



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 02-0309391

THE APPLICATION OF CHARRO OPERATING, L.L.C. TO ADOPT PERMANENT
FIELD RULES FOR THE GAFFNEY, SW. (5400) FIELD, GOLIAD COUNTY, TEXAS

HEARD BY: Peggy Laird, P.G. – Technical Examiner
Kristi M. Reeve – Administrative Law Judge

HEARING DATE: April 5, 2018

CONFERENCE DATE: May 22, 2018

APPEARANCES:

Dale Miller

REPRESENTING:

Charro Operating, L.L.C.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Charro Operating, L.L.C. ("Charro") seeks to adopt permanent field rules for the Gaffney, SW. (5400) Field (the "Field"), Goliad County, Texas. The Field was discovered on November 20, 2017 and approval of new oil field designation was on February 1, 2018. Charro requests the following permanent field rules be adopted for the Field:

- (1) designate a correlative interval from 5,384 feet to 5,410 feet, as shown on the High Definition Induction Log of the Charro Operating, LLC, Welder Heirs CJ Lease, Well No. 1 (API No. 42-175-34248), located 5,095 feet FSL and 5,585 feet FSEL of the G. Barrera Survey, A-1, Goliad County, Texas and
- (2) establish lease line spacing of 330 feet and between well spacing of 660 feet.

The remaining Field provisions will continue to be governed by statewide Rules. Notice was provided to all operators in the field and the application is unopposed. The Technical Examiner and Administrative Law Judge ("Examiners") recommend permanent field rules be adopted for the Gaffney, SW. (5400) Field, Goliad County, Texas.

DISCUSSION OF THE EVIDENCE

The Field is about fourteen miles southeast of Goliad and was discovered on November 20, 2017 at a depth of 5,408 feet. It is currently under the following Statewide Rules:

- a. 467'-1,200' lease/well spacing;
- b. 40 acre base units with 20 acre tolerance to the last well on the lease;
- c. no maximum diagonal length; and
- d. allocation formula of 100% acreage.

There are two oil wells that have been completed in the Field, the Welder Heirs CJ Lease, Well Nos. 1 and 2. The Welder Heirs CJ Lease Well No. 1 was the discovery well for the Field. The Field has produced 4,357 barrels of oil, and no casinghead gas from November 2017 through December 2017.

The reservoir is bounded by a fault located to the northwest. The feature was found using 3D seismic. Charro reported that the productive limits are being defined with additional drilling of wells, and the entire reservoir falls within the confines of the lease. Charro plans on initiating a waterflood project to further develop the Field and increase recovery of reserves. To optimally develop the Field, reduce waste, and protect correlative rights, Charro seeks approval of the requested permanent field rules.

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. No protests were received.
2. The Gaffney, SW. (5400) Field was discovered on November 20, 2017 and approval of new oil field designation was on February 1, 2018.
3. There are 2 active wells in the Field and both are operated by Charro.
4. The Field is currently governed by Statewide Field Rules.
5. The reservoir is bounded by a fault to the northwest, and productive limits are being defined with additional drilling of wells.
6. Charro plans on initiating a waterflood project to further develop the Field and increase recovery of reserves.
7. 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 § 1.42.
3. Adopting permanent field rules for the Gaffney, SW. (5400) Field is appropriate to reduce waste, protect correlative rights, 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 May 22, 2018.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend the Commission adopt permanent field rules for the Gaffney, SW. (5400) Field, Goliad County, Texas, as proposed by Charro Operating, L.L.C.

Respectfully submitted,



Peggy Laird, P.G.
Technical Examiner



Kristi M. Reeve
Administrative Law Judge