



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 8A-0286566

**THE APPLICATION OF PPC OPERATING COMPANY, LLC TO AMEND FIELD RULES
FOR THE JO-MILL (SPRABERRY) FIELD, BORDEN COUNTY, TEXAS**

HEARD BY: Karl Caldwell - Technical Examiner
Richard D. Atkins, P.E. - Technical Examiner
Laura Miles-Valdez - Legal Examiner

HEARING DATE: February 25, 2014

APPEARANCES: **REPRESENTING:**

APPLICANT:

Thomas Richter

PPC Operating Company, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field Rules for the Jo-Mill (Spraberry) Field, Borden County, Texas were last amended by Oil and Gas Docket No. 8A-68,021, effective February 1, 1978. The current Field Rules in effect for the field are summarized as follows:

1. Minimum well spacing of 550'-1200' (lease line, between well);
2. Proration unit density of 80 acres with 40 acre tolerance and a maximum diagonal of 3200' and optional 40 acre density and a maximum diagonal of 2100' ;
3. An allocation formula based on 75% acreage and 25% per well;
4. Minimum surface casing set depth 25' below redbeds;
5. Annual GOR testing period established;
6. Reservoir pressure determination subject to 4500' datum and 48 hour shut-in

period;

7. GOR penalty exception for scheduled allowable versus actual allowable;
8. GOR limited to 2000:1 ratio, penalty formula determination, credit assessment.

PPC Operating Company, LLC ("PPC") requests that the Field Rules be amended from the current lease line spacing of 550 feet and 1200 feet between well spacing (550' - 1200') to 330 feet lease line, no between well spacing (330' - 0'). The original notice of hearing proposed to amend the current Field Rule of a proration unit density of 80 acres with optional 40 acres, to a proration unit density of 40 acres, but this requested change was withdrawn by PPC at the hearing due to objections to this proposed change by other operators in the field.

The application is unopposed and the examiners recommend that the Field Rules be amended for the Jo-Mill (Spraberry) Field, Borden County, Texas as proposed by PPC.

DISCUSSION OF THE EVIDENCE

The Jo-Mill (Spraberry) Field, Borden County, Texas was discovered in February of 1954 at a depth of 7105 feet. Field Rules were established on December 7, 1954 with a lease line spacing of 467 feet and between well spacing of 1200 feet. On May 23, 1955 (Docket No. 8-31,444), the minimum well spacing was amended to the current well spacing of 550 feet lease line and 1200 feet between well spacing.

To-date, the Jo-Mill (Spraberry) Field has produced 126 MMBO. There are 354 wells in the field, and three main operators control 85 % of the wells in the field. Between January 1, 2011 and February 12, 2014, 63 drilling permits were issued for the field. Of the 63 total drilling permits issued, 23 were exceptions to Statewide Rule 37 with regards to well spacing. Three other permits were for lease line exceptions.

Optimum well location is driven by the reservoir structure and the varying reservoir pay thickness. The field is over 60 years old and generally, secondary recovery projects do not have between well spacing restrictions. Waterflood pattern sweep efficiency is dictated by optimum water injection well location and the receiving, producing well location. The proposed changes to lease line and between well spacing will provide flexibility in determining new well locations and the efficient and effective depletion of the reservoir.

During the hearing it was noted that current Field Rule Nos. 4 thru 8 are now covered under Statewide Rules and are no longer necessary to be stated in the Field Rules and will be removed. As a result, the Field Rules will be amended and re-numbered. Also, the current Field Rules do not have a type log defining the correlative interval for the field. PPC submitted a late-file exhibit, stating that the entire combined interval from 6,309 feet to 7,706 feet as shown on the Schlumberger Electrical Log of the Gulf Oil Corporation,

C.C. Canon Lease, Well No. 1 (API No. 42-033-00359), Sec. 39, Blk 33, T5N, T&P Survey, Borden County, be designed and recognized as the Jo-Mill (Spraberry) Field for proration purposes.

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 Jo-Mill (Spraberry) Field was discovered in February 1954 at a depth of 7,105 feet;
 - a. The field operates under Field Rules that were first established on December 7, 1954, and were last amended on February 21, 1978 (Oil and Gas Docket No. 8A-68,201);
 - b. There are 354 total wells in the field;
 - c. The field has produced 126 MMBO to-date;
3. The proposed 330 foot lease line spacing and no between well spacing is appropriate:
 - a. It will promote development of the field, allowing greater flexibility in selecting future drilling locations to contact more of the reservoir, preventing waste;
 - b. Waterflood pattern sweep efficiency is dictated by optimum water injection well location and the receiving, producing well location;
 - i. Typically, secondary recovery projects do not have between well spacing restrictions;
 - ii. Historically, fields with optional 40 acre density have rules that provide for a minimum lease-line spacing of 330 feet;
4. Current Field Rules Nos. 4 through 8 are now covered under Statewide Rules, and as such, will be removed from the Field Rules;
5. Defining the correlative interval for the Jo-Mill (Spraberry) Field to be the entire combined interval from 6,309 feet to 7,706 feet as shown on the Schlumberger Electrical Log of the Gulf Oil Corporation, C.C. Canon Lease, Well No. 1 (API No. 42-033-00359), Sec. 39, Blk 33, T5N, T&P Survey, Borden County for proration purposes, is appropriate;
6. Amending and re-numbering the Field Rules for the Jo-Mill (Spraberry) Field,

Borden County, Texas will prevent waste, promote development of the field and protect correlative rights.

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. Amending Field Rules for the Jo-Mill (Spraberry) Field is necessary to prevent waste, protect correlative rights, and promote development of the field.

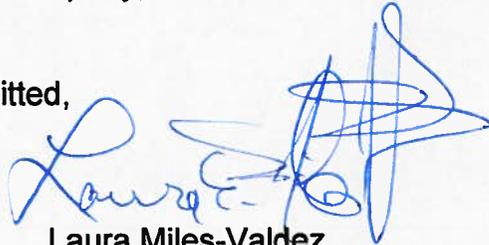
EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission amend and re-number the Field Rules for the Jo-Mill (Spraberry) Field, as requested by PPC Operating Company, LLC .

Respectfully submitted,



Karl Caldwell
Technical Examiner



Laura Miles-Valdez
Legal Examiner