



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 8A-0306054

THE APPLICATION OF RILEY PERMIAN OPERATING CO., LLC TO AMEND THE FIELD RULES FOR THE PLATANG (SAN ANDRES) FIELD, YOAKUM COUNTY, TEXAS

HEARD BY: Peggy Laird, P.G. – Technical Examiner
Jennifer N. Cook – Administrative Law Judge

HEARING DATE: September 11, 2017

CONFERENCE DATE: January 23, 2018

APPEARANCES:

REPRESENTING:

APPLICANT:

Riley Permian Operating Co., LLC, et al

Thomas H. "Buddy" Richter, P.E.
Laura Winkler
Ty Edelen

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Riley Permian Operating Co., LLC ("Riley") seeks to amend the current special field rules in effect for the Platang (San Andres) Field ("Platang") in Yoakum County, Texas. In addition to Riley, it was noted at the hearing that additional operators in the Platang are co-applicants, and are providing resources to support the application. Besides Riley, these operators are Steward Energy II, LLC and Wishbone Texas Operating Co., LLC (collectively, "Applicants"). Chris Spencer from Wishbone Texas Operating Co., LLC attended the hearing as an observer.

The Applicants propose the following amendments for the Platang, with no other alterations to the current rules:

- Rule No. 2: Provide for no between well spacing and all other provisions of Statewide Rule 86 relating to horizontal wells;

- Rule No. 3: Eliminate maximum diagonal limitations, provide for 20-acre tolerance acreage, provide for optional 40 acres added to the current 40-acre density for an allowable of up to 80 acres, allow additional acreage assignment pursuant to Statewide Rule 86, and adopt use of Form P-16;
- Rule No. 5: Update provisions for stacked laterals utilizing Statewide Rule 86 (f);
- Rule No. 6: Add a provision for a six month exception to Statewide Rule 13(b)(4)(A); and
- Rule No. 7: Add a provision for a six month exception to Statewide Rule 51(a).

Proper notice was given, and the application is not protested. The Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend the special field rules for the Platang be amended as proposed by the Applicants.

DISCUSSION OF THE EVIDENCE

Thomas H. "Buddy" Richter, P.E., a consulting petroleum engineer, testified on behalf of the Applicants. Mr. Richter is licensed as a Professional Engineer with the Texas Board of Professional Engineers with specialization in petroleum engineering.

The Platang was discovered on May 15, 1955, and is classified as an oil field. Since its discovery, the Platang has experienced periods of inactivity. From 1967 through 1980, and 1983 through 2005, no hydrocarbons were produced from the Platang. The current Platang rules were adopted on December 2, 2014 (Final Order 8A-0292299) to facilitate horizontal drilling. The August 1, 2017 proration schedule indicates there are six operators in the Platang. As reported by Mr. Richter, the Applicants operate 92% of the wells in the Platang, and control 96% of the production.

The Platang abuts the Sable (San Andres) Field ("Sable"). The Applicants had previously requested amendments for the Sable rules, and those were adopted on December 6, 2016 (Final Order 8A-0300936). Evidence presented indicates that the horizontal development of the Platang is distinct and separate from the vertical production. The horizontal activity in this area targets the San Andres Formation and is related to a residual oil zone ("ROZ") created by the natural water movement in the San Andres over geologic time. Riley considers that horizontal wells provide economical access to the reservoir rock resulting in the production of oil. The most effective well spacing, the number of discrete landing zones, and the most efficient techniques of producing these wells continues to be analyzed and improved. To facilitate the efficient drilling and production of the Platang, special spacing and acreage rules are necessary.

The Examiners consider the requested amendments for the Platang are appropriate and consistent with previous rules adopted for nearby fields. The Applicants have demonstrated that the amendments are necessary to continue orderly development of the Platang, which will allow the Applicants to recover resources and prevent 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 and no protests were received.
2. The Platang was discovered on May 15, 1955, and is currently under Final Order 8A-0292299 adopted on December 2, 2014.
3. The August 1, 2017 proration schedule indicates there are six operators in the Platang.
4. The Applicants operate 92% of the wells and control 96% of the production.
5. The Applicants plan to continue horizontal development within the Platang.
6. At the hearing, the Applicants agreed on the record that the 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 §§ 1.43 and 1.45.
3. Amending field rules as proposed by the Applicants is necessary to 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, the Final Order is effective when a Master Order relating to the Final Order is signed on January 23, 2018.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend amending the field rules for the Platang (San Andres) Field, as proposed by Riley Permian Operating Co., LLC, Steward Energy II, LLC, and Wishbone Texas Operating Co., LLC,

Respectfully submitted,



Peggy Laird, P.G.
Technical Examiner



Jennifer N. Cook
Administrative Law Judge