



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

OIL AND GAS DOCKET NO. 7C-0322376

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APPLICATION OF SABLE PERMIAN RESOURCES, LLC (OPERATOR NO. 742251) TO TRANSFER WELLS FROM THE LIN (WOLFCAMP) FIELD INTO THE SPRABERRY (TREND AREA) FIELD AND FROM THE LIN (WOLFCAMP) FIELD AND SPRABERRY (TREND AREA) FIELD INTO THE SPRABERRY (TREND AREA) R 40 EXC FIELD, REAGAN, IRION, CROCKETT AND SCHLEICHER COUNTIES, TEXAS

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HEARD BY: John Moore - Technical Examiner  
Jennifer Cook - Administrative Law Judge

HEARING DATE: November 7, 2019  
RECORD CLOSE DATE: December 20, 2019  
CONFERENCE DATE: February 11, 2020

APPEARANCES: REPRESENTING:

APPLICANT: Sable Permian Resources, LLC

George Neale, Attorney  
Bob Tierney, Regulatory Consultant  
Brian Voyles, Manager, Permitting and Regulatory  
Raleigh Baird, Sr. Landman  
Dawn Manning, Permitting and Regulatory Specialist  
Brenda Hoffman, Permitting and Regulatory Specialist

### EXAMINERS' REPORT AND RECOMMENDATION

#### STATEMENT OF THE CASE

Sable Permian Resources, LLC ("Sable" or "Applicant") has filed for a transfer of 764<sup>1</sup> of its wells, as follows:

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<sup>1</sup> At the hearing, it was stated that the number of wells requested to be transferred was 934. Following the hearing, Sable revised the listing and number of wells requested to be transferred to 764 wells in late-filed Exhibit 16.

1. 499 wells from the Lin (Wolfcamp) Field to the Spraberry (Trend Area) Field (these wells are identified and listed in Appendix A attached to the Final Order),
2. 244 wells from the Lin (Wolfcamp) Field to the Spraberry (Trend Area) R 40 Exc Field (these wells are identified and listed in Appendix B attached to the Final Order), and
3. 21 wells from the Spraberry (Trend Area) Field to the Spraberry (Trend Area) R 40 Exc Field (these wells are identified and listed in Appendix C attached to the Final Order).

Sable acquired the subject wells from American Permian ("American") in May 2017. At the time of acquisition, the subject wells were located in overlapping fields - geologically, geographically, and overlapping designated correlative intervals for the fields<sup>2</sup>; i.e. the Lin (Wolfcamp) Field and the Spraberry (Trend Area) Field.

Soon after the acquisition, Sable was advised by the Railroad Commission of Texas ("Commission") in June of 2017, to permit future wells in a respective leases existing field designation or, in the case of new lease, permit future wells in the designated field of surrounding production.<sup>3</sup> Since most of America's wells surrounding prospective Sable well locations were permitted in the Lin (Wolfcamp) Field, Sable followed the Commission's advisement and permitted new wells in the Lin (Wolfcamp) Field.

In early 2019, Sable began receiving letters from the Commission indicating Statewide Rule 40 violations (the double assignment of acreage to wells producing from the same field designated correlative reservoirs), no assigned production allowable, and cumulative overproduction of oil and gas. Subsequently, several meetings were held between Commission staff and Sable personnel to resolve the field designation issues. It was equitably resolved that Sable request a hearing to consider the field transfer of the subject wells. Sable requests that if the Commission authorizes the subject wells' transfer that applications for drilling permits and completion reports for each of the 764 wells not be required for the requested field transfers.

The application is unopposed, and the Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of the application.

### **DISCUSSION OF THE EVIDENCE**

Sable provided testimony from two of its employees and a regulatory consultant. Mr. Voyles, Manager Permitting and Regulatory, presented the Proposal for Decision and

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<sup>2</sup> The designated correlative interval of the Spraberry (Trend Area) Field is all formations in the type log of the Houpt Lease, Well No. 1, between the top of the Clearfork formation and the top of the Strawn formation, which includes the entire Wolfcamp formation.

<sup>3</sup> Sable Exhibit 8, email exchange between L. Garza (Commission) B. Tierney (Sable) dated June 27, 2017.

Final Order for the most recent field rules docket related to the Spraberry (Trend Area) Field; i.e. Consolidated Oil and Gas Docket Nos. 7C-0291169 and 7C-0291171. In that consolidated docket, the applicant, Pioneer Natural Resources USA, Inc. ("Pioneer"), argued that the spacing rules for both the Lin (Wolfcamp) Field and the Spraberry (Trend Area) Field (and other geologically-similar fields) should be the same. As a result of that hearing, the spacing rules for the Spraberry (Trend Area) Field were amended to be substantially the same as the Lin (Wolfcamp) Field.

Mr. Voyles next presented multiple violation letters issued to Sable by the Commission. The letters stated the collective wells were in violation of Statewide Rule 40, and that an allowable for the wells could not be issued until the Statewide Rule 40 issue was resolved.

Mr. Bob Tierney, Regulatory Consultant, presented a map encompassing several counties, showing:

1. Acreage and wells operated by Sable,
2. Wells completed in the Spraberry (Trend Area) Field,
3. Wells completed in the Lin (Wolfcamp) Field, and
4. The general boundary trend line of the Spraberry (Trend Area) Field, and
5. The location of all the wells requested to be transferred.

The map demonstrates that the development of the Spraberry (Trend Area) Field and the Lin (Wolfcamp) Field have resulted in the fields overlapping geographically.

A second map was presented by Mr. Tierney depicting the two (2) lines of geologic cross-section. The cross-sections were prepared from well logs completed in the Spraberry (Trend Area) Field and Lin (Wolfcamp) Field. The cross sections include the type log for the Spraberry (Trend Area) Field, the Houpt No. 24-1 Well, depicting the designated correlative interval of the Spraberry (Trend Area) Field of 6,865 feet to 10,605 feet from the top of the Clearfork formation to the top of the Strawn formation. The designated correlative interval of the Spraberry (Trend Area) Field includes the full designated geologic interval of the Lin (Wolfcamp) Field.

The Commission previously designated the Lin (Wolfcamp) Field as an Unconventional Fracture Treated ("UFT") field, however the UFT designation did not resolve Sable's Statewide Rule 40 violations. Subsequently, several meetings were held between Commission staff and Sable personnel to resolve the field designation issues. Staff and Sable decided that Sable should request a hearing to consider the field transfer of the subject wells.<sup>4</sup> Further, Sable requests if the Commission authorizes the subject wells' transfer, that drilling applications and completion reports for each of the 764 wells not be required for the requested field transfers.

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<sup>4</sup> Hearing transcript, page 43, lines 12 – 14.

Mr. Tierney testified regarding the requirements for a well to be permitted in the Spraberry (Trend Area) R 40 Exc Field. Mr. Tierney referred to the Final Order in Oil and Gas Consolidated Docket Nos. 7C-0291169 and 7C-0291171, wherein it stipulates that only those wells that have a depth severance within the designated geologic interval of the Spraberry (Trend Area) Field are allowed to be permitted in the Spraberry (Trend Area) R40 Exc Field.

Mr. Raleigh Baird, Senior Landman, testified regarding examples of Sable wells where the ownership of the geologically designated interval for the Spraberry (Trend Area) Field has been divided for the 265 Sable wells being requested to transfer into the Spraberry (Trend Area) R 40 Exc Field. The ownership of these 265 individual Sable wells had been divided either through the terms of its respective oil and gas lease or as a specific depth/formation assignment of oil and gas interests. Mr. Baird testified that Sable possesses the valid legal documentation that would identify the horizontal severance within geologically designated interval for the Spraberry (Trend Area) Field, either by lease or by assignment, for each of subject 265 wells requested to be transferred in the Spraberry (Trend Area) R 40 Exc Field.

#### **FINDINGS OF FACT**

1. Sable requested a hearing on August 6, 2019 to consider a field transfer of 764 wells of its wells. On September 24, 2019, Sable supplemented its well transfer request with the inclusion that Sable not be required to re-submit drilling permit applications or completion reports for each of the 764 wells. The requested well transfers are delineated, as follows:
  - a. 499 wells from the Lin (Wolfcamp) Field to the Spraberry (Trend Area) Field,
  - b. 244 wells from the Lin (Wolfcamp) Field to the Spraberry (Trend Area) R 40 Exc Field, and
  - c. 21 wells from the Spraberry (Trend Area) Field to the Spraberry (Trend Area) R 40 Exc Field.
2. On October 16, 2019 the Hearings Division of the Commission sent a Notice of Hearing ("Notice") to Applicant setting a hearing date of November 7, 2019. Consequently, the receiving parties received more than 10 days' notice. The Notice contains (1) a statement of the time, place, and nature of the hearing; (2) a statement of the legal authority and jurisdiction under which the hearing is to be held; (3) a reference to the particular sections of the statutes and rules involved; and (4) a short and plain statement of the matters asserted. The hearing was held on November 7, 2019 as noticed. Applicant appeared and participated at the hearing. No one appeared in protest.
3. On December 2, 2014, in Consolidated Oil and Gas Docket Nos. 7C-0291169 and 7C-0291171, the Commission established the designated correlative interval in the

Haupt No. 1 Well for the Spraberry (Trend Area) Field to be from 6,865 feet to 10,605 feet as a single reservoir for proration purposes and is intended to include all reservoirs between the top of the Clearfork and the top of the Strawn formations.

4. The designated correlative interval of the Spraberry (Trend Area) Field includes the full designated geologic interval of the Lin (Wolfcamp) Field.
5. Continued development of the Spraberry (Trend Area) Field and the Lin (Wolfcamp) Field have caused the two fields to overlap, both geographically and geologically.
6. In May 2017, Sable acquired wells from American which were permitted in the Lin (Wolfcamp) Field. Subsequent to the acquisition, Sable's new wells were permitted in the Lin (Wolfcamp) Field.
7. In early 2019, Commission staff identified that many of Sable's wells permitted in the Lin (Wolfcamp) Field were in violation of Statewide Rule 40, and therefore no allowable was assigned to these wells, resulting in cumulative overproduction of oil and gas from the respective wells.
8. As the result of several meetings between Commission staff and Sable personnel regarding the Statewide Rule 40 violations, staff and Sable decided that Sable should request a hearing to consider the field transfer of the subject wells from the Lin (Wolfcamp) Field into the Spraberry (Trend Area) Field and into the Spraberry (Trend Area) R 40 Exc Field.
9. At the hearing, Sable agreed on the record that the Final Order in this docketed case is to be final and effective when a Master Order relating to this Final Order is signed.

#### **CONCLUSIONS OF LAW**

1. Proper notice was issued to persons entitled to notice. *See, e.g.,* Tex. Gov't Code § 2001.051; 16 Tex. Admin. Code §§ 1.42.
2. The Commission has jurisdiction in this case. *See, e.g.,* Tex. Nat. Res. Code § 81.051.
3. The requested well transfers will prevent waste, protect correlative rights, and promote the orderly development and regulatory compliance of the affected fields.
4. 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.

**EXAMINERS' RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the Examiners recommend that the transfer of:

1. 499 wells from the Lin (Wolfcamp) Field to the Spraberry (Trend Area) Field (these wells are identified and listed in Appendix A attached to the Final Order),
2. 244 wells from the Lin (Wolfcamp) Field to the Spraberry (Trend Area) R 40 Exc Field (these wells are identified and listed in Appendix B attached to the Final Order), and
3. 21 wells from the Spraberry (Trend Area) Field to the Spraberry (Trend Area) R 40 Exc Field (these wells are identified and listed in Appendix C attached to the Final Order).

The Examiners also recommend that Sable not be required to submit drilling permit applications or completion reports for each of the transferred 764 wells.

Respectfully submitted,



John L. Moore  
Technical Hearings Examiner



Jennifer N. Cook  
Administrative Law Judge