



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 8A-0309921

THE APPLICATION OF MONADNOCK RESOURCES, LLC TO ADOPT FIELD RULES FOR THE COCHRAN (SAN ANDRES) FIELD, COCHRAN COUNTY, TEXAS

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

HEARING DATE: May 18, 2018

CONFERENCE DATE: June 19, 2018

APPEARANCES:

Ana Maria Marsland
Rick Johnston
Kelli L. Roach

REPRESENTING:

Monadnock Resources, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Monadnock Resources, LLC ("Monadnock") seeks to adopt field rules for the Cochran (San Andres) Field (the "Field"), Cochran County, Texas. After the hearing, Monadnock confirmed the requested rules be adopted as temporary. Monadnock requests the following rules be adopted to allow for horizontal well development:

- 1) establish a correlative interval from 4,119 feet to 5,537 feet as shown on the log of the Monadnock Resources, LLC, War Dance 154 7 1P (API 42-079-333690);
- 2) adopt 330-foot lease line spacing, no minimum between well spacing, 100-foot first and last take point, a 33-foot box rule, allow an off-lease penetration point with standard notice provisions;
- 3) 40-acre base proration units with 20-acre tolerance acreage, optional 40 acres added to the 40-acre base units for an allowable of up to 80 acres, additional acreage assignment pursuant to Statewide Rule 86, adopt the use of Form P-16, and eliminate the maximum diagonal limitation;

- 4) an allocation formula based on 75% acreage and 25% per well with a top oil allowable based on the 1965 Yardstick of 102 barrels of oil per day;
- 5) provide for stacked laterals utilizing Statewide Rule 86 (f);
- 6) allow a six-month exception to SWR 51 (a) regarding the 30-day rule for filing the potential test after testing the well; and
- 7) allow a six-month exception to the SWR 13(b)(4)(A) requirement that flowing wells produce through tubing.

Notice was provided to all operators in the field and the application is unopposed. Operators, Steward Energy II LLC and Silver Creek Oil & Gas LLC, provided letters of support for Monadnock's application. The Technical Examiner and Administrative Law Judge ("Examiners") recommend temporary field rules be adopted for the Cochran (San Andres) Field in Cochran County, Texas.

DISCUSSION OF THE EVIDENCE

The Field was discovered on June 30, 1954 at a depth of 5,008 feet, and is currently under the following Statewide Rules:

- 1) 467'-1,200' lease/well spacing;
- 2) 40 acre base units with zero acre tolerance to the last well on the lease;
- 3) corner to corner diagonal;
- 4) allocation formula of 100% acreage; and
- 5) pseudo rules to assign an allowable for horizontal wells.

According to the May 12, 2018 oil proration schedule, there is one oil well and one salt-water disposal well in the Field. Both are operated by Silver Creek Oil & Gas LLC. Evidence presented at the hearing showed total production from the Field is 118,000 barrels of oil ("BBO") and 238,000 MCF of gas from date of discovery.

The Field is one of many within the San Andres play. Monadnock plans to develop the residual oil zone ("ROZ") by drilling horizontal wells and requests adopting temporary rules to accommodate the horizontal development. They currently hold two drilling permits recently issued for wells in the Field (Nos. 839966 and 835010). Monadnock's expert witness, Mr. Rick Johnston, presented evidence that 76,000 BBO and 103,000 MCF of gas may remain as recoverable from the Field. Based on the estimated ultimate recovery of 194,740 BBO, by adopting 330-foot leaseline spacing 8,499 BBO per horizontal well

could be recovered. The adoption of the 100-foot first and last take point rule may provide for an additional 14,269 BBO per horizontal well.

Horizontal rule amendments similar to the proposed provisions have been requested and approved for other San Andres fields. Monadnock provided Final Orders to demonstrate the progression of the horizontal development.¹ In each case, the field rules were amended or adopted for horizontal wells. The Examiners consider the requested rules for the Field to be appropriate and consistent with previous rules adopted for similar San Andres fields. Monadnock has demonstrated that the proposed rules are necessary to continue development of the Field, will allow for the additional recovery of 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. No protests were received.
2. The Field was discovered on June 30, 1954 at a depth of 5,008 feet, and is currently under Statewide Rules.
3. Total production from the Field is 118,000 BBO and 238,000 MCF of gas from date of discovery.
4. The Field is one of many within the San Andres play.
5. Based on decline curve analysis, 76,000 BBO and 103,000 MCF of gas may be recoverable from the Field.
6. Monadnock plans to develop the residual oil zone by drilling horizontal wells and requests adopting temporary rules.
7. Monadnock currently hold two drilling permits recently issued for wells in the Field (Nos. 839966 and 835010).
8. Horizontal rule amendments similar to the proposed provisions have been requested and approved for other San Andres fields.
9. 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.

¹ Exhibit No. 13, Final Order No. 8A-0306237, Amending Field Rules for the Dempsey Creek (San Andres) Field
Exhibit No. 14, Final Order No. 8A-0304805, Amending Field Rules for the Carm-Ann (San Andres) Field
Exhibit No. 15, Final Order No. 8A-0306362, Amending Field Rules for the ODC, NE. (San Andres) Field
Exhibit No. 16, Final Order No. 8A-0292299, Amending Field Rules for the Platang (San Andres) Field
Exhibit No. 17, Final Order No. 8A-0300936, Amending Field Rules for the Sable (San Andres) Field

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 temporary field rules for the Cochran (San Andres) 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 June 19, 2018.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend the Commission adopt temporary field rules for the Cochran (San Andres) Field in Cochran County, Texas, as proposed by Monadnock Resources, LLC.

Respectfully submitted,



Peggy Laird, P.G.
Technical Examiner



Kristi M. Reeve
Administrative Law Judge