



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 8A-0287845

THE APPLICATION OF PPC OPERATING COMPANY LLC TO CONSOLIDATE
VARIOUS BATEMAN RANCH FIELDS AND TO ADOPT FIELD RULES FOR THE
BATEMAN RANCH FIELD, KING COUNTY, TEXAS

HEARD BY: Karl Caldwell - Technical Examiner
Marshall Enquist- Legal Examiner

HEARING DATE: April 25, 2014

APPEARANCES: REPRESENTING:

APPLICANT:

Thomas Richter, P.E.

PPC Operating Company LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

The Bateman Ranch Field currently contains no wells and operates under Statewide Field Rules. All wells were transferred to the Bateman Ranch (A-Zone), Bateman Ranch (B-Zone) or Bateman Ranch (C-Zone) Fields in 1946. PPC Operating Company LLC ("PPC") requests to consolidate the Bateman Ranch (A-Zone), Bateman Ranch (B-Zone) and Bateman Ranch (C-Zone) Fields into the existing Bateman Ranch Field and to adopt the Field Rules for the Bateman Ranch Field in King County, Texas as follows:

1. The entire combined correlative interval from 3,613 feet to 5,455 feet as shown on the Array Induction log of the Unitex Oil & Gas, LLC, Bateman Trust Estate Acct. No. 1, Well No. 110 (API No. 42-693-32830), is designated as the correlative interval for the Bateman Ranch Field;
2. 330' - 0' minimum lease line, between well spacing;
3. 40 acre proration unit density and 20 acre tolerance; a maximum diagonal of 2,100 feet and no individual proration unit plats requirement;

4. Allocation formula based on 100% acreage and a top allowable based on Statewide Rule 45 for depth of 102 BOPD;

During the hearing, the representative for PPC stated that adopting a two-factor allocation formula, as per the current field rules in the subject fields to be consolidated, would not be adverse. The application is unopposed and the examiners recommend the subject fields be consolidated into the Bateman Ranch Field and field rules be adopted for the Bateman Ranch Field, as requested by PPC.

DISCUSSION OF THE EVIDENCE

The Bateman Ranch Field was discovered in October 1943. On September 16, 1946, Field Rules were adopted for the Bateman Ranch Field that separated three intervals in the field as separate and distinct horizons and wells were transferred to the Bateman Ranch (A-Zone) Field at 3,700 feet, Bateman Ranch (B-Zone) Field at 5,100 feet, and Bateman Ranch (C-Zone) Field, at 5,300 feet. Cumulative production in the subject fields is greater than 19 MMBO.

The Bateman Ranch Field contains no wells and field rules have reverted to Statewide Rules. PPC is requesting to consolidate the Bateman Ranch (A-Zone), Bateman Ranch (B-Zone), and Bateman Ranch (C-Zone) and assign all wells to the Bateman Ranch Field and adopt field rules for the Bateman Ranch Field.

The entire combined correlative interval from 3,613 feet to 5,455 feet as shown on the Array Induction log of the Unitex Oil & Gas, LLC, Bateman Trust Estate Acct. No. 1, Well No. 110 (API No. 42-693-32830), is proposed by PPC to be designated as the correlative interval for the Bateman Ranch Field. The depth of 5,455 feet would be assigned an allowable of 102 BOPD based on the 1965 yardstick based on depth and a proration unit size of 40 acres.

No between well spacing is appropriate for the Bateman Ranch Field to provide between well flexibility to locate new well locations as well as allow for recompletions in existing wellbores. In addition, water injection sweep efficiency is dictated by optimum water injection well location in concert with the receiving producing well location. Typically secondary recovery projects do not have between well spacing restrictions.

The proposed minimum lease line spacing of 330 feet will provide for the protection of correlative rights as PPC is the only operator in the subject fields. The Bateman Ranch (A-Zone), Bateman Ranch (B-Zone) and Bateman Ranch (C-Zone) Fields all operate with a 40 acre proration unit density and 20 acre tolerance. A base proration unit density of 40 acres is the appropriate acreage for the Bateman Ranch Field as demonstrated by volumetric drainage calculations provided by PPC. The Bateman Ranch (A-Zone) Field showed an average drainage area ranging from 31.8 acres to 36.3 acres. The Bateman Ranch (B-Zone) Field showed a drainage area of 40.5 acres and the Bateman Ranch (C-Zone) Field a drainage area of 63.9 acres.

PPC proposes that proration unit plats not be required for individual wells, but that Form P-15 be filed to designate the number of acres to be assigned to each well and a maximum diagonal of 2,100 feet.

During the hearing, the representative for PPC stated that adopting a two-factor allocation formula, as per the current field rules in the subject fields to be consolidated, would not be adverse. The current allocation formula in the three subject fields to be consolidated is based on 75% acres and 25% per well.

PPC has existing surface commingling permits for the Bateman Ranch (A-Zone), (B-Zone), and (C-Zone) Fields for the Bateman Ranch lease. Commingling will prevent waste, and protect correlative rights.

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 Bateman Ranch Field was discovered in October 1943.
3. On September 16, 1946, Field Rules were adopted for the Bateman Field that separated three intervals in the field as separate and distinct horizons:
 - a. the Bateman Ranch (A-Zone) at 3,700 feet;
 - b. the Bateman Ranch (B-Zone) at 5,100 feet;
 - c. the Bateman Ranch (C-Zone) Field at 5,300 feet;
 - d. PPC Operating Company LLC is the only operator in the subject fields to be consolidated;
 - e. cumulative production in the subject fields is in excess of 19 MMBO.
4. The Bateman Ranch Field currently operates under Statewide Rules and there are no wells in the field.
5. The correlative interval from 3,613 feet to 5,455 feet as shown on the Array Induction log of the Unitex Oil & Gas, LLC, Bateman Trust Estate Acct. No. 1, Well No. 110 (API No. 42-693-32830) is appropriate to be designated as the Bateman Ranch Field.
6. 330' -0' lease line and no between well spacing is appropriate. Well location flexibility is reasonable and necessary to locate new wells or re-complete existing wells. In addition, secondary recovery projects do not have between

well spacing restrictions.

7. A 40 acre proration unit density and 20 acre tolerance; a maximum diagonal of 2,100 feet and no individual proration unit plats requirement is appropriate.
8. The filing of Form P-15 to designate the number of acres to be assigned to each well for proration purposes with no proration unit plats will eliminate unnecessary paperwork.
9. A two factor allocation formula based of 75% acres and 25% per well is a reasonable formula and is the current allocation formula in the subject fields to be consolidated.
10. An allowable of 102 BOPD based on the 1965 yardstick at a depth of 5,455 feet and a proration unit size of 40 acres is appropriate for the Bateman Ranch Field based on the proposed correlative interval designated as the Bateman Ranch Field.

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. Consolidating the Bateman Ranch (A-Zone), Bateman Ranch (B-Zone) and Bateman Ranch (C-Zone) Fields into the existing Bateman Ranch Field and adopting field rules 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 consolidate the Bateman Ranch (A-Zone), Bateman Ranch (B-Zone) and Bateman Ranch (C-Zone) Fields into the existing Bateman Ranch Field and to adopt the Field Rules for the Bateman Ranch Field in King County, Texas as requested by PPC Operating Company LLC.

Respectfully submitted,



Karl Caldwell
Technical Examiner



Marshall Enquist
Legal Examiner