



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0285414

THE APPLICATION OF SHERIDAN PRODUCTION COMPANY, LLC TO ADOPT FIELD RULES FOR THE CAPRITO (DELAWARE MIDDLE) FIELD, WARD COUNTY, TEXAS

HEARD BY: Paul Dubois – Technical Examiner
Laura Miles-Valdez – Legal Examiner

HEARING DATE: October 28, 2013

APPEARANCES:

REPRESENTING:

APPLICANT:

Bill Spencer
Kyle Bass
Jake Norris

Sheridan Production Company, LLC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

The Caprito (Delaware Middle) Field is currently under statewide rules for well spacing, density, and production allowable. Sheridan Production Company, LLC (Sheridan) requests that field rules for the Caprito (Delaware Middle) Field be adopted as follows:

1. A correlative interval from 4,974 to 7,097 feet as indicated in the log of the SandRidge – University 17-24 No. 4 Well (API No. 475-36028).
2. 467-foot lease line and 660-foot between well spacing.
3. 40 acre proration units with 20 acre tolerance, and 20 acre optional units.

Sheridan also requested a per-well maximum efficient recovery (MER) allowable of 300 BOPD with a daily gas limit of 1,500 MCFD (a daily gas limit of 1,500 MCFD was set for each well in the field in 1985). However, the examiners noted that the MER request was not supported by the appropriate production stage testing data. Sheridan

agreed to withdraw this proposed field rule and apply for it separately following the acquisition of appropriate test data.

The application was not protested, and the examiners recommend that Field Rule Nos. 1 through 3 for the Caprito (Delaware Middle) Field be adopted as proposed by Sheridan.

DISCUSSION OF THE EVIDENCE

The Caprito (Delaware Middle) Field in Ward County, Texas, was discovered in 1974 at a depth of 6,164 feet. The field is currently under Statewide Rules (467/1,200 feet spacing, and 40 acre units with 20 acre tolerance). The 1965 yardstick oil allowable is 111 BOPD. A daily gas limit of 1,500 MCFD per well was established on October 6, 1985. The current proration schedule lists 58 producing wells in the Caprito (Delaware Middle) Field, and Sheridan reports a total of 148 wells have been drilled since 1974. It is not clear how many wells have been drilled and completed but are not yet on the proration schedule due to Commission backlog. Sheridan acquired its acreage in the field in January 2013. Sheridan's exhibit 5 identified its 31 producing wells in the field.

Sheridan has studied the field and is now seeking to adopt spacing and density field rules for the Caprito (Delaware Middle) Field to be comparable with other adjacent Delaware Middle fields (War-Wink to the northwest, Rhoda-Walker to the south, and Abraxas field to the east). Sheridan is proposing a correlative interval of 4,974 to 7,097 feet as indicated in the log of the SandRidge University 17-24 No. 4 Well (API No. 475-36028). This well is in the middle of the field as it is currently developed.

The Caprito (Delaware Middle) Field has a water-drive production mechanism with a large water cut of about 90 percent. Sheridan's 31 producing wells presented initial potential oil tests from zero (0) to 534 BOPD with an average of 149 BOPD. Sheridan estimates the average per well ultimate recovery of oil to be about 156,000 BO. Sheridan provided volumetric estimates for six wells in the field, which indicated drainage areas of 8 to 26 acres. The production data did not include variable choke or pumping rate testing to establish a most efficient production rate.

FINDINGS OF FACT

1. Notice of this application and hearing was provided to all persons entitled to notice at least ten (10) days prior to the date of the hearing.
2. The Caprito (Delaware Middle) Field was discovered in 1974, at an average depth of 6,164 feet.
 - a. There are 58 producing oil wells and seven operators carried on the

proration schedule.

- b. Current Statewide Rules provide for 467-foot lease line and 1,200-foot between well spacing, 40 acre proration units with 20 acre tolerance.
 - c. A daily gas limit of 1,500 MCFD per well was established on October 6, 1985.
3. Sheridan's 31 producing wells presented initial potential oil tests from zero (0) to 534 BOPD with an average of 149 BOPD.
 4. Sheridan estimates the average per well ultimate recovery of oil to be about 156,000 BO.
 5. Sheridan provided volumetric estimates for six wells in the field, which indicated drainage areas of 8 to 26 acres.

CONCLUSIONS OF LAW

1. Proper notice of this hearing was issued.
2. All things have been accomplished or have occurred to give the Commission jurisdiction in this matter.
3. Adopting the field rules regarding correlative interval, spacing and density for the Caprito (Delaware Middle) Field as proposed by Sheridan will prevent waste, protect correlative rights, and allow for the orderly development of the field.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission adopt the field rules for the Caprito (Delaware Middle) Field, as requested by Sheridan.

Respectfully submitted,



Paul Dubois
Technical Examiner



Laura Miles-Valdez
Legal Examiner