



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

**OIL AND GAS DOCKET NO. 02-0297031**

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**THE APPLICATION OF MAGNUM OPERATING, LLC TO CONSOLIDATE VARIOUS PANTHER REEF FIELDS INTO A FIELD AND TO ADOPT SPECIAL FIELD RULES FOR THE CONSOLIDATED FIELD, CALHOUN COUNTY, TEXAS**

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**HEARD BY:** Brian Fancher, P.G. – Technical Examiner  
Rnadall Collins – Administrative Law Judge

**HEARING DATE:** July 24, 2015  
**RECORD CLOSED:** July 24, 2015  
**SUBMISSION DATE:** October 7, 2015  
**CONFERENCE DATE:** October 20, 2015

**APPEARANCES:**

**REPRESENTING:**

**APPLICANT:**

John Hicks  
Dale Miller

Magnum Operating, LLC

**EXAMINERS' REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Magnum Operating, LLC ("MO") seeks to consolidate 22 Panther Reef Fields ("Subject Fields") into the proposed Panther Reef (Frio Cons.) Field (collectively "Consolidated Field").<sup>1</sup>

In addition, MO requests that special field rules be adopted for the Consolidated Field, as follows:

1. A designated correlative interval that defines the Consolidated Field from 8,420 feet to 10,620 feet, as shown on the log of the for the Bull Redfish Unit Lease, Well No. 2 (API No. 42-057-31784), State Tract 140, San Antonio Bay, Calhoun County, Texas;
2. 467' lease line spacing with no minimum between-well spacing requirement;
3. Allocation based on 50% per well and 50% well potential for oil wells, and 50% per well and 50% deliverability for gas wells.

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<sup>1</sup> See Notice of Hearing for the captioned docket; Appendix A.

The application is unopposed. The Examiners recommend that it be approved.

### **DISCUSSION OF THE EVIDENCE**

Dale Miller, consulting Petroleum Engineer, testified as an expert on behalf of MO.

Mr. Miller testified that the Subject Fields are located offshore in the San Antonio Bay of Calhoun County.<sup>1</sup> 21 of the 22 Subject Fields are gas fields and 1 field is an oil field (*i.e.*, Panther Reef, NW (K-1) Field).

He testified that 35 wells have been drilled in the Subject Fields. Of those 35 wells, 62 historic completions have been made in the Subject Fields. He testified, for example, that several wells of the 35 wells have been plugged back and recompleted in individual reservoirs, and that each recompletion costs between \$500,000 to \$750,000. As a result, MO seeks to consolidate the Subject Fields into a single Commission-regulated field because developing each field individually is not economic.

MO seeks to adopt a minimum lease line spacing distance 467' for the Consolidated Field in its proposed special field rules. In addition, Mr. Miller testified that due to the complex geologic faulting in the area, coupled with existing well locations, MO seeks a zero minimum distance for between well spacing.

In conclusion, Mr. Miller testified that MO's requested relief will prevent waste and protect correlative rights.

### **FINDINGS OF FACT**

1. Magnum Operating, LLC ("MO") seeks to consolidate the complete list of 22 Panther Reef Fields, as described in the June 29, 2015, Notice of Hearing made for Oil & Gas Docket No. 02-0297031 ("Subject Fields"), into the proposed Panther Reef (Frio Cons.) Field ("Consolidated Field"), and to adopt special field rules for the Consolidated Field ("Subject Application").
2. All operators in the Subject Fields were provided notice of the Subject Application.
3. The Subject Application is unopposed.
4. The Subject Fields are located offshore in the San Antonio Bay of Calhoun County.
5. 35 wells have been drilled in the Subject Fields, and 62 completions have occurred.
6. The average cost to plug back and recomplete a well in the Subject Fields is between \$500,000 and \$750,000.

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<sup>1</sup> MO Exh. No. 1.

7. Consolidation of the Subject Fields into the Consolidated Field is appropriate because it is not economic to develop each of the Subject Fields individually.
8. Adoption of MO's proposed special field rules for the Consolidated Field are appropriate.

#### 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. Consolidating the Subject Fields into the Consolidated Field 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 proposed field consolidation of the Subject Fields into the Consolidated Field be approved. Furthermore, it is recommended that the special field rules for the Consolidated Field be adopted, as proposed by MO.

Respectfully submitted,



Brian Fancher, P.G.  
Technical Examiner



Randall Collins  
Legal Examiner