



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0308621

THE APPLICATION OF BLACKBEARD OPERATING, LLC TO CONSIDER ADOPTING PERMANENT FIELD RULES FOR THE MONAHANS, NORTH (CLEARFORK) FIELD, WINKLER COUNTY, TEXAS

HEARD BY: Peggy Laird, P.G. – Technical Examiner
Kristi M. Reeve – Administrative Law Judge

HEARING DATE: February 14, 2018

CONFERENCE DATE: April 24, 2018

APPEARANCES:

Dale Miller

REPRESENTING:

Blackbeard Operating, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Blackbeard Operating, LLC ("Blackbeard") seeks to adopt permanent field rules for the Monahans, North (Clearfork) Field (the "Field"), Winkler County, Texas. The Field was discovered on September 25, 1987 and became associated 49-B in April 1994. A net gas-oil ratio ("GOR") and maximum efficient rate ("MER") of production was established by Final Order (Oil & Gas Docket No. 08-0215022) dated June 24, 1997. Blackbeard requests the following permanent field rules be adopted for the Field:

- Rule 1: Designate a correlative interval from 5,246 feet to 5,988 feet as shown on the Borehole Compensated Sonic Log of the Amoco Production Company, Sealy Smith A Lease Well No. 51, located in Section 53, Blk A of the G&MMB&A Survey, Winkler County, Texas;
- Rule 2: Establish lease line spacing of 330 feet and between well spacing of 330 feet, with no spacing requirement between a vertical and horizontal well;
- Rule 3: 40 acre base units with optional 10 acre density, 10 acre tolerance provision for the last well on the lease, the filing of Form P-16 to designate the number of acres to be assigned to individual wells with a plat of the entire lease, no requirement to file individual well proration unit plats and no maximum

diagonal limitation, however an operator may file individual proration plats at their option;

Rule 4: Continuation of the Field MER of 250 barrels of oil per day ("BOPD") and 2,000 MCF Daily Gas Limit ("MCFD") per well; and

Rule 5: 100% Acreage Allocation.

Notice was provided to all operators in the field and the application is unopposed. The Technical Examiner and Administrative Law Judge ("Examiners") recommend that the permanent field rules be adopted for the Monahans, North (Clearfork) Field, Winkler County, Texas.

DISCUSSION OF THE EVIDENCE

The Field is about fifteen miles southeast of Kermit and was discovered on September 25, 1987 at a depth of 5,610 feet. It is currently under the following Statewide Rules:

- a. 467'-1,200' lease/well spacing;
- b. 40 acre base units with;
- c. 20 acre tolerance acres;
- d. 2,100' maximum diagonal length;
- e. allocation formula of 100% acreage; and
- f. an MER of 250 BOPD and gas limit of 2,000 MCFD per well.

There are currently forty-three oil wells and three gas wells that have been completed in the Field. The February 2018 proration schedule shows there are sixteen active producing oil wells and one gas well in this Field. The Field has produced 1.58 million barrels of oil, 14.36 billion cubic feet of casinghead gas ("BCFG"), 17,869 barrels of condensate and 0.85 BCFG from October 1987 through November 2017. Blackbeard is completing more wells and plans to drill additional wells in the Field.

Blackbeard presented reservoir characteristics as follows: average porosity of 9%, average water saturation of 50%, average net effective oil pay thickness is 300 feet, average gravity of oil is 37 degrees API, and a formation volume factor of 1.4 reservoir barrel per stock-tank barrel ("rbb/STB"). The reservoir is in the late primary stage of depletion. Based on the reservoir information, the volumetric oil content was calculated by the applicant. The recoverable oil in place ("ROIP") underlying a 40 acre unit is estimated to be 600,000 STB, and 150,000 STB are estimated underlying a 10 acre unit.

The existing field rules call for 40 acre base proration units. Blackbeard wishes to continue the 40 acre units, and requests the adoption of 10 acre optional units. Blackbeard provided the drainage area for six wells in the Field that ranges from 0.01 to 5 acres, thereby justifying the optional acreage provision. The requested spacing of 330/330 feet will accommodate the proposed 10 acre optional units. Blackbeard considers the proposed rules will provide for the orderly drilling, completion, and operation of wells which will prevent waste and protect correlative rights.

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. No protests were received.
2. The Monahans, North (Clearfork) Field was discovered on September 25, 1987.
3. The field is currently governed by Statewide Field Rules.
4. A fieldwide Net GOR and MER of production was adopted and allows for 250 BOPD and a 2,000 MCFD daily gas limit per well.
5. The field is being actively developed with more new wells by Blackbeard.
6. The revised spacing and density rules are reasonable for further development of the 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. 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.
3. The proposed field rules will reduce waste and promote orderly development of the Field.
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 April 24, 2018.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend the Commission adopt permanent field rules for the Monahans, North (Clearfork) Field, Winkler County, Texas, as proposed by Blackbeard Operating, LLC.

Respectfully submitted,



Peggy Laird, P.G.
Technical Examiner



Kristi M. Reeve
Administrative Law Judge