



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0319407

APPLICATION OF MCCLURE OIL COMPANY, INC. (540703) TO CONSIDER DESIGNATION FOR THE MARNE (LEONARD) FIELD, AND ADOPT TEMPORARY FIELD RULES, GLASSCOCK COUNTY, TEXAS

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

HEARING DATE: August 7, 2019

CONFERENCE DATE: November 19, 2019

APPEARANCES:

APPLICANT:

Kelli Kenney
Michael A. Senich, Ph.D.

REPRESENTING:

McClure Oil Company, Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

McClure Oil Company, Inc. (540703) ("McClure" or "Applicant") requests a new field designation for the proposed Marne (Leonard) Field ("Field") and adopt temporary rules for the proposed Field in Glasscock County, Texas. In the hearing, the requested name of the proposed Field was changed from Marne (Wichita -Albany) Field to the Marne (Leonard) Field. Specifically, McClure requested to adopt a correlative interval from 5,635 feet to 5,748 feet in the proposed Field; a 160-acre proration unit; a 330-foot lease line spacing; a between well spacing of 660 feet; a reporting format using Commission Form P-15 or P-16, as appropriate; and a formula for maximum daily oil allowable.

Notice was given to all off-set operators in the vicinity of the proposed Field. The application was not protested. The Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend that McClure's proposed new field designation and temporary field rules for the Marne (Leonard) Field be granted, subject to a 2-year review.

DISCUSSION OF THE EVIDENCE

Hearing and Notice

McClure requested a hearing on March 15, 2019, to consider a new field designation for the proposed Marne (Leonard) Field and adopt temporary rules ("temporary Field Rules") for the Field (Field No. 57649010) in Glasscock County, Texas. It should be noted for clarification, that the name of the proposed Field was changed in the hearing from Marne (Wichita -Albany) Field to the Marne (Leonard) Field.

A Notice of Hearing was issued by the Commission on July 22, 2019 to off-set operators in the vicinity of the proposed Field at least ten days prior to the date of the hearing. A hearing was held on August 7, 2019. Late submitted information was filed on August 29, 2019 which closed the hearing record. There were no protests.

Proposed Temporary Field Rule

McClure proposes to adopt the following temporary Field Rules for the proposed Field:

- Correlative interval from 5,635 feet to 5,748 feet. McClure proposed the following correlative interval:
 - The entire correlative interval from 5,635 feet to 5,748 feet as shown on the log of the Conquest Exploration Company L.C. Clark Estate #1-39 (API No. 42-173-31554) (Section 39, Blk. 35, T&P RR Co. Svy) Glasscock County, Texas shall be designated as a single reservoir for proration purposes and be designated as the Marne (Leonard) Field;
- 160-acre drilling and proration unit;
- 330-foot lease line spacing;
- Between well spacing of 660 feet;
- Reporting format using Commission Form P-15 or P-16, to designate the number of acres to individual wells with a plat, provided such plat shall not be required to show individual proration units; and
- Maximum daily oil allowable determined by applicable yardstick divided 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.

Field Discovery

McClure recompleted its Bloodworth 39 Lease, Well No. 1 ("Well No. 1") in August 2018 with perforations in the Leonard formation between 5,655 feet to 5,662 feet and 5,673 feet to 5,676 feet. On initial test, Well No. 1 produced on pump at a maximum rate

of 45 barrels of oil per day (“BOPD”) and produced no casinghead gas or water. Currently, McClure is the only operator in the proposed Field.

The proposed Field should be designated because there is no comparable production within a 2.5-mile radius of the discovery well identified as Well No. 1. The proposed Field is the first upper Leonard field in the area. The designated correlative intervals for the existing 12 fields in the area do not overlap the upper Leonard correlative interval in the proposed Field.

McClure requested that the stratigraphic equivalent of the correlative interval from 5,635 feet to 5,748 feet be designated as the Marne (Leonard) Field. The proposed Field is a small stratigraphic trap, making it a unique and localized entity in the area. Stratigraphic cross sections of the proposed Field show that it retains porosity to the west and south, loses porosity to the north, and pinches out to the east and south. Drainage calculations support the 160-acre proration unit for the proposed Field. McClure seeks temporary Field Rules for a period of 2 years.

The temporary Field Rules are protective of correlative rights with a correlative interval being established for the proposed Field. The temporary Field Rules also promote exploration in the proposed Field and increase oil recovery and prevent waste.

The Examiners recommend that McClure’s proposed Field and temporary Field Rules be granted, subject to a 2-year review.

FINDINGS OF FACT

1. McClure Oil Company, Inc. (540703) (“McClure” or “Applicant”) requests a new field designation for the proposed Marne (Leonard) Field (“Field”) and adopt temporary rules (“temporary Field Rules”) for the proposed Field in Glasscock County, Texas.
2. McClure requested a hearing on March 15, 2019, to consider a new field designation for the proposed Field and adopt temporary field rules for the proposed Field (Field No. 57649010) in Glasscock County, Texas.
3. A Notice of Hearing was issued by the Commission on July 22, 2019 to off-set operators in the vicinity of the proposed Field at least ten days prior to the date of the hearing. There were no protests.
4. A hearing was held on August 7, 2019.
5. The name of the proposed Field was changed in the hearing from Marne (Wichita - Albany) Field to the Marne (Leonard) Field.
6. The discovery well for the proposed Field is the Bloodworth 39 Lease, Well No. 1 (“Well No. 1”) in Glasscock County, Texas with perforations from 5,655 feet to 5,662 feet and 5,673 feet to 5,676 feet.
7. The proposed Field is a small stratigraphic trap, making it a unique and localized entity.

8. The proposed Field should be designated because there is no comparable production within a 2.5-mile radius of the discovery well identified as Well No. 1.
9. McClure proposes to adopt the following temporary Field Rules for the proposed Field:
 - Correlative interval from 5,635 feet to 5,748 feet. McClure proposed the following correlative interval:
 - The entire correlative interval from 5,635 feet to 5,748 feet as shown on the log of the Conquest Exploration Company L.C. Clark Estate #1-39 (API No. 42-173-31554) (Section 39, Blk. 35, T&P RR Co. Svy) Glasscock County, Texas shall be designated as a single reservoir for proration purposes and be designated as the Marne (Leonard) Field;
 - 160-acre drilling and proration unit;
 - 330-foot lease line spacing;
 - Between well spacing of 660 feet;
 - Reporting format using Commission Form P-15 or P-16, to designate the number of acres to individual wells with a plat, provided such plat shall not be required to show individual proration units; and
 - Formula for maximum daily oil allowable determined by applicable yardstick divided 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 temporary Field Rules for proration purposes, exclusive of tolerance acreage.
10. The temporary Field Rules will enable McClure to begin development of the proposed Field and obtain necessary information for field optimization and adoption of permanent field rules.
11. The Examiners recommend that McClure's proposed Field and temporary Field Rules be granted, subject to a 2-year review to determine if the rules should be modified or adopted as permanent.
12. The temporary Field Rules will be protective of correlative rights, increase recovery of resources and prevent waste.
13. At the hearing, McClure 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 things have been accomplished or have occurred to give the Commission jurisdiction in this matter.
3. All notice requirements have been satisfied. 16 Tex. Admin. Code § 1.42.
4. Approval of the requested new field designation and adoption of the temporary Field Rules for the Marne (Leonard) Field will prevent waste and protect correlative rights.
5. 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 fact and conclusions of law, the Examiners recommend approval of the proposed Field designation and temporary Field Rules for a 2-year period for the Marne (Leonard) Field, Glasscock County, Texas.

Respectfully submitted,



Robert Musick
Technical Hearings Examiner



Jennifer Cook
Administrative Law Judge