



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

**OIL AND GAS DOCKET NO. 08-0296553**

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**THE APPLICATION OF BOYD & MCWILLIAMS OPERATING, LLC TO ADOPT PERMANENT FIELD RULES FOR THE KEYSTONE (WOLFCAMP) FIELD, WINKLER COUNTY, TEXAS**

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**HEARD BY:** Brian Fancher, P.G. – Technical Examiner  
Randall Collins – Administrative Law Judge

**HEARING DATE:** July 24, 2015  
**RECORD CLOSED:** July 24, 2015  
**SUBMISSION DATE:** October 7, 2015  
**CONFERENCE DATE:** October 20, 2015

**APPEARANCES:**

**REPRESENTING:**

**APPLICANT:**

Michael Choate  
John McBeath, P.E.

Boyd & McWilliams Op., LLC

### EXAMINERS' REPORT AND RECOMMENDATION

#### STATEMENT OF THE CASE

The drilling, completion, and production of wells completed in the Keystone (Wolfcamp) Field ("Field") is currently governed by Commission "Statewide Rules". Dated June 29, 2015, the captioned docket's Notice of Hearing ("NOH") states that Boyd & McWilliams Op., LLC ("BMO") seeks to adopt permanent special field rules for the Field, as follows:

1. A designated correlative interval that defines the field from 7,395 feet to 7,650 feet as shown on the log of the Ally "26" Lease, Well No. 1H (API No. 42-495-33559);
2. 320-acre proration units for oil and gas wells with 80-acre tolerance for oil wells and 10% tolerance for gas wells;
3. Allocation based on the following two factors: (1) 95% acreage; and (2) 5% per well.

The application is unopposed. The Examiners recommend that it be approved.

### **DISCUSSION OF THE EVIDENCE**

John McBeath, a consulting Petroleum Engineer, testified on behalf of BMO.

Notice of the subject application was sent by U.S. mail directed to the operators of record in the Field, as well as various Commission staff.<sup>1</sup>

The Field was discovered in November 1966. The Field's July 2015 Oil Proration Schedule indicates that no wells exist in the Field. Mr. McBeath testified that although the Field's discovery well (*i.e.* W.A. McCutchen B Lease, Well No. 8") was plugged and abandoned in 1971, BMO's recently drilled and completed the Ally "26" Lease, Well No. 1H ("Ally Well") in the Field. He testified that the Ally Well does not appear on the July 2015 Oil Proration Schedule because its completion papers have yet to be processed by the Oil & Gas Division.

BMO filed completion papers ("W-2") for its Ally Well on June 25, 2015. The Ally Well's June 25<sup>th</sup> W-2 indicates it was completed as an oil well on November 28, 2014. BMO performed a 24-hour initial potential test on the Ally Well on February 14, 2015, which resulted in the following production rates: (1) 247 barrels of oil per day; (2) 393,000 cubic feet of gas per day; (3) 1,163 barrels of water per day; and (4) a gas-oil ratio of 1,591 cubic feet of gas per barrel of oil.

The Field is located in the Central Basin Platform and is composed of the Wolfcamp Formation. Mr. McBeath testified that the area surrounding the Field contains historic production from shallow formations, such as the Yates Formation and, to deeper formations such as the Ellenburger Formation. He testified that the Wolfcamp Formation is comparatively a lesser-developed horizon because current drilling and completion techniques are required to economically complete a well in the Wolfcamp.

BMO seeks to designate the Field as the correlative interval from 7,395 feet to 7,650 feet, as shown on the log of the Ally Well. BMO submitted a geologic cross section comprised of the Field's discovery well and the Ally Well. Mr. McBeath testified the purpose of the cross section is to show that the Field's discovery well and the Ally Well were completed in the same geologic horizon. He testified that the Ally Well was directionally drilled through the Wolfcamp Formation with the horizontal portion of the well remaining confined within the Field's proposed correlative interval.

BMO submitted estimated drainage calculations taken from four wells that are completed in the Wolfcamp Formation located in Winkler, Andrews, and Ector Counties, Texas.<sup>2</sup> In summary, Mr. McBeath testified that the four identified wells encountered drainage areas ranging from 143 to 222-acres. He testified that the drainage calculations made for those four

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<sup>1</sup> BMO Exh. No. 1 – Copy of the captioned docket's NOH and Service List dated June 29, 2015.

<sup>2</sup> BMO Exh. No. 14 – Well Summary, Wolfcamp Wells.

wells were made using a standard Original Oil in Place formula which incorporated well log characteristics taken from well logs ran on the those four identified wells.<sup>1</sup>

BMO submitted a tabulation of multiple fields that are governed by other field rules which provide a minimum density provision of greater than 40-acres. In summary, 25 fields that made of the Wolfcamp Formation are governed by field rules that provide a density provision ranging from 80 to 640-acres.<sup>2</sup> Based on the above mentioned drainage calculations coupled with the numerous Wolfcamp-producing fields governed by special field rules, BMO concluded that 320-acre proration units for oil wells in the Field is appropriate.

At the hearing, the Examiners inquired whether BMO anticipates to complete gas wells in the Field. In response, Mr. McBeath testified that it is possible due to the structural variations of the Wolfcamp Formation throughout the Field. Therefore, BMO seeks 320-acre proration units for gas wells in the Field until it better understands the Field's reservoir dynamics to prevent the unnecessary drilling of wells.

In conclusion, BMO believes that its proposed special field rules for the Field will provide for orderly drilling, completion, and operation of wells in the Field while preventing waste and protecting correlative rights.

#### **FINDINGS OF FACT**

1. Boyd & McWilliams Op., LLC ("BMO") seeks to adopt special field rules for the Keystone (Wolfcamp) Field ("Field"), Winkler County, Texas ("Subject Application").
2. BMO requests to adopt special field rules in the Field, as follows:
  - a. A designated correlative interval that defines the field from 7,395 feet to 7,650 feet as shown on the log of the Ally "26" Lease, Well No. 1H (API No. 42-495-33559);
  - b. 320-acre proration units for oil and gas wells with 80-acre tolerance for oil wells and 10% tolerance for gas wells;
  - c. Allocation based on the following two factors: (1) 95% acreage; and (2) 5% per well.
3. The Field was discovered in 1966.
4. The Field's discovery well was plugged and abandoned in 1971.
5. BMO completed its Ally "26" Lease, Well No. 1H ("Ally Well") in the Field on November 28, 2014.

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<sup>1</sup> BMO Exh. No. 15 – Drainage Calculations.

<sup>2</sup> BMO Exh. No. 16 – Summary of Fields, Wolfcamp Formation Fields with Density Greater than 40-Acres.

6. The Ally Well is the only existing well in the Field.
7. BMO performed a 24-hour initial potential test on the Ally Well on February 14, 2015, which resulted in the following production rates: (1) 247 barrels of oil per day; (2) 393,000 cubic feet of gas per day; (3) 1,163 barrels of water per day; and (4) a gas-oil ratio of 1,591 cubic feet of gas per barrel of oil.
8. Analogous fields that produce from the Wolfcamp Formation in Winkler, Andrews, and Ector Counties, Texas encounter drainage areas ranging from 143 to 222-acres per oil well.
9. BMO anticipates that it may complete gas wells in the Field.
10. It is reasonable to define the Field as the correlative interval from 7,395 feet to 7,650 feet as shown on the log of the Ally "26" Lease, Well No. 1H (API No. 42-495-33559).
11. Adopting the special field rules, as proposed by BMO, will promote development of the Field.

#### 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. Adopting the special field rules for the Keystone (Wolfcamp) Field, as proposed by Boyd & McWilliams Op., LLC, 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 special field rules for the Keystone (Wolfcamp) Field be adopted, as proposed by BMO.

Respectfully submitted,



Brian Fancher, P.G.  
Technical Examiner



Randall Collins  
Administrative Law Judge