



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 7C-0296234

THE APPLICATION OF ASPEN OPERATING COMPANY, LLC TO AMEND FIELD RULES FOR THE OLSON FIELD, CROCKETT COUNTY, TEXAS

HEARD BY: Paul Dubois – Technical Examiner
Terry Johnson – Hearings Examiner

HEARING DATE: May 26, 2015

CONFERENCE DATE: July 14, 2015

APPEARANCES:

REPRESENTING:

David Jackson
Rick Johnston, P.E.

Aspen Operating Company, LLC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Aspen Operating Company, LLC (Aspen) seeks to amend the field rules for the Olson Field in Crockett County, Texas. Aspen seeks to amend the field rules to facilitate redevelopment of the field with horizontal wells. The application is not protested. The Examiners recommend the field rules be amended as requested by Aspen.

DISCUSSION OF EVIDENCE

The Olson Field was discovered on May 22, 1940 at a depth of 1,828 feet. There are currently 60 oil wells and three gas wells in the field. The field produces from the San Andres Formation, with some production occurring in the overlying Queen and Grayburg Formations. The field area is well defined by structure and bounded by dry holes. A low permeability trend bisects the field from northeast to southwest, but is not sufficient to truly divide the field. Aspen's initial redevelopment efforts will focus on the northern portion of the field, north of the low permeability trend, in the area of its Shannon Estate Leases.

The May 1, 2015, proration schedule identifies two operators, Aspen and SOGO III, LLC (SOGO). However, the evidence indicates that the SOGO well is located about two

miles south of the southern boundary of the defined area of the Olson Field. Field rules were adopted by the Commission on November 26, 1945. Most recently the field rules were amended on September 1, 1991 (Docket No. 7C-96,660). The Olson Field is currently on 20 acre standard units for oil and gas wells with 10 acre optional units for oil wells, with maximum diagonal limitations for standard and optional units. The lease line spacing is 233 feet and between well spacing is 467 feet.

Aspen seeks three changes to the field rules. First, Aspen requests that the between well spacing requirement be eliminated for all wells. Aspen is planning redevelopment of the field with horizontal wells, beginning with its Shannon lease, which occupies the northern portion of the field area. Many of the horizontal well will be sidetrack laterals of existing vertical wells. Drilling horizontal wells within the Shannon Estate Leases field area will result in a need for an estimated 19 between well spacing exceptions to Statewide Rule 37 [16 Tex. Admin. Code §3.37]. These exceptions would require Aspen to notice all adjacent operators and unleased mineral interest owners to its various leases. The Shannon Estate Lease is about 3,300 acres in size, and persons entitled to notice in most cases are more than one mile away. Elimination of the between well spacing requirement for the field will remove the necessity to obtain Rule 37 exceptions for its planned redevelopment. Several other San Andres Formation fields have similarly eliminated the between-well spacing requirement.

Second, Aspen seeks to eliminate the maximum diagonal restriction for standard units (1,700 feet) and optional units (1,100 feet). The maximum diagonal restriction provides a constraint to the geometry of proration units, preventing units from being too long with respect to their width, a practice counterproductive to horizontal well development. Horizontal well redevelopment of a field that was originally developed with vertical wells results in confusion and difficulties with regard to determining proration unit size and shape. Further, in many fields being developed or redeveloped with horizontal wells, the Commission no longer requires individual proration unit plats be drawn for each well. Such requirements have been shown in the past to be burdensome to operators and Commission staff. Instead, operators will file acreage assignment such cases on Forms P-15 or P-16.

Third, Aspen seeks a field rule provision stating that additional acreage can be assigned to horizontal wells pursuant to Statewide Rule 86. Again, this is a standard provision for fields being developed or redeveloped with horizontal wells.

FINDINGS OF FACT

1. Notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of hearing.
2. The Olson Field was discovered on May 22, 1940 at a depth of 1,828 feet.

- a. There are currently 60 oil wells and three gas wells in the field.
 - b. The field produces from the San Andres Formation, with some production occurring in the overlying Queen and Grayburg Formations.
3. The May 1, 2015, proration schedule identifies two operators, Aspen operates about 62 wells and SOGO III, LLC (SOGO) operates one.
- a. The SOGO well is located about two miles south of the southern boundary of the defined area of the Olson Field.
4. Field rules were adopted by the Commission on November 26, 1945. Most recently the field rules were amended on September 1, 1991 (Docket No. 7C-96,660).
- a. The Olson Field is currently on 20 acre standard units for oil and gas wells with 10 acre optional units for oil wells, with maximum diagonal limitations for standard and optional units.
 - b. The lease line spacing is 233 feet and between well spacing is 467 feet.
5. Elimination of the between well spacing requirement for the field will remove the necessity to obtain Rule 37 exceptions for its planned redevelopment, will prevent waste, protect correlative rights and promote the orderly development of the field.
6. Eliminate the maximum diagonal restriction will not cause waste or harm correlative rights; removing the maximum diagonal restriction will promote the orderly development of the field.
7. A field rule provision allowing additional acreage to be assigned to horizontal wells pursuant to Statewide Rule 86 will prevent waste, protect correlative rights and promote the orderly development of the field.

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. All notice requirements have been satisfied. 16 Tex. Admin. Code § 1.45

3. The proposed field rules will prevent waste, protect correlative rights and promote the orderly development of the field.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend the field rules for the Olson Field be amended as requested by Aspen Operating Company, LLC.

Respectfully submitted,



Paul Dubois
Technical Examiner



Terry Johnson
Hearings Examiner