



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

**OIL AND GAS DOCKET NO. 01-0297330**

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**THE APPLICATION OF SIERRA RESOURCES, LLC TO AMEND FIELD RULES FOR THE A.W.P. (OLMOS) FIELD, MCMULLEN AND LA SALLE COUNTIES, TEXAS**

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**HEARD BY:** Peggy Laird, P.G. – Technical Examiner  
Terry Johnson – Hearings Examiner

**SUBMITTED BY:** Peggy Laird, P.G. - Technical Examiner  
Ryan Lammert - Administrative Law Judge

**HEARING DATE:** September 3, 2015

**CONFERENCE DATE:** January 12, 2016

**APPEARANCES:**

**REPRESENTING:**

**APPLICANT:**

Dale E. Miller  
John H. Kelly

Sierra Resources, LLC

### **EXAMINERS' REPORT AND RECOMMENDATION**

#### **STATEMENT OF THE CASE**

Sierra Resources, LLC ("Sierra") seeks to amend field rules for the A.W.P. (Olmos) Field (subject "Field") in McMullen and La Salle Counties, Texas. Rules for the A.W.P. (Olmos) Field (ID No. 00256500) were adopted by Final Order No. 1-88,712, effective February 8, 1988, and were amended on January 27, 2015 (Oil & Gas Docket No. 01-0292749). Sierra proposes an allocation formula for gas wells based on 90% deliverability and 10% acreage. Sierra also seeks cancellation of all overproduction for any oil or gas wells in the Field.

All operators in the Field were notified, and no protests were received. The Examiners recommend that field rules be amended for the A.W.P. (Olmos) Field in McMullen and La Salle Counties, Texas, as requested by Sierra.

### **DISCUSSION OF EVIDENCE**

Mr. Dale Miller testified as an expert in petroleum engineering on behalf of Sierra in the captioned docket. The A.W.P. (Olmos) Field in McMullen and La Salle Counties, Texas was discovered December 20, 1981, at a depth of 9,800 feet and is designated as an associated-prorated field. As reported by Mr. Miller, the Field produces from the Olmos Sandstone reservoir. According to the September 1, 2015, proration schedules, there are 489 oil wells and 487 gas wells. The Field's cumulative production through June 2015 is 50.79 million barrels of oil (MMBO) and 511.39 billion cubic feet of natural gas (BCFG).

Sierra operates three oil wells on the STS 'A' Lease (ID No. 14556), as reported on the September 1, 2015, proration schedule. They are actively developing their lease by drilling additional wells, including horizontal gas wells. The current gas allowable allocation is based on 100% deliverability. Sierra wants to utilize the provision in SWR 86 to assign additional acreage and secure the allowable for horizontal gas wells. Sierra requests that Rule 4B for the gas allowable allocation formula be amended and be based on 90% deliverability and 10% acreage.

Sierra received a notice of violation for overproduction dated April 29, 2015. Mr. Miller reported that routine delays between the well completion date, initial potential test date, and the date well allowables are assigned create apparent overage in production. Mr. Miller calculated allowables that accounted for the delays which resulted in minimal to zero overproduction. Sierra maintains they are filing required paperwork in a timely manner according to the rules, and that shutting in the subject wells will cause waste of recoverable resources. Sierra seeks cancellation of all overproduction for any oil or gas wells in the Field.

### **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 A.W.P. (Olmos) Field in McMullen and La Salle Counties, Texas was discovered December 20, 1981, at a depth of 9,800 feet and is designated as an associated-prorated field.

- a. The Field operates under field rules that were amended on January 27, 2015 (Oil & Gas Docket No. 01-0292749).
  - b. According to the September 1, 2015, proration schedules, there are 489 oil wells and 487 gas wells.
  - c. The Field's cumulative production through June 2015 is 50.79 million barrels of oil (MMBO) and 511.39 billion cubic feet of natural gas (BCFG).
3. Sierra operates three oil wells on the STS 'A' Lease (ID No. 14556), as reported on the September 1, 2015, proration schedule.
  4. Sierra is actively developing their lease by drilling additional wells.
  5. Sierra's wells have accumulated overproduction as a result of routine delays in administrative processing of completion reports.

**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 rule amendments will prevent waste, protect correlative rights, and promote the orderly development of the Field.
4. Cancellation of overproduction will not cause waste or harm correlative rights.

**RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the Examiners recommend the field rules for the A.W.P. (Olmos) Field be amended as requested by Sierra Resources, LLC.

Respectfully submitted,



Peggy Laird, P.G.  
Technical Examiner



Ryan Lammert  
Administrative Law Judge