



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 01-0306137

THE APPLICATION OF ENERVEST OPERATING, L.L.C. TO CONSOLIDATE THE LABUS (AUSTIN) FIELD INTO THE SUGARKANE (AUSTIN CHALK) FIELD, ATASCOSA, DEWITT, KARNES, LA SALLE, AND LIVE OAK COUNTIES, TEXAS

HEARD BY: Peggy Laird, P.G. – Technical Examiner
Jennifer Cook – Administrative Law Judge

HEARING DATE: September 15, 2017

CONFERENCE DATE: November 7, 2017

APPEARANCES:

APPLICANT:

James M. Clark, P.E.

REPRESENTING:

Enervest Operating, L.L.C.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Enervest Operating, L.L.C. ("Enervest") requests to consolidate the Labus (Austin) Field ("Labus") into the Sugarkane (Austin Chalk) Field ("Sugarkane") in Atascosa, DeWitt, Karnes, La Salle and Live Oak Counties, Texas. All operators in the fields were notified, and the application is not protested. The Administrative Law Judge and the Technical Examiner (collectively, "Examiners") recommend the Labus (Austin) Field be consolidated into the Sugarkane (Austin Chalk) Field.

DISCUSSION OF THE EVIDENCE

The Labus (Austin) Field was discovered in 1969 at a depth of 10,312 feet. Permanent field rules were established for the Labus on February 10, 2009 (Docket No. 02-0260197). These rules provide for a correlative interval from 10,623 to 10,604 feet, 330 feet lease line spacing, 1,200 feet between well spacing, 80 acre proration units, and 1965 Yardstick Allowables. There are seven active oil wells carried on the current proration schedule. Since 1969 the Labus (Austin) Field has produced more than 423 thousand barrels of oil ("MBO") and 1.6 million cubic feet of gas ("MMCF").

The Sugarkane (Austin Chalk) Field was discovered in 2006 at a depth of 11,360 feet. Permanent field rules have been amended several times, with the current rules established for the Sugarkane on August 24, 2016 (Docket No. 02-0297183). These rules provide for a correlative interval from 11,360 to 11,450 feet, 330 feet lease line spacing, no between well spacing restrictions, 320 acre gas proration units with 80 acre optional units, 80 acre oil proration units with 40 acre optional units, an associated-prorated field classification, and contemporary provisions for horizontal wells including 100 feet / 330 feet dual lease line spacing, take point language, off-lease penetration points, no perforations zones, a box tolerance rule and stacked laterals. There are 89 active gas wells and 75 active oil wells on the current proration schedule. The Sugarkane has produced over 108 billion cubic feet ("BCF") of gas and over 22 million barrels ("MMB") of hydrocarbon liquids.

Geologically, the fields produce from the Austin Chalk Formation that is correlative across the combined area. Both fields are defined with correlative intervals that are the entire Austin Chalk Formation. The larger Sugarkane (Austin Chalk) Field has grown geographically so that it has merged into the area of the Labus (Austin) Field. Enervest believes that consolidation of the fields will allow for efficient development and prevent waste.

The examiners recommend that the Labus (Austin) Field be consolidated into the Sugarkane (Austin Chalk) Field.

FINDINGS OF FACT

1. Notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of the hearing.
2. The hearing was not protested.
3. The Labus (Austin) Field was discovered in 1969 at a depth of 10,312 feet.
 - a. Permanent field rules were established for the field on February 10, 2009 (Docket No. 02-0260197) providing for a correlative interval from 10,263 to 10,604 feet, 330 feet lease line spacing, 1,200 feet between well spacing, 80-acre proration units, and 1965 Yardstick Allowables.
 - b. There are seven active oil wells carried on the current proration schedule.
 - c. Since 1969 the Labus (Austin) Field has produced more than 423 MBO and 1,600 MMCF gas.
4. The Sugarkane (Austin Chalk) Field was discovered in 2006 at a depth of 11,360 feet.
 - a. The current permanent rules were established for the field on August 24, 2016 (Docket No. 02-0297183) providing for a correlative interval from 11,360 to 11,450 feet, 330 feet lease line spacing, no between well spacing restrictions, 320 acre gas proration units with 80 acre optional units, 80 acre oil proration units with 40 acre optional units, an associated-prorated field classification, and contemporary provisions for horizontal wells including 100 feet / 330 feet dual lease line spacing, take point language, off-lease penetration points, no perforations zones, a box tolerance rule and stacked laterals.

- b. There are 89 active gas wells and 75 active oil wells on the current proration schedule.
 - c. The field has produced over 108 BCF of gas and over 22 MMB of hydrocarbon liquids.
5. Geologically, both fields produce from the Austin Chalk Formation that is correlative across the combined area. Both fields are defined with correlative intervals that are the entire Austin Chalk Formation.
 6. The larger Sugarkane (Austin Chalk) Field has grown geographically so that it has merged into the area of the Labus (Austin) Field.
 7. At the hearing, the applicant agreed on the record that the Final Order in this case is to be effective when the Master Order is signed.

CONCLUSIONS OF LAW

1. All things have occurred and been accomplished to give the Commission jurisdiction in this matter. Tex. Nat. Res. Code § 81.051.
2. All notice requirements have been satisfied. 16 Tex. Admin. Code § 1.42.
3. Consolidation of the fields as proposed by Enervest will prevent waste, protect correlative rights, and promote the orderly development of the field.
4. Pursuant to §2001.144(a)(4)(A), of the Texas Government Code, and the agreement of the applicant, the Final Order is effective when a Master Order relating to the Final Order is signed on November 7, 2017.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Labus (Austin) Field be consolidated into the Sugarkane (Austin Chalk) Field and that drilling permits not be required for the transfer of wells because of the consolidation.

Respectfully submitted,


Peggy Laird, P.G.
Technical Examiner


Jennifer Cook
Administrative Law Judge