



RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET NO. 7C-0277105

THE APPLICATION OF HIGHMOUNT EXPL & PROD TEXAS LLC TO AMEND FIELD RULES FOR THE OZONA, NE. (CANYON 7520) FIELD, CROCKETT AND SCHLEICHER COUNTIES, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner
Michael Crnich - Legal Examiner

DATE OF HEARING: July 23, 2012

APPEARANCES:

REPRESENTING:

APPLICANT:

John Camp
Rick Johnston

Highmount Expl & Prod Texas LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field Rules for the Ozona, NE. (Canyon 7520) Field were adopted in Final Order No. 7C-59,276, effective May 7, 1969, as amended. The Field Rules are summarized as follows:

1. Designated 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);
2. 330'-660' well spacing;
3. 320 acre gas units and 40 acre oil units with optional 20 acre density;
4. Allocation based on 50% acres and 50% per well with AOF status.

Highmount Expl & Prod Texas LLC ("Highmount") requests that the Field Rules for the Ozona, NE. (Canyon 7520) Field be amended to provide for 160 acre oil units with optional 20 acre density. In addition, Highmount requests that the gas allocation formula remain suspended.

The application is unopposed and the examiners recommend that Field Rules for the Ozona, NE. (Canyon 7520) Field be amended, as requested by Highmount.

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 439 producing gas wells and six operators carried on the proration schedule. Highmount has recently completed several oil wells in the field that have not yet been added to the oil proration schedule. The field operates under 330'-660' well spacing, 320 acre gas units and 40 acre oil units with optional 20 acre density and allocation based on 50% acres and 50% per well with AOF status. Cumulative production from the field through March 2012 is 107.3 BCFG and 1.3 MMBO.

Highmount is proposing to drill vertical infill wells and proposes 160 acre oil units with optional 20 acre density. The Ozona, NW. (Spraberry) Field was consolidated into the Ozona, NE. (Canyon 7520) Field in May 2012. This field provided for 160 acre oil units, but they were not adopted in the field consolidation hearing. In addition, the nearby and much larger Spraberry (Trend Area) Field also provides for 160 acre oil units.

Highmount also requests that the gas allocation formula remain 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 439 producing gas wells and six operators carried on the proration schedules. Highmount Expl & Prod Texas LLC has recently completed several oil wells in the field that have not yet been added to the oil proration schedule.
 - b. The field operates under 330'-660' well spacing, 320 acre gas units and 40 acre oil units with optional 20 acre density and allocation based on 50% acres and 50% per well with AOF status.
3. Field Rules that provide for 160 acre oil units with optional 20 acre density are appropriate for the field.

- a. The Ozona, NW. (Spraberry) Field was consolidated into the Ozona, NE. (Canyon 7520) Field in May 2012. This field provided for 160 acre oil units, but they were not adopted in the field consolidation hearing.
 - b. The nearby and much larger Spraberry (Trend Area) Field also provides for 160 acre oil units.
4. 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. 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 amend the Field Rules for the Ozona, NE. (Canyon 7520) Field, as requested by Highmount Expl & Prod Texas LLC.

Respectfully submitted,


Richard D. Atkins, P.E.
Technical Examiner


Michael Crnich
Legal Examiner