



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0316680

APPLICATION OF INDEPENDENCE RESOURCES MANAGEMENT, LLC (423716) TO CONSOLIDATE THE SUGG RANCH (CANYON) FIELD, THE SUGG RANCH (CANYON DIST 08) FIELD, AND THE LOWER HALF (WOLFCAMP) FIELD INTO THE SPRABERRY (TREND AREA) FIELD, TOM GREEN, STERLING AND IRION COUNTIES, TEXAS

HEARD BY: Robert Musick, P.G. - Technical Hearings Examiner
Jennifer Cook - Administrative Law Judge

HEARING DATE: March 26, 2019

CONFERENCE DATE: October 1, 2019

APPEARANCES:

APPLICANT:

Kelli Kenney, Attorney
Donna Chandler, Engineer

REPRESENTING:

Independence Resources Management, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Independence Resources Management, LLC (423716) ("Independence" or "Applicant") seeks consolidation of the Sugg Ranch (Canyon) Field, the Sugg Ranch (Canyon Dist 08) Field, and the Lower Half (Wolfcamp) Field (collectively, "Subject Fields") into the Spraberry (Trend Area) Field ("Spraberry"), in Sterling, Tom Green and Irion Counties, Texas. Independence also seeks to transfer all wells associated with the Subject Fields into the Spraberry so as not to require a Form W-1 to transfer these wells into the Spraberry from the Subject Fields.

If the Subject Fields are consolidated into the Spraberry, wells currently in the Subject Fields and future development will be subject to the existing Spraberry Field Rules, which will promote horizontal drilling through regulatory flexibility and prevent waste and protect correlative rights.

Notice was given to operators in the Subject Fields and the Spraberry. The application was not protested. The Technical Examiner and Administrative Law Judge

(collectively, "Examiners") recommend approval of the requested field consolidation as proposed by the Applicant.

DISCUSSION OF THE EVIDENCE

Independence sent a letter dated November 28, 2018, requesting a hearing to consolidate the Subject Fields into the Spraberry in Sterling, Tom Green and Irion Counties, Texas. A Notice of Hearing was issued by the Commission on February 22, 2019, to operators in all impacted fields at least ten days prior to the date of the hearing. A hearing was held on March 26, 2019. There were no protests.

The Subject Fields proposed for consolidation into the Spraberry are listed below:

- **Sugg Ranch (Canyon) Field** (Field No. 87018551) – The field is located in Tom Green, Irion and Sterling Counties, Texas as an oil and gas field. The field is located primarily in District 7C with a small portion of the field located in District 8. The Sugg Ranch (Canyon) Field was discovered in May 1987 and formed through Oil and Gas Final Order No. 8-90, 635, dated September 28, 1987. The correlative interval for the field is from 7,093 feet to 8,593 feet. The discovery well is 42-431-31844, located in Sterling County, Texas. The field has the following spacing and density requirements:
 - Lease Line Spacing of 467 feet;
 - Between Well Spacing: 933 feet; and
 - Drilling and Proration Unit: 80 acres.
- **Sugg Ranch (Canyon Dist 08) Field** (Field No. 08-87018550) – The field is located in Sterling County, Texas as an oil and gas field. The field is located primarily in District 8 with a small portion located in District 7C. The Sugg Ranch (Canyon Dist 08) Field was discovered in May 1987. The discovery depth of the field is 7,860 feet. The field has the following spacing and density requirements:
 - Lease Line Spacing of 467 feet;
 - Between Well Spacing: 933 feet; and
 - Drilling and Proration Unit: 80 acres.
- **Lower Half (Wolfcamp) Field** (Field No. 08-55279500) – The field is in Sterling County, Texas as an oil and gas field. The field is located primarily in District 8 with a small portion of the field located in District 7C. The Lower Half (Wolfcamp) Field was discovered in May 1985 and the field rules were established through Oil and Gas Final Order No. 8-96, 397, dated September 9, 1991. The correlative interval for the field is from 6,448 feet to 6,600 feet. The discovery well is 42-431-31613. The field has the following spacing and density requirements:

- Lease Line Spacing of 660 feet;
- Between Well Spacing: 1,320 feet; and
- Drilling and Proration Unit: 80 acres.

A field rule comparison of the Subject Fields proposed for consolidation is in Attachment A to this Examiners' Report. The criteria to consolidate the Subject Fields into the Spraberry is based on similar stratigraphic conditions which result in the reservoir laterally communicating for the purpose of recovery of hydrocarbons. Also, consolidation takes in consideration the distance between existing fields and field development to maximize efficiency of hydrocarbon recovery. The Applicant provided evidence that the Subject Fields have the same stratigraphic formations as established under the Oil and Gas Final Order No. 7C-0297471, dated March 8, 2016.

- **Spraberry (Trend Area) Field** (Field Nos. 85299200 / 85280300).

The Spraberry was discovered in 1935. The Spraberry produces from a 3,700-foot designated interval that includes the Clearfork, Upper Spraberry, Lower Spraberry, Dean and Wolfcamp formations. Over the years, various fields have been consolidated into the Spraberry, which are part of the Midland Basin, and have the same stratigraphic sequence and have grown together causing overlapping field rules. Consolidating the Subject Fields into the Spraberry will promote the orderly development of the hydrocarbon reservoir by having uniform field rules for the same formation throughout the Midland Basin. Field rules for the Spraberry are more flexible and promote horizontal drilling and oil production. Below are several key requirements of the Spraberry that promote oil production and protect the correlative rights:

- Correlative interval: The correlative interval is from 6,865 feet to 10,605 feet with the intended reservoirs between the top of the Clearfork and the top of the Strawn Formations. The designated interval is from the top of the Pioneer Natural Res. USA, Inc.-Haupt Lease, Well No. 1 (API No. 42-329-31029), Section 24, Block 39, T-2-S, T&P RR Co. Survey, Midland County, Texas. This entire correlative stratigraphic interval is designated as a single reservoir for proration purposes;
- Lease line spacing: 330 feet with no between well spacing for wells on the same lease;
- Dual lease line spacing for horizontal wells: The lease line spacing is 330 feet for the perpendicular distance from a drainhole and the first and last take point for a drainhole must be at least 100 feet to any property line, lease line or subdivision line;
- Drilling and Proration Unit: 80-acre drilling unit and proration unit for the Field with no diagonal limitation;
- Tolerance Acreage: 80-acre tolerance acreage;

- Sub-fields: A subdivision of the Field into four possible sub-fields based on: the portion of the Field that is geographically located in either District 7C (Field No. 85279200) or District 8 (Field No. 85280300); or any horizontal severances associated with the sub-field separated by District 7C (Field No. 85279201) and District 8 (Field No. 85280301).
- Maximum Efficient Rate ("MER") allowable: an MER of 1,030 barrels of oil per day; and
- Tubing Exception: A six-month exception to Statewide Rule 13(b)(4)(A).

If the Subject Fields are consolidated into the Spraberry, the rule changes will be protective of correlative rights, increase recovery of resources and prevent waste. The Examiners recommend granting the request in the proposed Final Order.

At the hearing, Independence agreed on the record that the Final Order in this case is to be final and effective when the Master Order relating to the Final Order is signed.

FINDINGS OF FACT

1. Independence Resources Management, LLC (423716) ("Independence") seeks the consolidation of the Sugg Ranch (Canyon) Field, the Sugg Ranch (Canyon Dist 08) Field, and the Lower Half (Wolfcamp) Field (collectively, "Subject Fields") into the Spraberry (Trend Area) Field ("Spraberry"), in Sterling, Tom Green and Irion Counties, Texas. Independence also seeks to transfer all wells associated with the Subject Fields into the Spraberry so as not to require a Form W-1 to transfer those wells into the Spraberry from the Subject Fields.
2. Consolidation into the Subject Fields is based on similar stratigraphic conditions which result in the correlative interval laterally communicating for the purpose of recovery of hydrocarbons. The Subject Fields are proposed for consolidation due to lateral communication to maximize efficiency of hydrocarbon recovery.
3. Independence sent a letter dated November 28, 2018, requesting a hearing to consolidate the Subject Fields into the Spraberry.
4. A Notice of Hearing was issued by the Commission on February 22, 2019, to all parties entitled to notice at least ten days prior to the date of the hearing and no protests were received.
5. A hearing was held on March 26, 2019.
6. The Subject Fields proposed for consolidation into the Spraberry are listed below:
 - **Sugg Ranch (Canyon) Field** (Field No. 87018551) – The field is located in Tom Green, Irion and Sterling Counties, Texas as an oil and gas field. The field is located primarily in District 7C with a small portion of the field located

in District 8. The field has the following spacing and density requirements:

- Lease Line Spacing of 467 feet;
 - Between Well Spacing: 933 feet; and
 - Drilling and Proration Unit: 80 acres.
- **Sugg Ranch (Canyon Dist 08) Field** (Field No. 08-87018550) – The field is located in Sterling County, Texas as an oil and gas field. The field is located primarily in District 8 with a small portion located in District 7C. The discovery depth of the field is 7,860 feet. The field has the following spacing and density requirements:
 - Lease Line Spacing of 467 feet;
 - Between Well Spacing: 933 feet; and
 - Drilling and Proration Unit: 80 acres.
 - **Lower Half (Wolfcamp) Field** (Field No. 08-55279500) – The field is in Sterling County, Texas as an oil and gas field. The field is located primarily in District 8 with a small portion of the field located in District 7C. The field has the following spacing and density requirements:
 - Lease Line Spacing of 660 feet;
 - Between Well Spacing: 1,320 feet; and
 - Drilling and Proration Unit: 80 acres.
7. A field rule comparison of the Subject Fields proposed for consolidation is in Attachment A to this Examiners' Report.
 8. The Subject Fields have the same stratigraphic formations as established for the Spraberry, established under the Oil and Gas Final Order No. 7C-0297471, dated March 8, 2016, and presented as the Spraberry (Trend Area) Field for Commission Districts 7C (Field No. 85299200) and District 8 (Field No. 85280300).
 9. If the Subject Fields are consolidated into the Spraberry such that they have the same field rules as the Spraberry currently has, the rule changes will be protective of correlative rights, increase recovery of resources and prevent waste.
 10. At the hearing, Independence agreed on the record that the Final Order in this case is to be final and 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.
3. The requested consolidation will prevent waste and protect correlative rights.
4. Pursuant to § 2001.144 (a)(4)(A) of the Texas Government Code and the agreement of the applicant on the record, this Final Order can be final and effective when a Master Order relating to the Final Order is presented at Commission conference and signed by the Commissioners.

EXAMINER'S RECOMMENDATION

Based on the above findings of facts and conclusions of law, the Examiners recommend approval of the requested field consolidation as proposed by the Applicant.

Respectfully submitted,



Robert Musick
Technical Hearings Examiner



Jennifer Cook
Administrative Law Judge

Attachment A – Subject Field’s Field Rule Comparison

Field Criteria	Spraberry (Trend Area) Field	Sugg Ranch (Canyon) Field	Sugg Ranch (Canyon Dist 08) Field	Lower Half (Wolfcamp Field)
Discovered Date	12/22/1952	05/17/1987	05/17/1987	05/27/1985
Discovery Depth	8,000 feet	7,860 feet	7,860 feet	6,487 feet
Reservoir Type	Oil and Gas	Oil and Gas	Oil and Gas	Oil and Gas
Correlative Interval	6865 to 10605 feet	7,093 feet to 8,593	None	None
Drilling Unit	80 Acres	80 Acres	80 Acres	80 Acres
Optional Acres	Not Identified	40 Acres	40 Acres	Not Identified
Tolerance Acres	80 Acres	Not Identified	Not Identified	Not Identified
Lease Line Boundary	330 feet	467 Feet	467 Feet	660 Feet
Between Well Spacing	0 between well spacing	933 Feet	933 Feet	1,320 Feet
Diagonal	No Diagonal Max. Length	3,250 or 2,100 (Optional)	3,250 or 2,100 (Optional)	3,250
Horizontal Dual Lease Line Spacing	330/100	Not Identified	Not Identified	Not Identified
MER	1,030 BOPD	Not Identified	Not Identified	Not Identified
UFT Field	Yes	Not Identified	Not Identified	Not Identified
Field Nos.	85279200 (District 7C) and 85280300 (District 8)	87018551 (District 7C)	08-87018550 (District 8)	08-55279500 (District 8)
Proposed Consolidation into the Spraberry (Trend Area) Field.	NA	The field is primarily in District 7C (Field No. 85279200) with a small portion located in District 8. (Field No. 85280300)	The field is primarily in District 8 (Field No. 85280300) with a small portion located in District 7C. (Field No. 85279200)	The field is primarily in District 8 (Field No. 85280300) with a small portion located in District 7C. (Field No. 85279200)

Note: NA = Not applicable for table column

Not Identified = The information was not in the hearing record