



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

**OIL & GAS DOCKET NO. 04-0300420**

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**THE APPLICATION OF NYE EXPLORATION & PRODUCTION, LLC TO CONSOLIDATE THE MORGAN (6700 FRIO) AND SINTON, WEST FIELDS INTO THE MORGAN (6600 FRIO) FIELD AND TO ADOPT PERMANENT FIELD RULES FOR THE MORGAN (6600 FRIO) FIELD, SAN PATRICIO COUNTY, TEXAS.**

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**HEARD BY:** Paul Dubois – Technical Examiner  
Ryan Lammert – Administrative Law Judge

**HEARING DATE:** June 28, 2016

**CONFERENCE DATE:** September 12, 2016

**APPEARANCES:**

Fermin Munoz, Jr.  
Brent Winborne

Nye Exploration & Production, LLC

**EXAMINERS' REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Nye Exploration & Production, LLC (“Nye”) seeks to redevelop an interval of the Frio Formation of San Patricio County. The interval in question was developed by three fields: Morgan (6600 Frio) Field (ID No. 62860747), Morgan (6700 Frio) Field (ID No. 62860850), and Sinton, West Field (ID No. 83760001). Currently, however, there are no wells producing from these fields. Therefore, Nye originally requested to amend the field rules for all three fields such that spacing and density provisions were consistent and would allow for the efficient redevelopment of the interval. The Technical Examiner and Administrative Law Judge (collectively referred to as “Examiners”) recommend that the three fields be consolidated into the Morgan (6600 Frio) Field and new field rules established for the consolidated field as requested by Nye. Nye did not consider this proposal to be adverse.

### DISCUSSION OF THE EVIDENCE

Hydrocarbon production in the area was originally allocated to the Morgan and Sinton, West Fields. Later individual fields were identified for specific depths within the Frio Formation. Hydrocarbon development in the area began in the mid-1940s. There are currently no wells carried on the Commission's proration schedules for the Morgan (6600 Frio), Morgan (6700 Frio), and Sinton, West Fields. Consequently, there are no other operators in the field. Nye contends it is the only operator intending to develop this area.

Currently the Morgan (6600 Frio) and Morgan (6700 Frio) Fields are under statewide spacing and density rules, which provide for 40 acre proration units, 467-foot lease line spacing, and 1,200-foot between well spacing. Field rules for the Sinton, West Field were established by Commission Special Order No. 4-10,173 on February 15, 1947, and amended by Order No. 4-31,574 on April 1, 1955. These rules provide for 20-acre proration units, 330-foot lease line spacing and 660-foot between well spacing.

Nye is planning to drill a well into a four-way anticlinal structure located southwest of Sinton, San Patricio County, Texas. The anticlinal structure is defined by evidence from three key wells:

- The Morgan Oil Company, Crabb Lease Well No. 1 (API No. 42-409-00876), was drilled in 1948. The well exhibited oil and gas shows in the Morgan 6600 and 6700 foot sands, but the well was located on the northern flank of the structure and somewhat down-dip.
- The Mustang Oil Company, P. L. Johnson Lease Well No. 1 (API No. 42-409-00878), was drilled in 1949. The well was initially completed in the Morgan 6600 B sand and produced primarily gas and some condensate. A subsequent recompletion in the Morgan 6600 interval at a structural elevation 18 feet higher than the Crabb Well No. 1. The recompletion resulted in a well that produced more than 50,000 barrels of oil before abandonment in 1961. This is the only production ever reported for this field.
- In 1954 Morgan Oil Company, Dodson Van Way Lease Well No. 1 (API No. 42-409-00738), drilled in 1954. The initial completion was in the shallower Catahoula Formation. Mustang Oil Company recompleted the well in 1955 in the Morgan 6600 and 6700 sands at a structural elevation about 15 feet lower than the P. L. Johnson No. 1. This completion was made with a lease line spacing of 330 feet.

Nye proposes that the Morgan (6600 Frio) Field be defined as the correlative interval from 6,620 feet to 6,860 feet as shown on the Schlumberger composite self-potential and resistivity log of the P. L. Johnson Lease Well No. 1 (API No. 42-409-00878).

Nye provided evidence that many wells in the subject Frio fields have been granted exceptions to Statewide Rule 37 (16 Tex. Admin. Code §3.37) to allow for 330-foot lease line spacing. Consolidating the fields will enable Nye to efficiently develop the consolidated field interval. Therefore, Nye requests lease line spacing of 330-feet be established for the field. In addition, the Examiners conclude that 40-acre density with 20-acre options are appropriate as those are the current densities for the parent fields.

Finally, Nye contends that the geometric parameters of the anticlinal structure necessitate 330-foot lease line spacing as being optimal for development. Statewide spacing (467 feet) would likely not allow Nye to target the structure for optimal and efficient recovery.

### **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 the hearing.
2. The Morgan (6600 Frio) and Morgan (6700 Frio) Fields are currently on statewide spacing and density rules, which provide for 40 acre proration units, 467-foot lease line spacing, and 1,200-foot between well spacing.
3. Field rules for the Sinton, West Field were established by Commission Special Order No. 4-10,173 on February 15, 1947, and amended by Order No. 4-31,574 on April 1, 1955. These rules provide for 20-acre proration units, 330-foot lease line spacing and 660-foot between well spacing.
4. There are no wells carried on the Commission's current proration schedules for the three subject fields.
5. Many historical wells in the subject Frio fields have been granted exceptions to Statewide Rule 37 (16 Tex. Admin. Code §3.37) to allow for 330-foot lease line spacing.
6. The geometric parameters of the anticlinal structure necessitate 330-foot lease line spacing as being optimal for development.
7. A 467 lease-line spacing provision will result in waste of hydrocarbon resources.
8. The correlative interval from 6,620 feet to 6,860 feet as shown on the Schlumberger composite self-potential and resistivity log of the P. L. Johnson Lease Well No. 1 (API No. 42-409-00878), defines the consolidated field interval for the Morgan (6600 Frio) Field.
9. Consolidating the fields will enable Nye to efficiently develop the consolidated field interval.

10. A 40-acre standard density with 20-acre options are appropriate as those are the current densities for the parent fields.
11. The proposed field rules will result in the prevention of waste, the protection of correlative rights, and 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 § 1.43
3. The proposed field rules will prevent waste, the protect correlative rights, and promote the orderly development of the field.

**EXAMINERS' RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the Examiners recommend the Commission enter an order granting the application of Nye Exploration & Production, LLC to consolidate the Morgan (6700 Frio) and Sinton, West fields into the Morgan (6600 Frio) Field and to adopt field rules for the Morgan 6600 (Frio) Field, San Patricio County, Texas.

Respectfully submitted,



Paul Dubois  
Technical Examiner



Ryan Lammert  
Administrative Law Judge