



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 01-0306959

THE APPLICATION OF LIGHTNING OIL COMPANY FOR A NEW FIELD DISCOVERY FOR ITS CUTLASS EAST LEASE, WELL NO. 1A, AND TO ADOPT FIELD RULES FOR THE PROPOSED W.S.L. (LK) FIELD, LA SALLE COUNTY, TEXAS.

HEARD BY: Paul Dubois – Technical Examiner
Ryan Lammert – Administrative Law Judge

HEARING DATE: November 14, 2017

CONFERENCE DATE: January 23, 2017

APPEARANCES:

APPLICANT:

Tim George
Dale Miller

REPRESENTING:

Lightning Oil Company

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Lightning Oil Company ("Lightning") has applied for a new field designation pursuant to Statewide Rule 41 (16 Tex. Admin. Code §3.41) for the W.S.L (LK) Field in La Salle County, Texas. Lightning discovered the field through the completion and initial production of its Cutlass East Lease (Lease ID pending) Well No. 1A (API No. 42-283-33261). Lightning filed an application with the Commission for new field discovery, but Commission Staff determined that a two-factor allocation formula was necessary, which would require a hearing and Final Order issued by the Commission. In this case, Lightning seeks a new field designation as well as adoption of field rules identifying the field's correlative interval and two-phase allocation formula. The application was not protested. The technical examiner and administrative law judge ("Examiners") recommend Lightning's application be granted.

DISCUSSION OF EVIDENCE

Lightning's Cutlass East Lease Well No. 1A was completed on August 25, 2014, at a total vertical depth of 9,902 feet. The well is completed in the Edwards Formation with a producing interval from 9,094 to 9,114 feet. On initial testing the well produced at a rate of 135 thousand cubic feet ("mcf") natural gas per day and 68 barrels of water per day. The well produced no condensate. The gas gravity was 0.730. The reservoir temperature was 246°F. The reservoir pressure was 3,816 pounds per square inch ("psi"), indicating virgin conditions.

Lightning requests that the field be designated as the correlative interval in the Lower Cretaceous ("LK") from the top of the Georgetown Formation at a depth of 8,990 feet to a depth of 9,902 feet in the Edwards Formation. The total correlative interval requested is 912 feet. The type log for the field is the gamma ray log of the Cutlass East Lease Well No. 1A. As seen on the gamma ray log, the top of the interval has a distinct signature break at the contact between the overlying Del Rio Clay Formation and the underlying Georgetown Formation. The gamma ray signature at the bottom of the interval is less distinct.

There is no production from the Edwards or Georgetown Formations within two and one-half miles of the Cutlass East Lease Well No. 1A. The only production in the area is from wells completed the Eagle Ford Formation.

The well was permitted (Drilling Permit No. 740840) for completion in a Wildcat Field. On May 5, 2017, Lightning filed completion papers with the Commission. A reason for the nearly 3-year delay was not given. On July 5, 2017, Lightning applied for a new field designation so the completion could be approved. On August 1, 2017, Commission Staff denied the new field designation because the requested field correlative interval appeared to require a two-factor allocation formula pursuant to Tex. Nat. Res. Code §85.053(b). Lightning requests the new field designation be granted with a two-factor allocation formula based on 95 percent per well and 5 percent deliverability.

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. Lightning's Cutlass East Lease Well No. 1A was completed on August 25, 2014, at a total vertical depth of 9,902 feet.
 - a. The well is completed in the Edwards Formation with a producing interval from 9,094 to 9,114 feet.
 - b. On initial testing the well produced at a rate of 135 mcf natural gas per day and 68 barrels of water per day. The well produced no

condensate.

- c. The gas gravity was 0.730. The reservoir temperature was 246°F. The reservoir pressure was 3,816 psi, indicating virgin conditions.
3. Lightning requests that the field be designated as the correlative interval in the Lower Cretaceous ("LK") from the top of the Georgetown Formation at a depth of 8,990 feet to a depth of 9,902 feet in the Edwards Formation.
 - a. The total correlative interval requested is 912 feet.
 - b. The type log for the field is the gamma ray log of the Cutlass East Lease Well No. 1A. As seen on the gamma ray log, the top of the interval has a distinct signature break at the contact between the overlying Del Rio Clay Formation and the underlying Georgetown Formation.
 - c. The gamma ray signature at the bottom of the interval is less distinct.
 4. There is no production from the Edwards or Georgetown Formations within two and one-half miles of the Cutlass East Lease Well No. 1A.
 5. The only production within two and one-half miles is from wells completed the Eagle Ford Formation.
 6. On July 5, 2017, Lightning applied for a new field designation.
 7. On August 1, 2017, Commission Staff denied the new field designation because the requested field correlative interval appeared to require a two-factor allocation formula pursuant to Tex. Nat. Res. Code §85.053(b).
 8. A two-factor allocation formula based on 95 percent per well and 5 percent deliverability is appropriate for this field.
 9. At the hearing, the applicant agreed on the record that a Final Order in this case is to be effective when the Master Order is signed.

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. All notice requirements have been satisfied. 16 Tex. Admin. Code §§1.42 and 1.45.

3. The application meets the requirements of Statewide Rule 41. 16 Tex. Admin. Code §3.41.
4. Pursuant to §2001.144(a)(4)(A), of the Texas Government Code, and the agreement of the applicant, this Final Order is effective when a Master Order relating to this Final Order is signed on January 23, 2018.

EXAMINERS' RECOMMENDATION

The Examiners recommend approval of the application of Lightning Oil Company for a new field discovery for its Cutlass East Lease, Well No. 1A, and to adopt field rules for the proposed W.S.L. (LK) Field, La Salle County, Texas.

Respectfully submitted,



Paul Dubois
Technical Examiner



Ryan Lammert
Administrative Law Judge