Spectral Density, Spectral Gamma Ray Type Log of the Midland Oil and Gas, Inc., Sidewinder Lease Well No. 1 located 1603' FWL & 688' FNL of Section 22, Block C-43 in the Public School Land Survey A-1764, Gaines County, Texas.
 4. Field Rules for the Monarch (San Andres) Field that provide for 330'-330' well spacing and 40 acre base proration unit with optional 20 acres density are appropriate for the field.
 - a. Drilling infill wells will provide for the efficient and effective development of the remaining hydrocarbons in the field.
 - b. From log analysis, the field has an estimated average porosity of 11%, an average water saturation of 38%, an average net pay thickness of 39.4 feet, a formation volume factor of 1.13 RBL/STB and a recovery factor of 12%.
 - c. The reservoir primary drive mechanism is a liquid expansion drive.
 - d. Raw provided drainage area calculations on seven wells and the drainage area varies from high of 72 acres to a low of 1 acres.
 5. Assignment of acreage with a Form P-16 and Plat of the entire lease is appropriate for the field without requiring individual proration unit plats to assign acreage. However, an operator can at his option still file individual proration plats if they so desire.
 6. Oil allocation based on 100% acreage is a reasonable formula which will satisfy state statutes and protect correlative rights of mineral owners in the field.
 7. Adoption of the proposed density and spacing rules is appropriate to prevent waste and protect correlative rights.
 8. Raw Oil & Gas Inc. agreed, that, pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), this Final Order shall be effective on the date a Master Order relating to this Final Order is signed.

CONCLUSIONS OF LAW

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1. Proper notice of this hearing was issued.
2. All things have been accomplished or have occurred to give the Commission jurisdiction in this matter.
3. Adopting Field Rules for the Monarch (San Andres) Field is necessary to prevent waste, protect correlative rights, promote conservation and provide for the orderly development of the field.
4. Pursuant to §2001.144(a)(4)(A), of the Texas Government Code, and the agreement of the Applicant, this Final Order is effective when a Master Order relating to this Final Order is signed on October 10, 2017.

EXAMINER'S RECOMMENDATION

Based on the above findings of facts and conclusions of law, the examiners recommend that the Commission adopt Permanent Field Rules for the Monarch (San Andres) Field, as proposed by Raw Oil & Gas, Inc.

Respectfully submitted,



Richard Eyster, P. G.
Technical Examiner



Jennifer Cook
Administrative Law Judge