



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 8A-0319701

APPLICATION OF RELIANCE ENERGY, INC. (700995) TO AMEND SPECIAL FIELD RULES IN THE ILLUSION LAKE (SAN ANDRES) FIELD, LAMB AND HOCKLEY COUNTIES, TEXAS

HEARD BY: Austin Gaskamp – Technical Examiner
Ezra A. Johnson – Administrative Law Judge

HEARING DATE: July 22, 2019

CONFERENCE DATE: October 1, 2019

APPEARANCES:

Doug J. Dashiell, Attorney
Rick A. Johnston, Consulting Engineer

REPRESENTING:

Reliance Energy, Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Reliance Energy Inc. ("Reliance") seeks to amend field rules for the Illusion Lake (San Andres) Field ("Field"). Field Rules for this field were adopted in Oil and Gas Docket Nos. 8A-0256753 and 8A-0260199 and are as follows:

- Rule 1:** The correlative interval from 4,070 feet to 4,170 feet as shown on the log of the Tommy Swanson Oil Company, Inc. – Young Lease Well No. 14 (API No. 42-279-30390), shall be designated as a single reservoir for proration purposes and be designated as the Illusion Lake (San Andres) Field.
- Rule 2:** No well for oil or gas shall hereafter be drilled nearer than THREE HUNDRED THIRTY (330) feet to any property line, lease line or any subdivision line and no well shall be drilled nearer than SIX HUNDRED (600) feet to any applied for, permitted or completed well in the same reservoir on the same lease, pooled unit or unitized tract. The aforementioned distance is the minimum distance to allow an operator

flexibility in locating a well. Provided however, that the Commission will grant exceptions to permit drilling within shorter distances and drilling more wells than herein prescribed whenever the Commission shall have determined that such exceptions are necessary either to prevent waste or to prevent the confiscation of property. When exception to these rules is desired, application therefore shall be filed and will be acted upon in accordance with the provisions of Commission Statewide Rule 37, which applicable provisions of said rule are incorporated herein by reference.

In applying this rule, the general order of the Commission with relation to the subdivision of property shall be observed.

Rule 3: The acreage assigned to the individual oil well for the purpose of allocating allowable oil production thereto shall be known as a proration unit. The standard drilling and proration units are established hereby to be FORTY (40) acres. No proration unit shall consist of more than FORTY (40) acres except as hereinafter provided. The two farthestmost points in any proration unit shall not be in excess of TWO Thousand ONE HUNDRED (2,100) feet removed from each other; provided however, that in the case of long and narrow leases or in cases where because of the shape of the lease such is necessary to permit the utilization of tolerance acreage, the Commission may after proper showing grant exceptions to the limitations as to the shape of proration units as herein contained. All proration units shall consist of continuous and contiguous acreage which can reasonably be considered to be productive of oil. No double assignment of acreage will be accepted.

If after the drilling of the last well on any lease and the assignment of acreage to each well thereon in accordance with the regulations of the Commission there remains an additional unassigned acreage of less than FORTY (40) acres, then and in such event the remaining unassigned acreage up to and including a total of TEN (10) acres may be assigned as tolerance acreage to the last well drilled on such lease or may be distributed among any group of wells located thereon, so long as the proration units resulting from inclusion of such additional acreage meet the limitations prescribed by the Commission.

An operator, at his option, shall be permitted to form optional drilling and fractional proration units of TWENTY (20) acres, with a proportional acreage allowable credit for a well on fractional proration units. The two farthestmost points of a TWENTY (20) acre fractional proration unit shall not be greater than ONE THOUSAND FIVE HUNDRED (1,500) feet removed from each other.

Operators shall file with the Commission certified plats of their properties in said field, which plats shall set out distinctly all of those things

pertinent to the determination of the acreage credit claimed for each well; provided that if the acreage assigned to any proration unit has been pooled, the operator shall furnish the Commission with such proof as it may require as evidence that interests in and under such proration unit have been so pooled.

It is further ordered by the Railroad Commission of Texas that Tommy Swanson Oil Company, Inc. is granted exception to the density and spacing rules of the Illusion Lake (San Andres) Field for its Young Lease (10649), subject to the following terms and conditions:

1. The unit's density will not exceed that authorized by applicable field rules, within the limits of the lease.
2. That no well under the provisions of this order will be drilled closer than the applicable lease/unit line spacing rule without first having given at least 10 days' notice to offset operators and after public hearing, if protest to such proposed location is filed with Commission.
3. That all applications to drill wells (Form W-1) under the authority of this order be submitted to the Rule 37 Department for approval.

Rule 4: The maximum daily oil allowable for a well in the field shall be determined by multiplying the applicable yardstick allowable for a well in the field by a fraction, the numerator of which is the acreage assigned to the well for proration purposes and the denominator of which is the maximum acreage authorized by these field rules for proration purposes, exclusive of tolerance acreage. The daily oil allowable for a well in the field shall be adjusted in accordance with Statewide Rule 49(a) when applicable.

Reliance seeks to amend Rule 2 to adopt zero between well spacing and 100' spacing for first take point ("FTP") and last take point ("LTP") of horizontal wells. Reliance additionally seeks to amend Rule 3, to change the tolerance rule to allow for 10-acre tolerance for each well. Reliance seeks to amend Rule 3 to allow for designation of the number of acres to be assigned to individual wells with form P-16 and plat of the entire lease but no individual well proration plats, however an operator may file individual proration plats at their option.

Notice was provided to the operators in the Field. The application is unopposed. The Technical Examiner and Administrative Law Judge ("Examiners") recommend the requested amendments to the Field Rules as proposed by Reliance.

DISCUSSION OF THE EVIDENCE

The Illusion Lake (San Andres) Field was discovered in February 1957. The field currently has 16 producing wells on the proration schedule. Reliance operates one producing well, the Roley 1H, which is the first horizontal well drilled in the field. Reliance also operates one disposal well. Reliance plans to drill additional horizontal wells and presented evidence to demonstrate that eliminating the between well spacing rule and adopting 100' spacing rule for FTP and LTP well prevents waste of recoverable hydrocarbons.

Reliance also requests the 10 acre per well tolerance provision because tracts in the field are laid out in labors containing approximately 177 acres as opposed to standard 640 acre sections. Assignment of tolerance of up to 10 acres per well will allow operators to claim all acreage for producing wells and avoid stranding small amounts of acreage outside of proration units.

The Field has produced approximately 2.0 million cumulative barrels of oil and 111 million cubic feet of gas (MMCF). Reliance testified that amending the rules as requested will facilitate horizontal redevelopment and increase ultimate recovery from the field. The Roley 3-8 Lease, Well No. 1H horizontal completion had an initial potential of 141 barrels of oil per day (bopd) with 3,188 barrels of water, demonstrating water disposal capability is an important factor for future development.

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 Illusion Lake (San Andres) Field was discovered February 1957.
3. The Illusion Lake (San Andres) Field is currently governed by Special Field Rules adopted in O&G Docket Nos. 8A-0256753 and 8A-0260199.
4. The Field is being developed with more new horizontal wells planned by Reliance.
5. Amending Field rules for the Illusion Lake (San Andres) Field will facilitate horizontal drilling which will increase ultimate recovery of oil from the Field.
 - a. The proposed spacing rules are appropriate for planned horizontal development of the Illusion Lake (San Andres) field.
 - b. The Proposed amendment to the tolerance rules will protect correlative rights.
6. At the hearing, the applicant agreed on the record that the Final Order in this case is to be effective when the Master Order relating to the Final 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 and 1.45.
3. Approval of the application will prevent waste, protect correlative rights and promote development of the Illusion Lake (San Andres) 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 October 1, 2019.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend the approval of the application of Reliance energy, Inc. to amend field rules for the Illusion Lake (San Andres) Field.

Respectfully submitted,



Austin Gaskamp
Technical Examiner



Ezra Johnson
Administrative Law Judge