



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

OIL AND GAS DOCKET NO. 02-0287401

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**THE APPLICATION OF KDM OPERATING, LLC TO AMEND THE FIELD RULES FOR THE BLOOMINGTON (4600) FIELD IN VICTORIA COUNTY**

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**HEARD BY:** Karl Caldwell- Technical Examiner  
Laura Miles-Valdez - Legal Examiner  
**REVIEWED BY:** Brian Fancher, P.G. - Technical Examiner

**HEARING DATE:** March 26, 2014

**APPEARANCES:**

**APPLICANT:**

Greg Cloud  
David Stressner

**REPRESENTING:**

KDM Operating, LLC

**OBSERVER:**

David Jackson

Petrodome Operating, LLC

**EXAMINERS' REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Field Rules for the Bloomington (4600) Field were adopted in Final Order No. 2-10,905, effective July 1, 1947, as amended. The current Field Rules for the subject field are summarized as follows:

1. 330'-660' well spacing;
2. Surface and production casing provisions;
3. Bradenhead installation provisions;
4. Tubing diameter limitations for flowing oil wells;
5. Christmas-tree pressure rating provisions;

6. Gas to oil ratio (“GOR”) limitation of 2000:1 standard cubic feet per barrel of oil (“scf/bbl”);
7. 20-acre density requirement;
- 8(a-c). Oil allocation based on the sum of the following products: (1) 50% acreage and (2) 50% per well, and calendar day testing provisions;
- 8(d). Calendar-day testing;
9. Prohibition of dual completions in the subject field;
10. 80-acre density requirement for individual gas wells producing from the “Greta Stringer Sand” reservoir, along with 40-acre tolerance, maximum diagonal of 3,500 feet, certified proration unit plats, and a designated correlative interval for the Greta Stringer Sand reservoir;
11. Gas well allowable based on the sum of the following products: (1) 0.67% acreage factor and (2) 0.33% per well;

KDM Operating, LLC (“KDM”) seeks to amend and renumber the current special field rules, as follows:

1. Designated the Field as the correlative interval from 4,650 feet to 4,882 feet, as shown on the log of the Enterprise Resources, Inc.’s- Beulah Stubblefield Lease, Well No. 1 (API No. 42-469-31463), Castillo Survey, A-17, Victoria County, Texas.
2. 330' lease line spacing and 0' between well spacing, with a 50' drilling-box rule;
3. 20-acre oil proration units with optional 10-acre density and 5-acre tolerance for the last well on the lease; no maximum diagonal, and the filing of Form P-15 without proration unit plats;
4. Oil allocation based on the sum of the following products: (1) 50% acreage and (2) 50% per well with a top Most Efficient Rate (“MER”) oil allowable of 2,000 barrels of oil per day (“BOPD”) for a 20-acre proration unit.

At the hearing, KDM opined that the remaining field rules are unnecessary and should be rescinded (i.e. current field rule numbers 2,3,4,5,6, and 9) because the Commissions’s current State Wide Rules effectively govern the subject field’s current field rule numbers 2,3,4,5,6, and 9.

Subsequent to the hearing, the examiners held it inappropriate to adopt a MER of 2,000 barrels of oil per day (“BOPD”) due to insufficient evidence in support thereof. By letter dated May 23, 2014, KDM withdrew its request for said MER.

The examiners conclude that field rule numbers ten and eleven<sup>1</sup>, thereof Final Order No. 2-10,905, effective July 1, 1947, as amended, should be placed in the current field rules governing the Bloomington (Greta Stringer) Field (Field No. 09674 105).

The application is unopposed and the examiners recommend that the Field Rules be renumbered and amended for the Bloomington (4600) Field, as proposed by KDM and modified by the examiners.

### **DISCUSSION OF EVIDENCE**

The Bloomington (4600) Field, originally known as the Bloomington Field (“the Bloomington”), was discovered in April 1947 at an average depth of 4,600 feet. The Bloomington originally consisted of four different producing reservoirs. On July 16, 1954, the reservoir located at 4,600 feet was administratively separated<sup>2</sup> from the reservoir located at 4,900 feet (“the Greta Sand”). Consequently, the Bloomington (4600) Field (“the Field”) became a Commission-designated field governed by field rules set apart from field rules that regulated the Greta Sand.

The Commission’s March 2014 Oil Proration Schedule indicates that there are three producing oil wells and two operators in the Field. The Field operates under special Field Rules that provide for 330'-933' well spacing, 20 acre oil units, and numerous antique rules. Cumulative production from the Field since 1947 through April 2014 is 32.3 million barrels of oil and 6.08 billion cubic feet of casing-head gas.

There is currently no defined correlative interval for the Field. KDM requests that the Field be defined as the correlative interval from 4,650 feet to 4,882 feet, as shown on the log of the Enterprise Resources, Inc.’s- Beulah Stubblefield Lease, Well No. 1 (API No. 42-469-31463), Castillo Survey, A-17, Victoria County, Texas.

KDM testified it plans to develop the Field with infill wells and requests that the governing field rules be amended to promote the efficient and effective development of the remaining hydrocarbons. KDM proposes 330'-0' well spacing and 10 acre oil units with optional 5 acre density.

Also, KDM proposes a 50' drilling-box rule (“box rule”) for horizontal drainhole wells that would allow drainholes to deviate 50 feet from either side of their permitted track without the necessity of obtaining a Statewide Rule 37 exception. As drilled wells for which all points are

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<sup>1</sup> See KDM Exhibit No. 3, page 2.

<sup>2</sup> See KDM Exhibit No. 8

located within the box rule would be considered in compliance with their drilling permits.

In support of its application, KDM submitted a copy of the amended drilling permit application for its Ford Grant Unit, No 1H (API No. 42-469-34285), dated January 22, 2014. The Ford Grant Unit, No. 1H (“the Unit”) is a horizontal well permitted to drill and complete in the Field. KDM testified that at the time of the hearing, no completion report has been filed with the

Commission for the Unit. However, KDM indicated the well was completed in the Field in December 2013. Upon its completion, the Unit’s initial potential showed roughly 70 BOPD.

KDM submitted a copy of a completion report, dated September 10, 2013), filed by Petrodome Operating, LLC for its Heins Lease, Well No. 2 (API No. 42-469-34277). The Heins No. 2 is a horizontal well completed in the Field on July 23, 2013. The Heins No. 2’s reported initial potential was 135 BOPD, 0 MCFGD, and 0 BWPD.

Also, KDM requests that proration unit plats not be required for individual wells, but that Form P-15 be filed to designate the number of acres to be assigned to each well with no maximum diagonal limitation.

KDM requests that the Field’s field rule numbers 2,3,4,5,6, and 9 be rescinded because said rules are redundant due to the Commissions’s Statewide Rules<sup>3</sup>.

In addition, the examiners conclude that field rule numbers ten and eleven<sup>4</sup>, thereof Final Order No. 2-10,905, effective July 1, 1947, as amended, should be placed in the current field rules governing the Bloomington (Greta Stringer) Field (Field No. 09674 105).

Subsequent to the hearing, the examiners requested that KDM provide evidence in support of its requested 2,000 BOPD Maximum Efficient Rate (“MER”). By letter dated May 23, 2014, KDM withdrew its request to adopt said MER.

### **FINDINGS OF FACT**

1. KDM Operating, LLC (“KDM”) seeks to amend and renumber the field rules governing the Bloomington (4600) Field.
2. The Field was discovered in April 1947 at an average depth of 4,600 feet, and was originally recognized as the Bloomington Field (“the Bloomington”).

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<sup>3</sup> See Title 16, Texas Administrative Code, Chapter 3, Sections 1-106.

<sup>4</sup> See KDM Exhibit No. 3, page 2.

3. On July 16, 1954, the Bloomington's sub-surface hydrocarbon reservoir located at 4,600 feet was administratively severed from the Bloomington's hydrocarbon reservoir located at 4,900 feet ("the Greta Sand"). Consequently, the Bloomington (4600) Field ("the Field") was recognized as an individual Commission-designated field set apart from the Bloomington (Greta Sand) Field.
4. The Commission's March 2014 Oil Proration Schedule indicates the following: that there are three producing oil wells and two operators in the Field.
  - a. There are three producing oil wells and two operators carried on the oil proration schedule.
  - b. The Field operates under special field rules that provide for 330'-933' well spacing and 20 acre oil units.
  - c. The reported cumulative production from the Field since 1947 through April 2014 is 32.3 million barrels of oil and 6.08 billion cubic feet of casing-head gas.
5. The Field is actively being developed with horizontal well drilling.
6. KDM seeks to define the Field as the correlative interval from 4,650 feet to 4,882 feet, as shown on the log of the Enterprise Resources, Inc.'s- Beulah Stubblefield Lease, Well No. 1 (API No. 42-469-31463), Castillo Survey, A-17, Victoria County, Texas.
7. Adoption of 330'-0' well spacing and 10 acre oil units with optional 5 acre density is appropriate for the Field.
8. KDM seeks to adopt a fifty foot drilling-box rule for horizontal well drilled and completed in the Field.
  - a. KDM's proposed fifty foot box rule will allow horizontal drainhole wells to deviate fifty feet from either side of their permitted track, without the necessity of obtaining a Statewide Rule 37 exception.
  - b. As drilled wells for which all points are located within the box rule would be considered in compliance with their drilling permits.

**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. Renumbering and amending the special field rules, which govern Bloomington (4600) Field will promote development of the Bloomington (4600) Field.

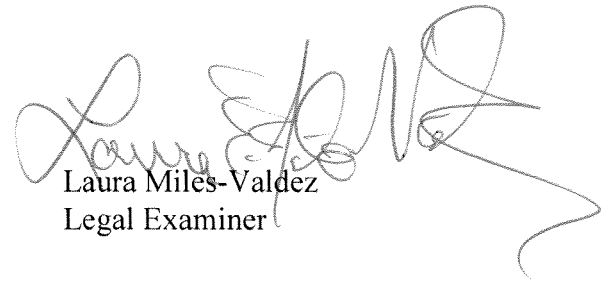
**RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission renumber and amend the special field rules for the Bloomington (4600) Field, as proposed by KDM Operating, LLC and modified by the examiners.

Respectfully submitted,



Brian Fancher, P.G.  
Technical Examiner



Laura Miles-Valdez  
Legal Examiner