



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

OIL AND GAS DOCKET NO. 10-0284787

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THE APPLICATION OF FOREST OIL CORPORATION TO AMEND THE FIELD RULES  
FOR THE CLARK MARTIN (GRANITE WASH) FIELD, ROBERTS COUNTY, TEXAS

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

HEARING DATE: December 4, 2013

APPEARANCES:

REPRESENTING:

**APPLICANT:**

Doug Dashiell  
Rick Johnston, P.E.

Forest Oil Corporation

### EXAMINER'S REPORT AND RECOMMENDATION

#### STATEMENT OF THE CASE

Forest Oil Corporation (Forest) seeks to amend the field rules for the Clark Martin (Granite Wash) Field in Roberts County, Texas. Forest seeks to amend existing field rule no. 4 to provide for acreage-based allocation of allowables for oil wells. The absence of such a provision in the field rules is preventing Commission staff from assigning adequate allowables to cover production from horizontal oil wells completed in the field. Forest also requests that all overproduction in the field be cancelled.

The hearing was originally noticed and set to consider a net gas-oil ratio for the field. Re-evaluating the situation, Forest decided such a consideration was not necessary, and instead chose to apply to amend the field rules to allow for acreage-based allocation for oil wells. A new hearing date was set. The parties entitled to service were notified of the new hearing date, but inadvertently were not notified of the change in the style of the case. After the hearing, the examiners sent a letter to those entitled to notice, making them aware of the change and providing them the opportunity to protest. No protests were filed.

Forest originally requested an oil well allocation formula based on 100 percent acreage. However, for reasons discussed below, the examiners recommend a two-factor system based on 5 percent per well and 95 percent acreage is appropriate. Forest stated

that it would not consider such a two-factor allocation formula to be adverse.

### **DISCUSSION OF THE EVIDENCE**

Field rules for the Clark Martin (Granite Wash) Field were temporarily adopted on June 16, 1987, per Order No. 10-90,219. The field rules were made permanent and subsequently amended, most recently on October 11, 2011 by Commission Final Order 10-0271872 on the application of Forest. The current field rules provide for the following:

1. Designation of the field as the correlative interval from 8,470 feet to 9,515 feet, as shown on the log of the CNG Producing Company's, Martin Trust Lease, Well No.1 (API 42-393-31113), Roberts County.
2. 330'-0' well spacing for oil and gas wells with special provisions for take points, a 33-foot box rule, and off-lease penetration point for horizontal wells.
3. 160 acre density with 10% tolerance for gas wells, and 40 acre density for oil wells.
4. Gas well allocation based on 10% per well and 90% deliverability.

The Clark Martin (Granite Wash) Field has historically been developed with gas wells. Two years ago, on the application of Forest, the Commission amended the field rules to provide for common provisions for horizontal wells. These rules included a two-factor allocation formula for gas wells. At the time, the only oil wells in the field exhibited low production rates, so the 157 BOPD and 314 MCFPD yardstick allowables were sufficient to cover production. Because the Final Order amending the field rules contained an allocation formula for gas wells but not for oil wells, Commission staff interprets the Final Order to mean that allowables should be allocated to oil wells on a per-well basis without consideration of additional acreage under Statewide Rule 86.

Since the field rule amendments were granted, Forest has begun developing the field with horizontal wells and has encountered overproduction issues because the yardstick oil allowables were not sufficient. Forest has completed three horizontal wells in the field since 2011 and the completion and initial production details are summarized below:

- The Mills Tract Lease, Well No. 6001H was completed on February 2, 2012. The well was tested on May 4, 2012, producing 127 BO and 650 MCFG with a gas-to-oil ratio (GOR) of 5,118 SCF/Bbl.
- The Clark Lease, Well No. 1H was completed on December 30, 2011. The well was tested on January 12, 2012, producing 451 BO and 4555 MCFG

with a gas-to-oil ratio (GOR) of 10,099 SCF/Bbl.

- The Clark Lease, Well No. 2H was completed on June 27, 2012. The well was tested on August 9, 2012, producing 602 BO and 3,919 MCFG with a gas-to-oil ratio (GOR) of 6,509 SCF/Bbl.

The existing oil allowable of 157 BOPD (based on the standard 40-acre units) is not sufficient to cover production from horizontal wells producing from 140 and 180 acre units. Additionally, the high GORs (in excess of 2,000 SCF/Bbl) have resulted in penalized (reduced) oil allowables for these wells. Thus both leases have accumulated overproduction of oil and gas: 13,625 BO and 155,881 MCF from the Mills Tract Lease, and 88,558 BO and 1,564,471 MCF from the Clark Lease. Forest also admits that some of the completion papers were also filed late, which also contributed to the over-production.

In its application to amend the field rules, Forest requested 100 percent acreage allocation for oil wells. Acreage allocation for oil wells will resolve the overproduction issues going forward. A 100 percent acreage allocation would provide for the following allowables:

- For a horizontal well assigned 140 acres, the allowables would be 550 BOPD and 1,100 MCFPD
- For a horizontal well assigned 180 acres, the allowables would be 707 BOPD and 1,414 MCFPD.

The examiners note that the current rules contain a two-factor allocation formula for gas wells (10 percent per well and 90 percent deliverability.) This was established by Final Order (Docket No. 10-0271872, dated October 11, 2011). A finding of fact in the examiner's report and recommendation referenced by the Final Order stated, "Allocation based on 10% per well and 90% deliverability/potential meets statutory requirements and will protect correlative rights." The statutory requirements referenced are TEX. NAT. RES. CODE § 85.053(b), which requires a two-factor allocation system when oil and/or gas are produced from "multiple stratigraphic or lenticular accumulations of" hydrocarbons. The examiners believe that a similar two-factor allocation system should be applied to oil wells as well. At the hearing, Forest indicated that it would not oppose a two-factor allocation system for oil wells based on 5 percent per well and 95 percent acreage. The examiners believe that this will meet the statutory requirements and will not have a significant material impact on production from the field. The examiners recommend that the field rules be amended with such a two-factor allocation system.

**FINDINGS OF FACT**

1. Notice of this hearing was given to all persons entitled to notice at least ten days prior to the date of hearing.
2. The current field rules were amended most recently on October 11, 2011 by Commission Final Order 10-0271872 on the application of Forest.
3. The current field rules provide for gas well allocation based on 10% per well and 90% deliverability, meeting statutory requirements.
4. TEX. NAT. RES. CODE § 85.053(b) requires a two-factor allocation system when oil and/or gas are produced from "multiple stratigraphic or lenticular accumulations of" hydrocarbons.
5. The Final Order amending the field rules contained an allocation formula for gas wells but not for oil wells, which is interpreted by Commission staff to mean that allowables should be allocated to oil wells on a per-well basis without consideration of additional acreage under Statewide Rule 86.
6. Forest has completed three horizontal wells in the field in the last two years with the following initial potential production information:
7. The Mills Tract Lease, Well No. 6001H produced 127 BO and 650 MCFG with a gas-to-oil ratio (GOR) of 5,118 SCF/Bbl.
8. The Clark Lease, Well No. 1H produced 451 BO and 4555 MCFG with a gas-to-oil ratio (GOR) of 10,099 SCF/Bbl.
9. The Clark Lease, Well No. 2H produced 602 BO and 3,919 MCFG with a gas-to-oil ratio (GOR) of 6,509 SCF/Bbl.
10. The current oil well allowables are based on the field-wide yardstick 157 BOPD and 314 MCFPD allowables.
11. The Mills Tract Lease has an accumulated overproduction of 13,625 BO and 155,881 MCF from the Mills Tract Lease.
12. The Clark Lease has an accumulated overproduction of 88,558 BO and 1,564,471 MCF.
13. A 100 percent acreage allocation would provide for 550 BOPD and 1,100 MCFPD allowables for a 140 acre horizontal well and 707 BOPD and 1,414 MCFPD for a 180 acre well.

14. An allowable allocation system for oil wells based on 5% per well and 95% acreage meets statutory requirements and will protect correlative rights.

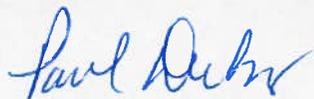
**CONCLUSIONS OF LAW**

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 Clark Martin (Granite Wash) Field is necessary to meet statutory requirements and protect correlative rights.

**EXAMINER'S RECOMMENDATION**

Based on the above findings and conclusions, the examiners recommend that the field rules for the Clark Martin (Granite Wash) Field be amended, to include an oil well allocation formula based on 5 percent per well and 95 percent acreage.

Respectfully submitted,

  
Paul Dubois  
Technical Examiner

  
Laura Miles-Valdez  
Legal Examiner