



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0287076

THE APPLICATION OF GREYSTONE OIL & GAS, LLP TO CONSOLIDATE THE TRIPLE-N (DEVONIAN) FIELD INTO THE EMMA (DEVONIAN) FIELD AND TO ADOPT FIELD RULES FOR THE EMMA (DEVONIAN) FIELD ANDREWS COUNTY, TEXAS

HEARD BY: Karl Caldwell - Technical Examiner
Michael Crnich - Legal Examiner

HEARING DATE: March 10, 2014

APPEARANCES: **REPRESENTING:**

APPLICANT:

Rick Johnston

Greystone Oil & Gas, LLP

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

The Emma (Devonian) Field currently operates under Statewide Field Rules while the Triple-N (Devonian) Field operates under Field Rules that were adopted in Final Order No. 08-02879667 on February 12, 2013. Greystone Oil & Gas, LLP ("Greystone") requests to consolidate the Triple-N (Devonian) Field into the Emma (Devonian) Field and to adopt the Field Rules that were established for the Triple-N (Devonian) Field for the Emma (Devonian) Field.

DISCUSSION OF THE EVIDENCE

The Emma (Devonian) Field was discovered in January 1955 at depth of 10,190 feet. The field operates under Statewide Field Rules and there are currently four operators in the field. The cumulative production for the Emma (Devonian) Field is 5.8 million BO and 5.5 BCF gas.

The Triple-N (Devonian) Field was discovered in October 1957 at a depth of 10,600 feet. Cumulative production for the field is 1.1 million BO and 0.5 BCF gas. Currently

there is only one producing well in the field. The Triple-N (Devonian) Field operates under Field Rules that were adopted in Final Order No. 08-02879667 on February 12, 2013. The current rules are summarized as follows:

1. Designated correlative interval from 10,456 feet to 11,532 feet as shown on the log of the Greystone Oil & Gas, LLP - State AQ Lease, Well No. 8 (API No. 42-003-43170);
2. 330'-0' well spacing with special provisions for "take points", 100' lease line spacing for the first and last take points, a 33' "box rule" and "off-lease" penetration point in horizontal drainhole wells;
3. 40 acre oil units; Form P-15 be filed to designate the number of acres to be assigned to each well in lieu of proration unit plats, no maximum diagonal limitation;
4. Allocation based on 100% acres with a top oil allowable based on the 1947 Yardstick Allowable of 245 barrels per day.

A map depicting wells in the Triple-N (Devonian) Field and the Emma (Devonian) Field show that the fields are separated on the map by a demarcation line in which all wells located to the west of the line are in the Emma (Devonian) Field and all wells located to the east of the line are considered to be in the Triple-N (Devonian) Field. Both fields are producing from the same interval and the only determination as to which field a well is located in is whether the well is located to the east or the west of the demarcation line.

Greystone requests that the Triple-N (Devonian) Field be consolidated into the Emma (Devonian) Field and for the Emma (Devonian) Field to adopt the Field Rules that were established for the Triple-N (Devonian) Field. At the present time, Greystone does not operate any wells in the field, but plan to drill horizontal wells in this area and have an active permit for the State AQ-8H well, which is currently located in the Triple-N (Devonian) Field, but would be located in the Emma (Devonian) Field if the field consolidation is granted.

Field Rules were established for the Triple-N (Devonian) Field to prevent waste, protect correlative rights and promote development of the field. The adoption of these same Field Rules for the Emma (Devonian) Field is appropriate. There is currently no defined correlative interval for the Emma (Devonian) Field. Greystone requests that the field be defined as the correlative interval from 10,456 feet to 11,532 feet as shown on the log of the Greystone Oil & Gas, LLP - State AQ Lease, Well No. 8 (API No. 42-003-43170), Section 29, Block 9, University Lands Survey, A-U265, Andrews County, Texas. The correlative interval includes the entire Devonian formation.

FINDINGS OF FACT

1. Notice of this application and hearing was provided to all persons entitled to notice at least ten (10) days prior to the date of the hearing.
2. The Emma (Devonian) Field was discovered in January 1955 at depth of 10,190 feet.
 - a. The field operates under Statewide Field Rules;
 - b. There are currently four operators in the field;
 - c. Cumulative production is 5.8 million BO and 5.5 BCF gas.
3. The Triple-N (Devonian) Field was discovered in October 1957 at a depth of 10,600 feet.
 - a. The field operates under Field Rules that were adopted in Final Order No. 08-02879667 on February 12, 2013;
 - b. There is currently one operator in the field;
 - c. Cumulative production for this field is 1.1 million BO and 0.5 BCF gas.
4. The Emma (Devonian) Field and the Triple-N (Devonian) Field are separated on field maps by a demarcation line.
 - a. Wells located to the west of the demarcation line are in the Emma (Devonian) Field;
 - b. Wells located to the east of the demarcation line are in the Triple-N (Devonian) Field;
 - c. The wells in the Emma (Devonian) Field and the Triple-N (Devonian) Field are producing from a single reservoir;
 - d. Consolidation of the Triple-N (Devonian) Field into the Emma (Devonian) Field is appropriate.
5. Adopting Field Rules for the Emma (Devonian) Field will prevent waste, protect correlative rights, and promote development of the field.
 - i. The Emma (Devonian) Field should be defined as the correlative interval from 10,456 feet to 11,532 feet as shown on the log of the Greystone Oil & Gas, LLP - State AQ Lease, Well No. 8 (API No. 42-003-43170), Section 29, Block 9, University Lands Survey, A-U265, Andrews County, Texas;

- ii. A spacing rule which utilizes "take-points" in a horizontal well for determination of distances to lease lines will prevent waste and will not harm correlative rights;
 - a. A take-point in a horizontal well in this field may be a perforation in a horizontal well that is cased and cemented, an external casing packer in a cased well, or any open-hole section in an un-cased portion of the wellbore;
 - b. Adoption of the proposed rule will allow the horizontal drainhole length on a lease to be maximized;
 - c. For purposes of assignment of additional acreage pursuant to Statewide Rule 86, the distance between the first and last take-point in a horizontal well should be used;
 - iii. A Field Rule providing for 330'-0' well spacing with a special provision for 100' lease line spacing for the first and last take points is appropriate for the Emma (Devonian) Field;
 - a. The proposed 0' between well spacing is necessary to allow the drilling of horizontal wells, which may have to be placed very near vertical wells in some cases;
 - b. By allowing a 100' lease line spacing for the first and last take points, an additional 460 feet of the reservoir is exposed to the horizontal lateral and drained. These reserves would go unrecovered if the 100' lease line spacing for the first and last take points is not approved;
 - iv. The proposed 33' "box rule" is necessary to allow operators reasonable minor deviations from the wellbore track that has been permitted;
 - v. Allowing an "off-lease" penetration point will result in maximum producing drainhole length, thereby increasing ultimate recovery from horizontal drainhole wells. To protect correlative rights, prior notice and opportunity to object should be given to the mineral owners of "off-lease" surface locations.
6. Similar rules have been adopted in other tight reservoirs, including the Triple-N (Devonian), Eagle Ford, Wolfcamp, Bone Springs, Cotton Valley and

Barnett Shale formations.

7. The filing of Form P-15 to designate the number of acres to be assigned to each well for proration purposes with no proration plats will eliminate unnecessary paperwork.

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. Consolidating the Triple-N (Devonian) Field into the Emma (Devonian) Field and adopting Field Rules for the Emma (Devonian) Field will prevent waste, protect correlative rights, and promote development of the field.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission consolidate the Triple-N (Devonian) Field into the Emma (Devonian) Field and to adopt Field Rules for the Emma (Devonian) Field as requested by Greystone Oil & Gas, LLP.

Respectfully submitted,



Karl Caldwell
Technical Examiner



Michael Crnich
Legal Examiner