



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 8A-0311204

APPLICATION OF JOINT RESOURCES COMPANY (440742) TO AMEND THE FIELD RULES FOR THE CARTER-NEW MEXICO (SAN ANDRES) FIELD, GAINES COUNTY, TEXAS

HEARD BY: Karl Caldwell – Technical Examiner
Lynn Latombe – Administrative Law Judge

HEARING DATE: June 8, 2018
RECORD CLOSED: July 19, 2018
CONFERENCE DATE: August 21, 2018

APPEARANCES: **REPRESENTING:**

APPLICANT: Joint Resources Company

David Gross
Rick Johnston, P.E.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Joint Resources Company (Joint Resources) requests to amend the field rules for the Carter-New Mexico (San Andres) Field in Gaines County, Texas. Joint Resources proposes the following field rule amendments:

- 1) Adopt a correlative interval for the field.
- 2) 330-foot lease-line spacing with no minimum between well spacing. For horizontal wells, adoption of a 100 foot first and last take point rule, a 50-foot drill box rule, off-lease penetration point language, and a stacked lateral rule.
- 3) Current density in the field is 40 acres with 20-acre tolerance to the last well. Joint Resources proposes density of 40 acres with 40-acre tolerance. Proration plats not required with filing of Form P-16 listing wells and associated acreage.

- 4) No change to the allowable.
- 5) Additional time to file completion reports (similar to the updated Statewide Rule 16).
- 6) Additional time to comply with the requirements of Statewide Rule 51(a).
- 7) Six-month exceptions to Statewide Rule 13(b)(4)(A) for good cause shown.

Notice of the application was provided to all operators on the proration schedule for the subject field, in addition to Joint Resources. Joint Resources does not currently have any wells in the subject field but has drilling permits to complete three wells in the Carter-New Mexico (San Andres) Field (API Nos. 42-165-38591, 42-165-38694, and 42-165-38713). The application is unopposed and the Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of the application.

DISCUSSION OF THE EVIDENCE

On January 24, 1957, the Commission approved a discovery allowable and a new field designation for the Carter-New Mexico (San Andres) Field (Field ID No. 16018500). In Final Order No. 8-38,649, field rules were adopted for the Carter-New Mexico (San Andres) Field. The Carter-New Mexico (San Andres) Field is an oil field. The cumulative production for all wells that have been completed in the field is 396.57 MBO and 157.25 MMcf gas. There has not been any production from the Carter-New Mexico (San Andres) Field since approximately 1999, and the June 1, 2018 oil proration schedule shows there are no wells in the field. Joint Resources has drilling permits to complete three wells in the Carter-New Mexico (San Andres) Field (API Nos. 42-165-38591, 42-165-38694, and 42-165-38713).

Joint Resources requests to adopt a correlative interval for the Carter-New Mexico (San Andres) Field and proposes the interval from 4,910 feet to 5,608 feet as shown on the log of the American Exploration - Granberry No. 3 (API No. 42-165-34397), Gaines County, Texas, be designated as a single reservoir for proration purposes and be designated as the Carter-New Mexico (San Andres) Field. This interval consists of the entire San Andres Formation.

Joint Resources is requesting to amend the current field rules for the Carter-New Mexico (San Andres) Field to facilitate the drilling and completion of horizontal wells in the field. Joint Resources' petroleum engineering expert, Rick Johnston, P.E. reviewed the current field rules for the following San Andres fields in the area that also produce from the residual oil zone of the San Andres Formation:

1. Sable (San Andres) Field, Yoakum County (Final Order No. 8A-0300936).

2. Carm-Ann (San Andres) Field, Gaines County (Final Order No. 8A-0304805).
3. Dempsey Creek (San Andres) Field, Andrews and Gaines Counties (Final Order No. 8A-0306237).
4. ODC, NE. (San Andres) Field, (Final Order No. 8A-0306362).
5. Platang (San Andres) Field, Yoakum County (Final Order No. 8A-0292299).

Each of the field rule amendments requested by Joint Resources for the Carter-New Mexico (San Andres) Field have been previously adopted in at least one of the San Andres fields listed above that Mr. Johnston reviewed. The proposed 330-foot lease-line spacing with no minimum between well spacing and a 100-foot first and last take point rule for horizontal wells has been previously adopted in the Sable (San Andres) Field, Dempsey Creek (San Andres) Field, and the ODC, NE. (San Andres) Field. The 50-foot drill box rule, off-lease penetration point language, and stacked lateral rule requested for the subject field are already included in Statewide Rule 86. The current density rule for the Carter-New Mexico (San Andres) Field is 40 acres, with 20-acre tolerance for the last well drilled on a lease. Joint Resources proposes 40-acre density with the ability to assign an additional 40-acres to a well. This density provision was approved by the Commission in Final Order No. 8A-0300936 for the Sable (San Andres) Field.

Joint Resources proposes a six-month exception to the provisions of Rule 51 (a) regarding the 10-day rule for filing the potential test after testing of the well. This rule has been previously adopted in the Sable (San Andres) Field. Joint Resources also proposes a six-month exception to Statewide Rule 13(b)(4)(A) regarding the requirement of having to be produced through tubing. For good cause shown, which shall include the well flowing at a pressure in excess of 300 psig surface wellhead flowing pressure, an operator may obtain administratively from the district director, one or more extensions each with a duration of up to six months. This rule has been previously adopted in the Sable (San Andres) Field. Joint Resources originally proposed a minimum well flowing pressure of 50 psig for this rule but amended the request to 300 psig well flowing pressure Field on July 19, 2018, to align with the rule adopted in Final Order No. 8A-0300936 for the Sable (San Andres)

Joint Resources agreed that, pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), this Final Order shall be effective on the date a Master Order relating to this Final Order is signed.

FINDINGS OF FACT

1. Notice of this hearing was provided to all operators in the field and no protests were received.

2. Joint Resources requests to amend the field rules for the Carter-New Mexico (San Andres) Field in Gaines County, Texas, Texas
3. On January 24, 1957, the Commission approved a discovery allowable and a new field designation for the Carter-New Mexico (San Andres) Field (Field ID No. 16018500).
4. In Final Order No. 8-38,649, field rules were adopted for the Carter-New Mexico (San Andres) Field.
5. The Carter-New Mexico (San Andres) Field is an oil field.
6. The cumulative production for all wells that have been completed in the Carter-New Mexico (San Andres) Field is 396.57 MBO and 157.25 MMcf gas.
7. There has not been any production from the Carter-New Mexico (San Andres) Field since approximately 1999 and the June 1, 2018 oil proration schedule shows there are no wells in the field.
8. Joint Resources has drilling permits to complete three wells in the Carter-New Mexico (San Andres) Field (API Nos. 42-165-38591, 42-165-38694, and 42-165-38713).
9. Joint Resources requests to adopt a correlative interval for the Carter-New Mexico (San Andres) Field. Joint Resources proposes the interval from 4,910 feet to 5,608 feet as shown on the log of the American Exploration - Granberry No. 3 (API No. 42-165-34397), Gaines County, Texas, be designated as a single reservoir for proration purposes and be designated as the Carter-New Mexico (San Andres) Field. This interval consists of the entire San Andres Formation.
10. Joint Resources is requesting to amend the current field rules for the Carter-New Mexico (San Andres) Field to facilitate the drilling and completion of horizontal wells in the field. Joint Resources' petroleum engineering expert, Rick Johnston, P.E. reviewed the current field rules for the following San Andres fields in the area that also produce from the residual oil zone of the San Andres Formation:
 - a. Sable (San Andres) Field, Yoakum County (Final Order No. 8A-0300936).
 - b. Carm-Ann (San Andres) Field, Gaines County (Final Order No. 8A-0304805).

- c. Dempsey Creek (San Andres) Field, Andrews and Gaines Counties (Final Order No. 8A-0306237).
 - d. ODC, NE. (San Andres) Field, (Final Order No. 8A-0306362).
 - e. Platang (San Andres) Field, Yoakum County (Final Order No. 8A-0292299).
11. Each of the field rule amendments requested by Joint Resources for the Carter-New Mexico (San Andres) Field have been previously adopted in at least one of the San Andres fields listed in Findings of Fact No. 10 above that Mr. Johnston reviewed.
 12. Joint Resources agreed, that, pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), this Final Order shall be effective on the date a Master Order relating to this Final Order is signed.

CONCLUSIONS OF LAW

1. Proper notice was issued as required by all applicable statutes and regulatory codes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Amending the field rules for the Carter-New Mexico (San Andres) Field will allow operators in the field to recover additional reserves and prevent waste.
4. Pursuant to §2001.144(a)(4)(A), of the Texas Government Code, and the consent of the applicants, this Final Order is effective when a Master Order relating to this Final Order is signed.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission amend the field rules for the Carter-New Mexico (San Andres) Field in Gaines County, Texas.

Respectfully submitted,



Karl Caldwell
Technical Examiner



Lynn Latombe
Administrative Law Judge