

THE APPLICATION OF APPROACH OPERATING LLC TO CONSOLIDATE VARIOUS FIELDS INTO THE OZONA, NE. (CANYON 7520) FIELD AND TO RENUMBER AND AMEND FIELD RULES FOR THE OZONA, NE. (CANYON 7520) FIELD, CROCKETT AND SCHLEICHER COUNTIES, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner
Marshall F. Enquist - Legal Examiner

DATE OF HEARING: April 16, 2012

APPEARANCES:

REPRESENTING:

APPLICANT:

George Neale
Christopher Hotchkiss
Rick Johnston

Approach Operating LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Approach Operating LLC ("Approach") requests that various Fields be consolidated into the Ozona, NE. (Canyon 7520) Field (Field No. 67998 500). The fifteen fields proposed for consolidation are as follows:

<u>FIELD NAME</u>	<u>FIELD NUMBER</u>
Addie (Penn)	00716 750
John Rae (Penn)	46921 500
Kama (Canyon)	48083 500
Kama (Strawn)	48083 600
Ozona, N. E. (Ellenburger)	67998 600
Ozona, NW. (Spraberry)	67999 666
Ozona, NE. (Strawn)	67998 800
Ozona, NE (Wolfcamp)	67998 900
Parker-Harrell (Ellenburger)	69207 500
<u>FIELD NAME</u>	<u>FIELD NUMBER</u>
Turkey Roost (Ellenburger)	91851 400
University 54 (Canyon)	92630 300

University 54 (Ellenburger)	92630 500
University 56	92631 500
University 56 (Ellen.)	92631 800
University 101 (Ellenburger)	92632 500

Approach also requests that the Field Rules for the Ozona, NE. (Canyon 7520) Field be renumbered and amended to provide for a designated interval, 40 acre oil units with optional 20 acre density and allocation based on 50% acres and 50% per well. In addition, Approach requests that the Ozona, NE. (Canyon 7520) Field be classified as associated-prorated and the gas allocation formula remain suspended.

The application is unopposed and the examiners recommend approval of the field consolidation and renumbering and amending the Field Rules for the Ozona, NE. (Canyon 7520) Field, as requested by Approach.

DISCUSSION OF THE EVIDENCE

The Ozona, NE. (Canyon 7520) Field was discovered in January 1966 at an average depth of 7,500 feet. There are 426 producing gas wells and six operators carried on the proration schedule. The field operates under 330'-660' well spacing, 320 acre gas units with optional 20 acre density and allocation based on 100% acres with AOF status. Cumulative production from the field through January 2012 is 105.5 BCFG and 1.3 MMBO.

The subject fifteen fields to be consolidated were discovered beginning in December 1952. Most of the fields have no producing wells carried on the proration schedule and operate under Statewide Rules. The fields are classified as oil, gas or associated. Most of the fields are contained within the Ozona, NE. (Canyon 7520) Field area. To date, there have been four Statewide Rule 10 downhole commingling permits issued by the Commission in various combinations of the subject fields to be consolidated. Since most of the fields to be consolidated operate under Statewide Rules, Approach proposes 40 acre oil units with optional 20 acre density.

Approach proposes that the correlative interval from 3,030 feet to 8,820 feet as shown on the log of the Approach Operating, LLC - J. R. Bailey "A" Lease, Well No. 537 (API No. 42-105-40614), Section 5, Block GH, GC&SF RR Co. Survey, A-2513, Crockett County, Texas, be considered a single field known as the Ozona, NE. (Canyon 7520) Field. This interval includes fields containing the Clearfork through the Ellenburger formations. Most of the fields have a pressure depletion drive. Approach does not believe that they will encounter any cross flow or fluid incompatibilities, as most of the fields are in the later stages of depletion and the reservoir and fluid properties in all of the fields are similar.

Approach requests that the Ozona, NE. (Canyon 7520) Field be classified as associated-prorated. The correlative interval is lenticular and heterogeneous and wells may encounter individual gas or oil bearing zones. There are productive oil and gas wells contained within the fields to be consolidated. Approach also requests allocation based

on 50% acres and 50% per well and the gas allocation formula be suspended, as there is a 100% market demand for all of the gas produced from the field.

FINDINGS OF FACT

1. Notice of this hearing was sent to all persons legally entitled to notice at least ten days prior to the date of hearing.
2. The Ozona, NE. (Canyon 7520) Field was discovered in January 1966 at an average depth of 7,500 feet.
 - a. There are 426 producing gas wells and six operators carried on the proration schedule.
 - b. The field operates under 330'-660' well spacing, 320 acre gas units with optional 20 acre density and allocation based on 100% acres with AOF status.
3. The subject fifteen fields to be consolidated were discovered beginning in December 1952.
 - a. Most of the fields have no producing wells carried on the proration schedule and operate under Statewide Rules.
 - b. The fields are classified as oil, gas or associated. Most of the fields are contained within the Ozona, NE. (Canyon 7520) Field area.
 - c. To date, there have been four Statewide Rule 10 downhole commingling permits issued by the Commission in various combinations of the subject fields to be consolidated.
4. The Ozona, NE. (Canyon 7520) Field should be designated as the correlative interval from 3,030 feet to 8,820 feet as shown on the log of the Approach Operating, LLC - J. R. Bailey "A" Lease, Well No. 537 (API No. 42-105-40614).
 - a. This interval includes fields containing the Clearfork through the Ellenburger formations.
 - b. Most of the fields have a pressure depletion drive mechanism.
 - c. No cross flow or fluid incompatibilities should be encountered, as most of the fields are in the later stages of depletion and the reservoir and fluid properties in all of the fields are similar.
5. Classifying the Ozona, NE. (Canyon 7520) Field as associated-prorated is appropriate.
 - a. The correlative interval is lenticular and heterogeneous and wells may

encounter individual gas or oil bearing zones.

- b. There are productive oil and gas wells contained within the fields to be consolidated.
6. Since most of the fields to be consolidated operate under Statewide Rules, 40 acre oil units with optional 20 acre density is appropriate for the field.
7. A two-factor allocation formula based on 50% acres and 50% per well will satisfy State Statutes.
8. Suspension of the gas allocation formula in the Ozona, NE. (Canyon 7520) Field is appropriate, as there is a 100% market demand for all of the gas produced from the field.

CONCLUSIONS OF LAW

1. Proper notice of this hearing was given to all persons legally entitled to notice.
2. All things have occurred or been accomplished to give the Railroad Commission jurisdiction in this matter.
3. Consolidation of the fifteen subject fields is necessary to prevent waste and protect correlative rights.
4. Renumbering and amending the Field Rules for the Ozona, NE. (Canyon 7520) Field will prevent waste, protect correlative rights, and promote development of the field.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission approve the field consolidation and renumber and amend the Field Rules for the Ozona, NE. (Canyon 7520) Field, as requested by Approach Operating LLC.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner

Marshall F. Enquist
Legal Examiner