

**OIL AND GAS DOCKET NO. 02-0254504**

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**THE APPLICATION OF BLUESTONE NATURAL RESOURCES LLC TO CONSIDER  
NEW FIELD DESIGNATION AND FIELD RULES FOR THE (PROPOSED) MESCALERO  
(WILCOX J SAND) FIELD, GOLIAD COUNTY, TEXAS**

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**Heard by:** Donna K. Chandler on December 20, 2007

**Appearances:**

Dale Miller

**Representing:**

Bluestone Natural Resources LLC

**EXAMINER'S REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Bluestone Natural Resources LLC requests that a new field designation called the Mescalero (Wilcox J Sand) Field be approved for its Gentry Powell Well No. 1. Bluestone requests that the following field rules be adopted for the new field:

1. Designation of the field as the correlative interval from 9,300 feet to 10,500 feet as shown on the log of the Gentry Powell Well No. 1;
2. Allocation based on 95% deliverability and 5% per well.

There were no protests to this application and the examiner recommends approval of the new field designation and field rules.

**DISCUSSION OF EVIDENCE**

Bluestone Natural Resource LLC completed its Gentry Powell Well No. 1 in May 2007. The well is perforated in the Wilcox between 9,380 and 9,501 feet. On initial test, the well produced at a rate of 1,207 MCFD.

The new field designation should be approved for the Gentry Powell No. 1. There are more than 100 wellbores within a 2½ mile radius of the No. 1 well, 67 of which were not drilled deep enough to penetrate the subject interval in the Gentry Powell No. 1. There are four wells within 2 ½ miles which are perforated within 100 vertical feet of the producing interval in the Gentry Powell No. 1. These four wells are almost 2 ½ miles to the northeast

and are separated by a dry hole from the Gentry Powell No. 1. The remaining wells are completed in deeper intervals. Additionally, the Gentry Powell No. 1 encountered virgin pressure of 5,260 psi.

Bluestone Mile requests that the entire correlative interval between 9,300 feet and 10,500 feet in the Gentry Powell Well No. 1 be considered a single field known as the Mescalero (Wilcox J Sand) Field. This interval includes several Wilcox sands which would not be economically produced as separate completions. The cost to drill the Gentry Powell No. 1 well was almost \$2.7 million and the production has steeply declined from over 1,000 MCFD to less than 200 MCFD in six months

State statutes require that a two factor allocation formula be adopted for the proposed field designation to be considered a single field. Bluestone requests that allocation be based on 95% deliverability and 5% per well for the field.

### **FINDINGS OF FACT**

1. Notice of this hearing was given to all persons entitled to notice at least ten days prior to the date of hearing.
2. Bluestone Natural Resource LLC completed its Gentry Powell Well No. 1 in May 2007 with perforations in the Wilcox between 9,380 and 9,501 feet.
3. The Gentry Powell Well No. 1 is entitled to a new field designation.
  - a. There are more than 100 wellbores within a 2½ mile radius of the No. 1 well, 67 of which were not drilled deep enough to penetrate the subject interval in the Gentry Powell No. 1.
  - b. There are only four wells within 2 ½ miles which are perforated within 100 vertical feet of the producing interval in the Gentry Powell No. 1, but these wells are separated from the Gentry Powell No. 1 by a dry hole.
  - c. The Gentry Powell No. 1 encountered virgin pressure of 5,260 psi.
4. The entire correlative interval from 9,300 feet to 10,500 feet in the Gentry Powell Well No. 1 should be designated as the Mescalero (Wilcox J Sand) Field.
5. Allocation based on 95% deliverability and 5% per well will protect correlative rights and meets statutory requirements for combining multiple productive zones into a single field.

**CONCLUSIONS OF LAW**

1. Proper notice of this hearing was issued.
2. All things have been accomplished or have occurred to give the Commission jurisdiction in this matter.
3. Approval of the requested new field designation and adoption of field rules will prevent waste, protect correlative rights and promote the orderly development of the field.

**RECOMMENDATION**

Based on the above findings and conclusions of law, the examiner recommends approval of the new field designation and adoption of field rules for the Mescalero (Wilcox J Sand) Field.

Respectfully submitted,

Donna K. Chandler  
Technical Examiner