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RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 03-0314553

APPLICATION OF H.E.X.T. OPERATING, LTD. (340446) TO ADOPT PERMANENT FIELD RULES FOR SALLY WITHERS LAKE (MIOCENE) FIELD, JASPER COUNTY, TEXAS

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

DATE OF HEARING: October 19, 2018
HEARING REOPENED: May 13, 2019

CONFERENCE DATE: June 18, 2019

APPEARANCES: **REPRESENTING:**

APPLICANT:
David Gross (Attorney) H.E.X.T. Operating, Ltd.
Dale Miller (Engineer)

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

H.E.X.T. Operating, Ltd. ("HEXT") is requesting adoption of permanent field rules for the Sally Withers Lake (Miocene) Field in Jasper County, Texas. The proposed rules for the Sally Withers Lake (Miocene) Field are as follows:

1. Designating correlative interval for the Miocene reservoir from 3,316' to 3,326'.
2. Allowing for 150' – 300' well spacing.
3. Allowing for 40-acre base units with optional 10-acre density, 10-acre tolerance provision for the last well on the lease.

4. Filing Form P-16 to designate the number of acres to be assigned to individual wells with a plat of the entire lease, without the requirement to file individual well proration unit plats and no maximum diagonal limitation.
5. Salvage classification with no limitation on oil or casinghead gas production.
6. 100% per well allocation formula.

Notice of the application was sent to all operators with wells in the respective field. The application is unopposed, and the Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of the filed rule amendment as requested by HEXT.

DISCUSSION OF THE EVIDENCE

The Sally Withers Lake (Miocene) Field was discovered on January 18, 1978 at a depth of 3,320 feet. It has been developed since inception with ten (10) different wells. Five of the wells were drilled between May of 1977 and March of 1982. Two disposal wells were drilled in 1986 and 1987. Future development wells were drilled in 1999, 2011, 2012 and 2013. The Sally Withers Lake (Miocene) Field is currently governed by the statewide rules that allow for 467'1,200' lease/well spacing and 40-acre base proration unit. The proration schedule shows top allowable of 84 barrels of oil per day ("bopd").

There are two operators in the field that were notified of the requested rule change and only H.E.X.T. appeared at the call of the hearing. The other operator in the field filed a letter of support for the proposed rules.

The May 2019 Oil Proration Schedule shows that there are currently 2 active wells in this field, one producer and one injector. The Sally Withers Lake (Miocene) field has produced 159,494 barrels of oil and 28,295 thousand cubic feet of Casinghead Gas from July 1978 through February 2019.

Volumetric Content Calculations were performed on the wells in the field and average reservoir parameters were determined to be a Porosity of 31.9%, Water Saturation of 51%, a Formation Volume Factor of 1.0 reservoir tank barrel/ stock tank barrel ("RBL/STB"), Recovery Factor of 35%, Net Effective Pay Thickness of 7 feet and an Area of 40 acres and Optional 10 acres. Using these parameters, the Recoverable Oil In Place calculated to be 118,832 STB for a 40 acre proration unit and 29,708 STB for a 10 acre unit.

The drainage areas for the wells in the field range from 0.08 to 19.46 acres. Four of the wells drained 10.25 acres or less, therefore the base statewide 40 acre proration units with the optional 10 acres proration units are appropriate and will prevent waste and protect correlative rights. This data justifies the request for the optional 10 acre rules with the standard statewide 40 acre density for the base proration units.

The wells in the field come in with a high water cut. It was shown that the highest initial potential of 222 BOPD was obtained after the field had been abandoned. A new well was drilled 21 years after the nearest offset well, that was the most prolific well in the field, had been abandoned. Therefore, HEXT is proposing salvage classification that will allow the wells to produce at capacity with no restrictions on the producing rates upon initial completion.

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 application is unopposed.
3. The Sally Withers Lake (Miocene) Field was discovered on January 18, 1978 at a depth of 3,320 feet.
4. The Sally Withers Lake (Miocene) Field, Jasper County, Texas is currently operated under Statewide Rules.
5. HEXT requests designation of correlative interval from 3,316' to 3,326'.
6. HEXT requests 40-acre base units with optional 10-acre density, 10-acre tolerance provision for the last well on the lease.
7. HEXT requests Salvage Classification for the field with no limitation on oil or casinghead gas production.
8. HEXT requests 150' - 300' well spacing to accommodate additional drilling in this field to prevent waste.
9. HEXT requests filing Form P-16 to designate the number of acres to be assigned to individual wells with a plat of the entire lease, without the requirement to file individual well proration unit plats and no maximum diagonal limitation.
10. HEXT 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 Sally Withers Lake (Miocene) Field as requested by HEXT 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 Sally Withers Lake (Miocene) Field, in Jasper County, Texas, as proposed by H.E.X.T. Operating, Ltd.

Respectfully submitted,



Petar Buva
Technical Examiner



Jennifer N. Cook
Administrative Law Judge