



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0294046

THE APPLICATION OF CABOT OIL & GAS CORPORATION TO ADOPT FIELD RULES FOR THE LORENZO (AUSTIN CHALK) FIELD IN ATASCOSA, DIMMIT, FRIO, LA SALLE, MAVERICK, WEBB, MCMULLEN, AND ZAVALA COUNTIES, TEXAS

HEARD BY: Brian Fancher, P.G. – Technical Examiner
Terry Johnson – Legal Examiner

HEARING DATE: January 9, 2015
RECORD CLOSED: January 9, 2015
SUBMISSION DATE: January 28, 2015
CONFERENCE DATE: February 10, 2015

APPEARANCES:

REPRESENTING:

APPLICANT:

Flip Whitworth
Dale Miller
Richard Atkins

Cabot Oil & Gas Corp.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Cabot Oil & Gas Corporation ("Cabot") was the only party present at the public hearing held on January 9, 2015, to consider the above captioned docket.

The drilling, completion, and production of wells completed in the Lorenzo (Austin Chalk) Field (the "Field") is currently governed by Commission "Statewide Rule". Dated December 9, 2014, the captioned docket's Notice of Hearing ("NOH") states that Cabot seeks to adopt the following special field rules for the Field:

1. A designated correlative interval that defines the field from 7,316 feet to 7,747 feet as shown on the log of the Plains Petroleum Operating Co., Hindes Lease, Well No. 1PH (API No. 42-013-33941);

2. 330' minimum property, lease, or subdivision line spacing, and 0' minimum between well spacing; horizontal well spacing based on take points; 100' first and last take points; Non-Perforated Zones ("NPZs"); a 33' subsurface box rule; off-lease penetration points; additional acreage assignment for horizontal wells pursuant to Statewide Rule 86; and Form P-15s in lieu of proration unit plats;
3. 80-acre proration units, with 40-acre tolerance for the last oil well on a lease and 10% tolerance for the last gas well on a lease; 40-acre optional proration units; no maximum diagonal;
4. Top oil allowable based on the applicable 1965 Yardstick Allowable multiplied by the fraction: acreage assigned to the well / maximum acreage authorized by the field rules for a vertical well (adjustments pursuant to Statewide Rule 49(b)); Gas well allocation based on 100% deliverability (Absolute Open Flow);
5. Exceptions to Statewide Rule 13's tubing requirement for flowing oil wells; and,
6. Exception to Statewide Rule 16's timing requirement with regard to filing oil or gas well completion reports.

At the hearing, Cabot requested to amend one portion of its proposed special rules. Instead of requesting to remove the requirement to file proration unit plats entirely, Cabot seeks the option to file Form P15s or proration unit plats for the purposes of assigning acreage to individual wells on a lease.

The subject application is unopposed, and the Examiners recommend that it be approved as amended.

DISCUSSION OF THE EVIDENCE

Dale Miller and Richard Atkins testified as experts in petroleum engineering on behalf of Cabot.

The captioned docket centers on Cabot's request to adopt special field rules for the Field in a fashion that resembles the existing special field rules for the Briscoe Ranch (Eagle Ford) Field ("BRE").¹ Stratigraphically, the Field immediately overlies the BRE.

The Field is currently governed by Statewide Rules; no special rules have been adopted. With respect to the Field and the BRE, Cabot indicated that the BRE is its chief drilling and development target. Mr. Miller testified that, due to the irregular subsurface deposition patterns characteristic of these formations, horizontal wells targeted for the BRE often briefly transit the Field. This unintended incursion burdens the operator with the requirement of obtaining spacing or density exceptions for the untargeted field. Cabot seeks to harmonize the rules to enhance orderly development of the BRE reserves.²

¹ Cabot Exh. 9 – O&G Final Order 01-0280513: This final order contains the entire special field rules in-place for the BRE.

² Testimony from 18:25 to 20:30 of audio recording.

The Field was discovered in October 2009. The December 2014 Oil and Gas Proration Schedules indicate that there are seven (7) total wells completed in the Field (five oil wells and two gas wells). Through October 2014, the Field has produced 88,565 barrels of oil and 34.8 million cubic feet of gas. Mr. Miller testified that the Commission approved a blanket exception to Statewide Rule 10 authorizing wells completed in the Field and the BRE to down-hole commingle production throughout the subject counties.¹ As a result, any well that utilizes this down-hole commingle authority reports all production as being from the BRE.² In other words, the Oil Proration Schedule is not necessarily indicative of the total number of wells completed in the Field.³

Cabot requests that the Field be defined as the correlative interval from 7,316 feet to 7,747 feet, as shown on the log of the Plains Petroleum Operating Co., Hindes Lease, Well No. 1PH (API No. 42-013-33941). Cabot's proposed correlative interval spans from the top to the base of the Austin Chalk Formation.⁴ Beyond that, Cabot requests that its remaining proposed special field rules, as shown on the December 9th NOH, be adopted for the Field. Cabot argues that similar rules have been adopted in similar fields throughout the subject counties.⁵ For example, the Smiley (Austin Chalk) Field in Gonzales County contains similar rules as those proposed by Cabot in the immediate case, as well as the Ammann (Buda) Field in Dimmitt, Maverick, and Webb Counties.⁶

In conclusion, Cabot believes that its proposed special field rules for the Field will provide for orderly drilling, completion, and operation of wells in the Field and BRE while preventing waste and protecting correlative rights.⁷

FINDINGS OF FACT

1. Cabot Oil & Gas Corporation ("Cabot") seeks to adopt special field rules for the Lorenzo (Austin Chalk) Field (the "Field"), Atascosa, Dimmitt, Frio, La Salle, Maverick, McMullen, Zavala, and Webb Counties, Texas.
2. Cabot requests to adopt special field rules in the Field that mimic the existing special field rules for the Briscoe Ranch (Eagleford) Field ("BRE"), as seen in Oil and Gas Final Order No. 01-0280513.
3. With respect to the Field and the BRE, Cabot's primary drilling/development target is the BRE.

¹ Testimony at 7:35.

² Cabot Exh. No. 10 – Copy of O&G Final Order 01-0282679: Blanket Authority for Exception to Statewide Rule 10 for the Briscoe Ranch (Eagleford) and Lorenzo (Austin Chalk) Fields.

³ Cabot Exh. No. 11 – Statewide Rule 10 Exceptions between the Briscoe Ranch (Eagleford) and Lorenzo (Austin Chalk) Fields.

⁴ Cabot Exh. No. 8 – Type Log.

⁵ Cabot Exh. No. 14 – Oil Fields with Similar Field Rules

⁶ Cabot Exh. Nos. 12 & 13 – O&G Final Order No. 01-0283008: Amending Field Rules for the Ammann (Buda) Field; O&G Final Order No. 01-0283284: Adopting Field Rules for the Smiley (Austin Chalk) Field, respectively.

⁷ Testimony at 36:50.

4. The Field should be defined as the correlative interval, as shown on the log of the Plains Petroleum Operating Co., Hindes Lease, Well No. 1PH (API No. 42-013-33941).
5. The purpose of adopting Cabot's proposed special field rules is to support the development of the BRE.
6. Adopting the special field rules, as proposed by Cabot, will promote development of the BRE.

CONCLUSIONS OF LAW

1. Resolution of the subject application is a matter committed to the jurisdiction of the Railroad Commission of Texas – Tex. Nat. Res. Code §81.051.
2. Legally sufficient notice has been provided to all affected persons.
3. Adopting the special field rules for the Lorenzo (Austin Chalk) Field, as proposed by Cabot Oil & Gas Corporation, will prevent waste and protect correlative rights.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the special field rules for the Lorenzo (Austin Chalk) Field be adopted, as proposed by Cabot Oil & Gas Corporation.

Respectfully submitted,



Brian Fancher, P.G.
Technical Examiner



Terry Johnson
Legal Examiner