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RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 8A-0312768

THE APPLICATION OF ROVER PETROLEUM OPERATING, LLC TO AMEND FIELD RULES
IN THE HUNTLEY (3400) FIELD, GARZA COUNTY, TEXAS

HEARD BY: Petar Buva – Technical Examiner
Jennifer N. Cook – Legal Examiner

DATE OF HEARING: August 23, 2018
CONFERENCE DATE: October 16, 2018

APPEARANCES:

REPRESENTING:

APPLICANT:

David Gross
Lance Adison
Greg McFarland
James Jumper

Rover Petroleum Operating, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Rover Petroleum Operating, LLC ("Rover") requested amendment of the field rules for the Huntley (3400) Field in Garza County. The application is unopposed, and the Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of the filed rule amendment as requested by Rover.

DISCUSSION OF THE EVIDENCE

The Huntley (3400) Field ("Field") was discovered on January 27, 1954 at a depth of 3,387 feet. Currently the Field is governed by special field rules that provide for 330'/660' well spacing, 20-acre density, with 10-acre tolerance for the last well drilled on a lease or pooled unit. Allowable allocation is based 100% on acreage utilizing the applicable 20-acre yardstick allowable of 64 BOPD.

The Field produced under primary conditions from its discovery in 1954 until December 1985 when, in Oil & Gas Docket No. 8A-86,488, the Commission approved the formation of the

North Huntley Unit ("Unit"), a partial fieldwide unit for conducting secondary recovery waterflood operations. The North Huntley Unit experienced a strong waterflood response, with secondary recovery production volumes peaking in 1990.

The original operator(s) of the North Huntley Unit were Edwin L. Cox and Berry R. Cox ("Cox"). Cox drilled Unit producing wells on 20-acre density, in compliance with the 330' minimum lease line spacing and 660' minimum between-wells spacing rules.

Cimarex Energy Co. of Colorado ("Cimarex") succeeded Cox as the Unit operator in 2006. In 2007, 2008 and 2010 respectively Cimarex drilled two test wells per year on greater density and tighter spacing to determine whether there might be recoverable oil in the North Huntley Unit that was not going to be recovered by wells drilled under the existing 20-acre density of development and 660' between-wells spacing. The total of the estimated recoveries of those 6 wells is 544,349 bbl, an average of roughly 91,000 bbl per well. This increase in oil recovery came at the time when the Field had already enjoyed a 31-year primary production life and had been the subject of secondary recovery waterflood operations for an additional 21 years. This is evidence in support of the need for drilling on increased density and tighter spacing. Therefore, Rover has requested field rule amendments.

Rover acquired the North Huntley Unit in February 2018 with plans to upgrade facilities and commence a 12 well infill drilling program. To date, Rover has updated facilities and drilled the first four wells of the 12 well infill drilling program and is about to spud the fifth of those wells. The drilling permits that Rover has obtained for its new wells have required non-concurrent production limitations with existing Unit wells to avoid the need for between-wells Rule 37 exceptions. Rover has had to shut-in existing wells on the Unit so that it can produce the newly-completed wells. Currently about 50 BOPD of production is shut-in because of the 660' between-wells spacing rule.

Based upon the experience of the Cimarex infill wells, Rover believes that its 12 well increased density/spacing infill drilling program will conservatively recover an additional 678,000 Bbl of oil from the North Huntley Unit that would not otherwise be recovered, and increase the Unit's current daily production rate of 140 BOPD to 584 BOPD. Therefore, Rover's request to amend Field Rules includes:

- 1) Designate a correlative vertical interval for the Huntley (3400) Field.
- 2) Replace the existing 660' minimum between-wells spacing rule with a 0' minimum between-wells spacing rule.
- 3) Adopt an optional 10 acre density rule with 5 acre tolerance for the last well on a lease or pooled unit.

The requested correlative vertical interval for the Huntley (3400) Field goes from 3,100 feet to 3,900 feet. This interval includes the Lower San Andres down to the top of the Glorieta. The top allowable for a well drilled on 10-acre density would be the 1947 yardstick 10 acre allowable of 54 BOPD.

FINDINGS OF FACT

1. Notice of this hearing was provided to all operators in the field at least ten (10) days prior to the date of the hearing.

2. The Huntley (3400) Field was discovered in January of 1954 at an average depth of 3,387 feet.
3. The Field produced under primary conditions from its discovery in 1954 until December 1985 when, in Oil & Gas Docket No. 8A-86,488, the Commission approved the formation of the North Huntley Unit, a partial fieldwide unit for the conduct of secondary recovery waterflood operations.
4. Rover requests adoption of a 10-acre density provision, in conjunction with 0' minimum between-wells spacing to facilitate the drilling of infill wells. With the additional wells there is an estimated recovery increase of 678,000 bbl of oil from the North Huntley Unit.
5. Reducing the between-wells spacing rule from 660 feet to 0 feet will prevent waste.
6. Rover agreed in writing or on the record that, pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), this Final Order can be final and 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 Huntley (3400) Field as requested by rover will prevent waste.
4. Pursuant to §2001.144(a)(4)(A) of the Texas Government Code and by agreement of the parties in writing or on the record, the Final Order can be final and 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 Huntley (3400) Filed Woodlawn, as proposed by Rover Petroleum Operating, LLC.

Respectfully submitted,


Petar Buva
Technical Examiner


Jennifer N. Cook
Administrative Law Judge