



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 06-0307779

THE APPLICATION OF SABINE OIL & GAS CORPORATION TO AMEND FIELD RULES FOR THE MINDEN (COTTON VALLEY CONS.) FIELD, RUSK AND PANOLA COUNTIES, TEXAS

HEARD BY: Robert Musick - Technical Hearings Examiner
Clayton J. Hoover - Administrative Law Judge

HEARING DATE: January 4, 2018

CONFERENCE DATE: March 20, 2018

APPEARANCES:

REPRESENTING:

APPLICANT

Dale E. Miller, P.E.
Dianne Sumrall

Sabine Oil & Gas Corporation

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Sabine Oil & Gas Corporation ("Sabine") seeks to amend the current oil and gas field rules in effect for the Minden (Cotton Valley Cons.) Field ("Field"), Rusk and Panola Counties, Texas. The Field is designated as an Unconventional Fracture Treated ("UFT") Field.

Sabine seeks the proposed rule changes to facilitate additional drilling within the Field using horizontal wells and promote development of the Field to maximize production. Sabine proposes to establish consistency between the oil and gas well spacing requirements; amend the horizontal well field rules for "spacing" and "take points" to facilitate additional development in the Field; and amend the gas proration acreage, establish 20-acre gas tolerance acreage, and optional drilling and proration units of 20 acres to further develop the Field.

Sabine has demonstrated that the proposed field rule amendments will prevent waste, protect correlative rights, and facilitate field development. Proper notice was given, and the application was not protested. The Technical Examiner and

Administrative Law Judge (collectively, "Examiners") recommend that the amended field rules be granted.

DISCUSSION OF THE EVIDENCE

The Field (No. 61792-111) is in Rusk and Panola Counties, Texas. The Field was formed through Final Order 06-0243684, adopted on September 27, 2005 ("2005 Final Order"), which consolidated nine fields discovered between 1977 and 1984. At consolidation, a total of 169 vertical wells were identified within the Field with a cumulative production of 40,340,601 thousand cubic feet of gas ("mcf").

The designated correlative interval for the Field was established from 9,180 feet to 10,697 feet by the 2005 Final Order and amended by Final Order 06-0271584, adopted October 11, 2011 ("2011 Final Order").

To date a total of 614 wells have been completed in the Field, including the 169 wells installed prior to consolidation. Currently, 339 wells remain active and Sabine owns 238 of the active wells which account for 70% of the producing wells in the Field. The Field is designated as a UFT field by Docket 01-0299858, approved April 12, 2016 and became effective May 12, 2016. The cumulative production for the Field is 306,748,355 mcf of gas and 1,440,956 barrels of condensate.

The Field has been primarily developed using vertical wells, with the first horizontal well advanced and completed in August 2009. The last well completed in the Field was in April 2015. Although horizontal wells have been drilled in the Field, the current field rules outlined in the 2011 Final Order have "lease line spacing" and "between well spacing" requirements and horizontal drilling "take points" that Sabine seeks to amend to stimulate new drilling within the Field.

On November 14, 2017, Sabine requested a hearing to amend the current field rules. A Notice of Hearing was issued by the Commission on November 30, 2017 to all parties entitled to notice at least ten days prior to the date of the hearing. A hearing was held on January 4, 2018.

Sabine proposes to change the field rules as follows:

- Establish consistency between the oil and gas well spacing requirements for the Field:
 - Amend lease line spacing - from 467 feet to 330 feet for both oil and gas wells;
 - Amend between well spacing - from 1,200 feet for oil wells and 933 feet for gas wells to no spacing requirement for both oil or gas wells (0 feet); and,
 - Amend diagonal maximum length - for gas wells from 4,100 feet to no maximum length (0 feet) requirement for gas well, which is consistent with requirements in Statewide Rule 86;

- Amend horizontal drainhole wells requirements:
 - Amend "Take Point" (Heel to Toe): lease line spacing proposed changes from 467 feet to 200 feet;
 - Amend perpendicular spacing from all points to lease line from 467 feet to 330 feet;
 - Amend between well spacing from 933 feet (horizontal to horizontal) to no minimum distance (0 feet);
- Add a rule allowing optional drilling and proration units of 20 acres, with a proportional acreage allowable credit for a well on the fractional proration unit;
- Amend tolerance acres from 4 acres to 20 acres for gas wells, which establishes the same tolerance acres for both oil and gas wells;
- Add rule to file Form P-16 in lieu of the individual proration plats, but retaining the option to file the individual proration plats if so desired;
- Add a rule to grant administratively an exception to Statewide Rule 13(b)(4)(A) for six months - regarding producing oil through tubing;
- Add a requirement to grant administratively an exception to Statewide Rule 51(a) for six months - regarding filing test data with the Commission within 10 days of well test.

The Examiners concluded that the proposed amendments outlined above will allow for future development of the Field. The proposed amendments will modify the current rules to be consistent with Statewide Rule 86 and establish consistent requirements for oil and gas wells and reporting requirements. Also, tolerance acreage and optional drilling proration units of 20 acres will allow alternatives for developing the Field. The proposed rules do not change Rule 4, which establishes the maximum daily allowable production of gas and a two-level allocation formula. The Field is designated as an Absolute Open Flow (AOF) and the allocation formula remains suspended.

The Examiners consider the proposed amendments for the Field are appropriate for the Field. Sabine has demonstrated that the amendments are necessary to continue orderly development of the Field using horizontal wells to 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 Minden (Cotton Valley Cons.) Field (No. 61792-111) is in Rusk and Panola Counties, Texas.

3. The Field was formed through Final Order 06-0243684, adopted on September 27, 2005, which consolidated nine fields discovered between 1977 and 1984.
4. The current field rules were established by Final Order 06-0271584, adopted October 11, 2011.
5. The Field has 614 wells, including the 169 wells installed prior to consolidation. Currently, 339 wells remain active and Sabine owns 238 of the active wells which account for 70% of the producing wells in the Field. The cumulative production for the Field has been 306,748,355 mcf of gas and 1,440,956 barrels of condensate.
6. The Field was designated a UFT Field by Docket No. 01-0299858, effective May 10, 2016.
7. The Field is designated as Absolute Open Flow (AOF), and the allocation formula established in the Field Rules is currently suspended.
8. The last producing well completed in the Field was in 2015. Sabine plans to drill new horizontal wells in the Field.
9. On February 1, 2017, the Commission revised Statewide Rule 86. Some of the revisions to Statewide Rule 86 have rendered some of the provisions of the current field rules moot. The proposed amendments remove duplicative language where clarity was not compromised.
10. The amended field rules will establish consistency between lease line spacing, between well spacing and tolerance acres and improve efficiencies.
11. Development of the field using amended take points, lease line spacing and between well spacing will prevent waste, protect correlative rights, and promote the orderly development of the Field
12. At the hearing, the applicant 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. The proposed field rules will prevent waste, protect correlative rights, and promote 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 the Final Order is presented at Commission conference and signed by the Commissioners.

EXAMINER'S RECOMMENDATION

Based on the above findings of facts and conclusions of law, the Examiners recommend the Commission enter an order granting the application of Sabine Oil & Gas Corporation to amend the field rules for the Minden (Cotton Valley Cons.) Field, Rusk and Panola Counties, Texas.

Respectfully submitted,



Robert Musick
Technical Hearings Examiner



Clayton J. Hoover
Administrative Law Judge