



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

**OIL AND GAS DOCKET NO. 8A-0297509**

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**THE APPLICATION OF A.C.T. OPERATING COMPANY FOR UNITIZATION AND  
SECONDARY RECOVERY AUTHORITY AND ENTITY FOR DENSITY AUTHORITY  
FOR THE MORTON UNIT, LEVELLAND FIELD, COCHRAN COUNTY, TEXAS**

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**HEARD BY:** Paul Dubois – Technical Examiner  
John Dodson – Hearings Examiner

**HEARING DATE:** December 11, 2015

**CONFERENCE DATE:** January 12, 2016

**APPEARANCES:**

**REPRESENTING:**

**Applicant**

James N. Bostic  
Donald Raymond, Jr.  
Dr. Marshall Watson, P.E.  
Taylor Spalla

A.C.T. Operating Company

**Observer**

Matthew Babb

Crawford Family Mineral Trust

**EXAMINERS' REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

A.C.T. Operating Company requests Commission authority for unitization of the Morton Unit and approval of secondary recovery operations on the Unit in the Levelland Field.

After Crawford Family Mineral Trust withdrew its protest at the commencement of the hearing, this application was unopposed and the Examiners recommend approval.

### DISCUSSION OF EVIDENCE

The proposed Morton Unit consists of 37 tracts which contain approximately 8,332 acres. There are currently 44 wells within the unit boundaries, all operated by A.C.T. Operating Company. The proposed unit is surrounded by either existing units, areas deemed not floodable due to natural fracturing, areas where San Andres development was deemed too poor to flood because of a porosity-foot cutoff of 0.6 feet, or where the operators/owners declined to join the unit after being offered an opportunity to do so. Most of the wells within the proposed unit were drilled in the 1940's through 1980's. A.C.T. plans to drill 47 new horizontal and vertical wells in order to implement a 172 acre line drive waterflood.

Cumulative production from wells on the proposed unit is approximately 1.5 million barrels of oil. Current production is approximately 45 BOPD from 25 producing wells. Ultimate primary recovery from the unit area is estimated to be 4.6 million BO. Estimated additional recovery as a result of the secondary project is estimated to be approximately 6.9 million BO, based on other waterfloods in the field. The value of the additional oil to be recovered exceeds the cost to implement the project, estimated to be \$111 million, including both capital and increased operating costs.

The participation formula is based on 10% acreage, 10% wellbores, 25% cumulative production, 25% current production and 30% original oil-in-place. The unit agreement has been ratified by 93.7% of the working interest ownership and 67.5% of the royalty interest ownership with significant additional owner sign-up expected once the Railroad Commission approves unitization. There are no State lands within the unit boundaries.

A.C.T. Operating Company requests that the Morton Unit be designated as an entity for density purposes. It is possible that the injection pattern for the unit will be altered in the future. The entity for density designation is particularly important in this unit due to the large number of additional wells to be drilled, with most of such wells anticipated to be horizontal wells, while many of the existing wells are vertical wells. Designation of the unit as an entity for density will allow A.C.T. to drill new wells as needed in optimum locations on the unit without having to obtain between well spacing exceptions. This designation will also eliminate the need to file proration unit plats for individual wells.

### FINDINGS OF FACT

1. Notice of this hearing was sent to all operators, surface owners and royalty interest owners within the proposed unit and to offset operators and mineral owners of unleased tracts.
2. The proposed unit consists of 37 tracts which contain approximately 8,332 acres.

3. A.C.T. Operating Company operates all wells within the unit boundaries.
4. The Unit agreement has been ratified by 93.7% of the working interest ownership and 67.5% of the royalty interest ownership.
5. Cumulative recovery from wells within the proposed unit is approximately 1.5 million BO. Secondary recovery operations will result in the recovery of at least 6.9 million BO which would otherwise go unrecovered.
6. Estimated cost to implement the secondary recovery project is \$111 million. These costs do not exceed the value of additional reserves to be recovered.
7. The participation formula is based on 10% acreage, 10% wellbores, 25% cumulative production, 25% current production and 30% original oil-in-place.
8. The secondary recovery project will not be successful unless the area is unitized.
9. The agreement was voluntarily executed by all parties affixing their signatures thereto and no person has been compelled or required to enter into the agreement. The unit agreement binds only those persons who have executed it, their heirs, successors, assigns and legal representatives. The rights of all owners of interests in the field will be protected under the operation of the unit, regardless of whether an owner signed the unit agreement.
10. The owners of interest in the oil and gas under each tract of land within the area reasonably defined by development have been given an opportunity to enter into the unit on the same yardstick basis as owners of interest in the oil and gas under the other tracts in the unit.
11. The proposed injection program will move hydrocarbons across lease lines, and unitization is necessary in order to protect the correlative rights of the various interest owners.
12. The unitization agreement is necessary to accomplish the purposes of establishing a unit to effect secondary recovery operations for water injection and to operate cooperative facilities necessary thereto. Other available or existing methods or facilities for secondary recovery operations are inadequate for the purpose of secondary recovery.
13. The unit agreement does not provide, either directly or indirectly, for the cooperative refining or marketing of crude petroleum, distillate, condensate, or gas, or any by-product thereof.

14. The unit agreement is subject to all valid orders, rules and regulations of the Railroad Commission.
15. The unit agreement contains no provision regarding field rules, nor does it limit the amount of production of oil or gas from the unitized area. The unit agreement does not release the operator from his obligation to reasonably develop lands or leases as a whole.
16. The unit agreement is a voluntary agreement entered into for the purpose of conducting secondary recovery operations.
17. The unit agreement does not provide for the location of wells.
18. There are no state lands in the proposed unit.
19. The unit agreement is in the interest of public welfare as being reasonably necessary to prevent waste and to promote conservation.
20. The reservoir described in the unit agreement is identified as a single reservoir for Commission purposes and is a suitable reservoir for a water injection secondary recovery operation.
21. The unit agreement contains only the acreage reasonably necessary to accomplish the proposed secondary recovery project.
22. On tracts where 100% sign-up is not attained, applicant will either continue separate metering or allocate based on annual well tests to account for production from that tract.
23. Designation of the unit as an entity for density purposes will allow for the drilling of new infill wells as necessary without obtaining between-well spacing exceptions, provided the density is not exceeded.

#### **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. Applicant's proposed secondary recovery project satisfies all of the requirements set out in TEX. NAT. RES. CODE ANN. §§101.001 et seq. (Vernon 1993).

4. Approval of the proposed unit agreement and secondary recovery operations is in the public interest and is necessary to prevent waste and to promote the conservation of oil or gas or both.

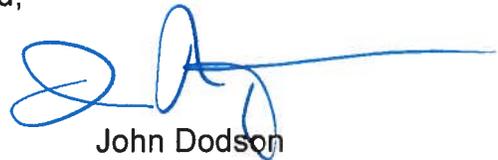
**RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the examiners recommend approval of the proposed Morton Unit and secondary recovery operations in the Levelland Field.

Respectfully submitted,



Paul Dubois  
Technical Examiner



John Dodson  
Hearings Examiner