



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

**OIL AND GAS DOCKET NO. 10-0290907**

---

**THE APPLICATION OF SABINE OIL & GAS LLC TO AMEND FIELD RULES FOR THE LARD RANCH (GRANITE WASH -C-) FIELD ROBERTS COUNTY, TEXAS**

---

**HEARD BY:** Karl Caldwell – Technical Examiner  
Marshall Enquist – Legal Examiner

**DATE OF HEARING:** September 17, 2014  
**DATE OF POST-HEARING CONFERENCE:** January 13, 2015  
**CONFERENCE DATE:** February 24, 2015

**APPEARANCES:**

**REPRESENTING:**

**APPLICANT:**

Flip Whitworth  
Dale Miller  
Steven Pagan

Sabine Oil & Gas LLC

**EXAMINERS' REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Field rules for the Lard Ranch (Granite Wash-C-) Field were originally adopted in Final Order No. 10-0250147, effective February 23, 2007. The field rules were amended in Final Order No. 10-0262403, effective September 29, 2009. The current field rules in effect for the field are summarized as follows:

1. Designation of the field as the correlative interval from 8,614 feet to 8,700 feet as shown on the log of the Tolbert No. 103 Well (API No. 42-393-31773);
2. Well Spacing of 467'-660'.

Sabine Oil & Gas LLC (Sabine) proposes the following field rules amendments:

1. Amend current rule 1 to define the field as the entire correlative interval from 8,300' TVD (top of the Granite Wash -C-) to 8,433' TVD (top of the Atoka) as seen on the Compensated Z-Densilog, Compensated Neutron Log, Gamma Ray Log of the Chesapeake Operating Mesa Vista 19-H Well (API No. 393-32284), Section 20, Block C, G & M Survey in Roberts County, Texas;
2. Amend current rule 2 to provide for:
  - (a) 330'/0' for vertical wells;
  - (b) 330'/100' lease line spacing and 0' between well spacing for horizontal wells;
  - (c) amendment to take point rule to incorporate spacing rule changes as requested in (a) and (b) above and to provide for no perf zones ("NPZ's");
  - (d) 50' Box Rule;
  - (e) Off Lease Penetration Point Rule;
3. Adopt a new rule 3 to provide:
  - (a) 80 acre drilling and proration units for oil wells plus a 40 acre tolerance for the last well on the same lease or unit;
  - (b) 80 acre drilling and proration units plus 10% tolerance for gas wells;
  - (c) Optional 40 acre drilling and proration units for both oil wells and gas wells;
  - (d) No maximum diagonal limitation for oil or gas proration units;
  - (e) Retain exemption from the requirement to file proration unit plats for individual oil and/or gas wells in the field, and clarify that acreage may be assigned to individual wells with a Form P-15.
4. Adopt a new rule 4 to provide:
  - (a) Allocation formula for both oil and gas wells based upon 95% acreage and 5% per well;
  - (b) Retain suspension of the field's allocation formula for gas wells;
  - (c) Adopt the 1965 yardstick of 215 BOPD for oil wells on 80 acre units with proportional increase for horizontal wells pursuant to Rule 86;
5. Adopt a new rule 5 to provide for stacked laterals in the field;
6. Adopt a new rule 6 to provide a six (6) month exception to Statewide Rule 51(a) regarding the 10 day rule for filing the potential test after testing of the well. This will allow for the backdating of allowables on the oil wells without requiring a waiver to be secured from all field operators and will

grant the Commission the authority to issue an allowable back to the initial completion date for all oil wells.

Sabine also requests that all overproduction accrued to oil wells in the field be canceled. The field rules hearing occurred on September 17, 2014. On January 13, 2015, a post-hearing conference was held to provide Sabine an opportunity to present additional evidence to support the proposed field rule changes. The application is unopposed. The examiners recommend that the field rules for the Lard Ranch (Granite Wash-C-) Field be amended.

### **DISCUSSION OF THE EVIDENCE**

The Lard Ranch (Granite Wash-C-) Field was discovered May 31, 1980 at a depth of 8,491 feet. Sabine is a relatively new operator in the Lard Ranch (Granite Wash-C-) Field, but has been actively drilling oil wells in the field and requests that the current field rules be updated. Several of the proposed rule changes are to accommodate horizontal wells in the field. Other proposed rule changes are a result of the tributary channels and rugged topography which makes it difficult to find surface locations to drill horizontal wells in this area with respect to lease lines.

It is also difficult to drill and complete horizontal laterals in the correlative interval in the field. The average lateral length drilled by Sabine in the field is 4,097 feet, while the average cumulative length of the lateral that is effectively stimulated is 3,264 feet, or approximately 80% of the total length of the lateral drilled. One of the main reasons is the lateral going in and out of the productive zone. Only 7 out of a total of 18 horizontal wells drilled were able to be completed as designed. Sabine is requesting no between well spacing to drill additional wells when necessary to recover reserves that would otherwise go unrecovered due to approximately 20% of the lateral length that goes unstimulated and undrained.

Operators in the field will shut-in wells when offset wells are hydraulically fracture stimulated in the field. Sabine is requesting 80 acre proration units for both oil and gas wells, with 40 acre optional units. Pressure interference was observed between the Mesa Vista 4-1HR well and the Mesa Vista 5-1H well, located approximately 2,700 feet apart, as well as the T Boone Pickens 3-1H well and the Maulsby 401H well, located approximately 1,500 feet apart.

Micro-seismic data indicated that the propped half-length after hydraulic fracture stimulation treatments performed by Sabine were less than 330 feet from the lateral. Therefore, Sabine is requesting to decrease the current lease line spacing of 467 feet to 330 feet to prevent waste and recover reserves that would otherwise go unrecovered. Sabine also proposed 100 feet lease line spacing from first and last take point, as the azimuth, or primary direction of fractures in the field are at 110 degrees and horizontal wellbores are drilled at either 0 or 180 degrees.

The current field rules do not require operators to file Form P-15. Sabine requested to update the field rule language to provide operators the option to file Form P-15 if desired. Sabine also requested to update the field rule language to allow operators to assign additional acreage to horizontal wells pursuant to Statewide Rule 86. Sabine proposed a two-factor allocation formula based on 95% acreage, and 5% per well for both oil and gas wells in the field. Sabine is also requesting that all overproduction be cancelled. Due to the current field rules, additional acreage is not assigned to horizontal wells in the field pursuant to Statewide Rule 86 and there is no acreage in an allocation formula at the present time for the field. Sabine's witness, Mr. Dale Miller testified that no harm to correlative rights would occur if all overproduction in the field were cancelled and waste would occur if horizontal wells were required to be shut-in due to overages.

#### **FINDINGS OF FACT**

1. Notice of this hearing was provided to all operators in the field at least ten (10) days prior to the date of the hearing and no protests were received.
2. Field rules for the Lard Ranch (Granite Wash-C-) Field were adopted in Final Order No. 10-0250147, effective February 23, 2007.
3. Field rules for the Lard Ranch (Granite Wash-C-) Field were amended in Final Order No. 10-0262403, effective September 29, 2009.
4. Under the current field rules, operators cannot assign additional acreage to horizontal wells pursuant to Statewide Rule 86.
5. Amending the field rules will provide operators in the field more flexibility in recovering reserves.

#### **CONCLUSIONS OF LAW**

1. Proper notice was issued as required by all applicable statutes and regulatory codes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Amending the field rules for the Lard Ranch (Granite Wash-C-) Field will prevent waste.

**EXAMINERS' RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission amend the field rules for the Lard Ranch (Granite Wash-C-) Field.

Respectfully submitted,



Karl Caldwell  
Technical Examiner



Marshall Enquist  
Legal Examiner