



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 03-0295010

THE APPLICATION OF FORT APACHE ENERGY, INC. FOR A NEW FIELD DESIGNATION FOR THE PROPOSED WARREN, SE (YEGUA 5100) FIELD AND TO ADOPT FIELD RULES FOR THE PROPOSED WARREN, SE (YEGUA 5100) FIELD, TYLER COUNTY, TEXAS

HEARD BY: Brian Fancher, P.G. – Technical Examiner
Laura Miles-Valdez – Legal Examiner

HEARING DATE: April 13, 2015
RECORD CLOSED: April 13, 2015
SUBMISSION DATE: November 3, 2015
CONFERENCE DATE: November 17, 2015

APPEARANCES:

REPRESENTING:

APPLICANT:

Lloyd Muennink, Attorney
Roland Baker

Fort Apache, Inc.

PROTESTANT:

David Gross, Attorney

Resaca Resources, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Fort Apache Energy, Inc. (FAEI) seeks to designate the Warren, SE (Yegua 5100) Field (Field) as a new field designation, and to adopt the following special field rules for the Field (Subject Application):

1. A designated correlative interval that defines the Field from 5,126 feet to 5,238 feet, as shown on the log of the ROMT Lease, Well No. 1 (API No. 42-457-30796), BBB&C RR Co/Green, P. Survey (A-910), Tyler County, Texas;

2. Two-factor allocation formula consisting of 95% deliverability and 5% acreage.

Notice of the Subject Application was sent to all operators of record within 2.5 miles of the Subject Well, pursuant to Statewide Rule 41.

At the hearing, Resaca Resources, LLC's (Resaca) a settlement was made between it and FAEI.¹ Therefore, the application is unopposed. The Examiners recommend that it be approved.

DISCUSSION OF THE EVIDENCE

Roland Baker, Oil and Gas Regulatory Consultant, testified as a fact witness on behalf of FAEI.

On October 6, 2014, FAEI submitted a completion report (Form G-1) for the ROMT Lease, Well No. 1 (API No. 42-457-30796) in the Wildcat Field, Tyler County, Texas ("Subject Well").² The Subject Well was completed on November 21, 2011, and FAEI performed an initial potential ("IP") test on the well on June 20, 2012. The Subject Well is reportedly a vertical well with perforations from 5,126 feet to 5,129 feet and 5,236 feet to 5,238 feet. The Subject Well's IP test resulted in 132 MCFG (1,000 cubic feet of gas is equivalent to 1 MCFG).

On November 12, 2014, FAEI submitted a Form P-7 (New Field Designation and/or Discovery Allowable Application) for the Subject Well.³ The November 12th Form P-7 indicates following: (1) the Subject Well is completed in the Yegua Formation; (2) the Field's productive reservoir occurs from 5,126 feet to 5,238 feet; (3) the Subject Well produces 1,049 MCFGD on a 11/64" choke-size; (4) the Subject Well's nearest comparable production is the Red Bear Field located roughly 4,836 feet northeast; and (5) the nearest production from the Subject Well is in the West-Skillern Field, Wilcox Formation, located roughly 4,290 feet northwest. Mr. Baker testified that the Subject Well's estimated bottom-hole pressure is roughly 2,234 psi.⁴

FAEI submitted a map that centers on the Subject Well and includes a radius of 2.5 miles from the Subject Well. The purpose of the map is to show the locations of all producing wells within a 2.5 mile radius of the Subject Well. In conclusion, Mr. Baker testified that no wells of record within 2.5 miles of the Subject Well produce from within the same reservoir as the Field.⁵

FAEI submitted a type log to identify the proposed correlative interval for the Field.⁶ In summary, the Field is made of two sand intervals that range from 5,124 feet to 5,134 feet; and 5,236 feet to 5,246 feet. Mr. Baker testified the two sand intervals that comprise the field are separated by a shale interval that extends roughly 80 feet. Thus, the need for a two-factor allocation formula pursuant to Tex. Nat. Res. Code §85.053. As a result, FAEI proposes that all production from the Field be allocated by 95% deliverability and 5% acreage.

¹ Compare FAEI Exh. No. 1-A: April 9, 2015, email from David Gross to Ryan Whitten with audio recording from 2:30 – 6:45.

² FAEI Exh. No. 4.

³ FAEI Exh. No. 3.

⁴ Testimony at 18:05.

⁵ Testimony at 7:43.

⁶ FAEI Exh. No. 5.

FINDINGS OF FACT

1. Fort Apache Energy, Inc. (FAEI) seeks to designate the Warren, SE (Yegua 5100) Field, Tyler County, Texas (Field) as a new field designation, and to adopt the special field rules for the Field (Subject Application).
2. Notice of the Subject Application was provided to all affected persons at least 10 days prior to the April 13, 2015 hearing.
3. FAEI requests that the following special field rules be adopted for the Field:
 - a. The Field be designated as the correlative interval from 5,126 feet to 5,238 feet, as shown on the log of the ROMT Lease, Well No. 1 (API No. 42-457-30796), BBB&C RR Co/Green, P. Survey (A-910), Tyler County, Texas;
 - b. Two-factor allocation formula consisting of 95% deliverability and 5% acreage.
4. The Field should be defined as the correlative interval from 5,126 feet to 5,238 feet, as shown on the log of the ROMT Lease, Well No. 1 (API No. 42-457-30796), BBB&C RR Co/Green, P. Survey (A-910), Tyler County, Texas.
5. The Field is composed of one well, the ROMT Lease, Well No. 1 (API No. 42-457-30796) (Subject Well).
6. The Field is a separate and distinct reservoir from any other production within 2.5 miles from the Subject Well.

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. A new field designation for the Warren, SE (Yegua 5100) Field, and adopting the special field rules for the Warren, SE (Yegua 5100) Field, as proposed by FAEI will prevent waste and protect correlative rights.

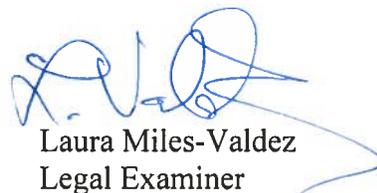
EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the subject application be GRANTED.

Respectfully submitted,



Brian Fancher, P.G.
Technical Examiner



Laura Miles-Valdez
Legal Examiner