



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 08-0306238

THE APPLICATION OF ELK MEADOWS RESOURCES LLC TO AMEND THE FIELD RULES FOR THE FULLERTON (SAN ANDRES) FIELD, ANDREWS AND GAINES COUNTIES, TEXAS

HEARD BY: Paul Dubois – Technical Examiner
Jennifer N. Cook – Administrative Law Judge

HEARING DATE: October 30, 2017

CONFERENCE DATE: December 5, 2017

APPEARANCES:

APPLICANT:

George C. Neale
Rick Johnston, P.E.
Gary Alsobrook

REPRESENTING:

Elk Meadows Resources LLC

OBSERVER:

Jeffrey Noto

Sheridan Production Company

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Elk Meadows Resources LLC ("Elk Meadows") seeks to amend the existing field rules for the Fullerton (San Andres) Field (the "Field"). The Field was discovered in 1945, had field rules adopted in 1958, which have been amended several times since then, the latest of which in May of 2016. Specifically, Elk Meadows requests amendment of the existing "take point" rule for the Field. The application was not protested. The technical examiner and administrative law judge ("Examiners") recommend the field rules be amended as requested by Elk Meadows.

The current "take point" rule reads as follows:

- a. A take point in a horizontal drainhole well is any point along a horizontal drainhole where oil and/or gas can be produced from the reservoir/field interval. The first take point may be at a different location than the

penetration point and the last take point may be at a location different than the terminus point.

- b. All take points in a horizontal drainhole well shall be a minimum of THREE HUNDRED THIRTY (330) feet from any property line, lease line, or subdivision line. A permit or an amended permit is required for all take points closer to the property line, lease line, or subdivision line than the lease line spacing distance, including any perforation added in the vertical position or the curve of a horizontal drainhole well.

The proposed rule amendment reads as follows:

- a. A take point in a horizontal drainhole well is any point along a horizontal drainhole where oil and/or gas can be produced from the reservoir/field interval. The first take point may be at a different location than the penetration point and the last take point may be at a location different than the terminus point. (No change to current rule)
- b. No horizontal drainhole well for oil or gas shall hereafter be drilled such that the first and last take point are nearer than ONE HUNDRED (100) feet to any property line, lease line, or subdivision line. (New insertion)
- c. For each horizontal drainhole well, the perpendicular distance from any take point on such horizontal drainhole to any point on any property line, lease line, or subdivision line shall be a minimum of THREE HUNDRED THIRTY (330) feet. (Amendment to current rule)

All operators with wells in the Field were notified of the hearing. No operators appeared in protest of the application, and one operator with wells in the Field, Sheridan Production Company, appeared at the hearing in support of the subject application. Another operator, Texland Petroleum, LP, initially protested the proposed field rule amendments, but withdrew its protest on the condition that the "take point" language noted above be proposed.

DISCUSSION OF EVIDENCE

The Field was discovered in May 1945 at an average depth of 4,800 feet. The field currently has a designated interval of 4,246-5,393' as seen in the Texland Petroleum - C.W. Logsdon "E" No. 26 Well (API No. 42-003-42985). There are multiple operators with a total of nearly 450 producing wells on the proration schedule. Field Rules currently provide for 330' lease line spacing, 0' between well spacing, 40 acre density with optional 10 acre units, 10 acre tolerance, gas allocation based on 100% acreage, and an oil allowable based on the 1947 Yardstick of 93 BOPD. In addition, the most recent amendment added a take point rule, a 50' drill box rule, an off lease penetration point rule, and a 300' maximum stacked lateral rule. Cumulative production from the field through

June 2017 is 62.45 million barrels of oil ("MMBO") and 20.54 billion cubic feet of gas ("BCFG").

Elk Meadows plans to further develop the Field by drilling more horizontal wells and requests amendment to the existing take point rule by allowing the first and last take points to be no closer than 100 feet to any property, lease, or subdivision line. Such a rule will increase the total completable drainhole length of each horizontal well by an additional 460 feet, as compared to the current rule, which requires that first and last take points must be no closer than 330 feet from property, lease, or subdivision lines. This amendment to the "take point" rule will facilitate production of additional resources.

The Examiners believe that the proposed amendments to the take point rule will allow for future development of the Field. Horizontal rule amendments similar to the proposed provisions have been requested and approved for other San Andres fields, including the nearby Shafter Lake (San Andres) and Shafter Lake, N (San Andres) Fields. The Examiners consider the requested amendments for the Field to be appropriate and consistent with previous rules adopted for similar fields. Elk Meadows has demonstrated that the proposed amendments are necessary to continue development of the Field, and will allow for the additional recovery of resources and prevention of waste.

FINDINGS OF FACT

1. Notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of the hearing. One operator with wells in the Field appeared at the hearing in support of the application.
2. The Fullerton (San Andres) Field was discovered in May 1945. The current field interval is 4,246-5,393' as seen in the Texland Petroleum - C.W. Logsdon "E" No. 26 Well (API No. 42-003-42985).
 - a. There are multiple operators in the Field with a total of nearly 450 producing wells on the proration schedule.
 - b. Cumulative production from the Field through October 2017 is 62.45 MMBO and 20.54 BCFG.
3. Under the "take point" rule, item "a" is to read as follows: A take point in a horizontal drainhole well is any point along a horizontal drainhole where oil and/or gas can be produced from the reservoir/field interval. The first take point may be at a different location than the penetration point and the last take point may be at a location different than the terminus point.
4. Under the "take point" rule, item "b" is to read as follows: No horizontal drainhole well for oil or gas shall hereafter be drilled such that the first and last take point are nearer than ONE HUNDRED (100) feet to any property line, lease line, or subdivision line.

5. Under the "take point" rule, item "c" is to read as follows: For each horizontal drainhole well, the perpendicular distance from any take point on such horizontal drainhole to any point on any property line, lease line, or subdivision line shall be a minimum of THREE HUNDRED THIRTY (330) feet.
6. Elk Meadows anticipates further development in the Field by drilling additional horizontal wells.
7. Horizontal rule amendments similar to the proposed provisions have been adopted for other San Andres fields, including the nearby Shafter Lake (San Andres) and Shafter Lake, N (San Andres) Fields.
8. At the hearing, the applicant agreed on the record that a Final Order in this case is to be effective when the Master Order is signed.

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 §§1.42 and 1.45.
3. Approval of the application will prevent waste and protect correlative rights.
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 December 5, 2017.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission adopt permanent Field Rules for the Fullerton (San Andres) Field, as proposed by Elk Meadows Resources LLC.

Respectfully submitted,



Paul Dubois
Technical Examiner



Jennifer N. Cook
Administrative Law Judge