

THE APPLICATION OF BLACKBRUSH O & G, INC. TO AMEND THE FIELD RULES FOR THE LABUS (AUSTIN) FIELD, KARNES COUNTY, TEXAS

Heard by: Donna K. Chandler on January 14, 2008

Appearances:

George Neale
Mike Younger
Ed Manka

Representing:

Blackbrush O & G, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Blackbrush O & G, Inc. requests that field rules for the Labus (Austin) Field be amended. The rules currently in effect for the field were adopted in Docket No. 2-76,217, effective February 17, 1981, and are summarized as follows:

1. 467'-1,200' well spacing;
2. 80 acre oil units;
3. allocation based on 100% acreage.

Blackbrush requests that the rules be amended to provide the following:

1. Designation of the field as the correlative interval from 10,263 feet to 10,604 feet as shown on the Edwin Yanta No. 1;
2. 330'-1,200' well spacing;
3. 80 acre oil units with optional 40 acre units;
4. Allocation based on 100% acreage (no change).

This application was unopposed and the examiner recommends that the rules proposed by Blackbrush be adopted for the field.

DISCUSSION OF EVIDENCE

The Labus (Austin) Field was discovered in 1969 at a depth of 10,312 feet. There are currently two producing wells in the field, both operated by Blackbrush O & G, Inc. The Adrian Foegelle No. 1 was completed in September 2008 and had an initial potential of 46 BOPD. The Edwin Yanta No. 1 was completed in October 2008 and had an initial potential of 251 BOPD. Both are plugbacks from the deeper Edwards horizon.

Blackbrush operates many Edwards wells in this area which are potential recompletion options for Chalk wells. The Person (Edwards) Field operates under rules providing for minimum lease line spacing of 330 feet. A similar spacing rule for the shallower Chalk field will allow for recompletions without obtaining numerous Rule 37 exceptions. Most of the leases are narrow northeast/southwest trending tracts which require additional flexibility for development.

The Austin Chalk has very low matrix porosity and production is dependent on encountering fractures. Standard volumetric calculations cannot be performed. Blackbrush feels that a 40 acre optional density rule is necessary to effectively develop the Austin Chalk. There has been very little development of this field since the 80 acre rules were adopted in 1981. Rules providing for 80/optional 40 acre density have previously been adopted for the offsetting Falls City (Austin Chalk) Field.

Blackbrush requests that the field be designated as the correlative interval from 10,263 feet to 10,604 feet as shown on the Edwin Yanta No. 1. This interval includes the entire Austin Chalk reservoir.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. The Labus (Austin) Field was discovered in 1969 at a depth of 10,312 feet. Since 1981, the field has operated under rules providing for 80 acre density and 467'-1,200' well spacing.
3. There are two producing oil wells on the current proration schedule, both recent completions operated by Blackbrush.
4. Adoption of a 40 acre optional density rule for the subject field is appropriate because production is dependent on encountering fractures. A similar rule has previously been adopted for the offsetting Falls City (Austin Chalk) Field.

5. Adoption of a spacing rule providing for a minimum of 330 feet from lease lines will eliminate numerous Rule 37 exceptions for plug back operations from the Person (Edwards) Field to the Labus (Chalk) Field.
6. The Labus (Austin) Field should be designated as the correlative interval from 10,263 feet to 10,604 feet as shown on the Edwin Yanta No. 1.

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. Adoption of the proposed field rules for the Labus (Austin) Field is necessary to prevent waste, protect correlative rights and promote development of the field.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends that the Commission adopt the field rules proposed by Blackbrush O & G, Inc. for the Labus (Austin) Field.

Respectfully submitted,

Donna K. Chandler
Technical Examiner