



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 06-0318038

**APPLICATION OF BLACKWELL EXPLORATION & DEVELOPMENT, LLC (073342)
TO CONSOLIDATE THE HAINESVILLE (TRAVIS PEAK) FIELD, HAINESVILLE,
NORTH (CV-MARINE) FIELD, AND THE HAINESVILLE (COTTON VALLEY, U.) FIELD
INTO THE HAINESVILLE (CONS.) FIELD AND ADOPT PERMANENT FIELD RULES
FOR THE HAINESVILLE (CONS.) FIELD, WOOD COUNTY, TEXAS**

HEARD BY: Robert Musick, P.G. - Technical Hearings Examiner
Kristi M. Reeve - Administrative Law Judge

HEARING DATE: April 2, 2019

CONFERENCE DATE: August 20, 2019

APPEARANCES:

APPLICANT:

Kerry A. Pollard, P.E.

REPRESENTING:

Blackwell Exploration & Development, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Blackwell Exploration & Development, LLC ("Blackwell") seeks to consolidate existing fields identified in the subject docket. Evidence presented at the hearing resulted in the three fields in the subject docket being proposed for consolidation under the Hainesville (Cons.) Field ("Field"). The proposed consolidated Field is in Wood County, Texas.

Blackwell requests to adopt a correlative interval; a 467-foot lease line spacing with no between well spacing for wells on the same lease; a 40-acre proration unit with a 20-acre tolerance acreage requirement; oil well top allowable of 212 barrels for vertical wells; and an oil and gas allocation formula, with the gas allocation formula suspended until conditions warrant.

The adoption of field rules for the Hainesville (Cons.) Field will promote horizontal drilling through regulatory flexibility and prevent waste and protect correlative rights.

Notice was given to operators in the Field. The application was not protested, and no protesting party appeared at the hearing. The Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend the proposed consolidated field rules as set out in the Final Orders be granted.

DISCUSSION OF THE EVIDENCE

Blackwell sent a letter dated January 24, 2019, requesting a hearing to amend the existing field rules and establish one consolidated Field named the Hainesville (Cons.) Field. A Notice of Hearing was issued by the Commission on March 1, 2019, to operators in the various fields at least ten days prior to the date of the hearing. A hearing was held on April 2, 2019. No protests were received.

The three subject fields proposed for consolidation based on the evidence are as follows:

- Hainesville (Travis Peak) Field (No. 38040600), (gas);
- Hainesville, North (CV-Marine) Field (No. 38056100), (gas);
- Hainesville (Cotton Valley, U.) Field (No. 38040125), (oil).

The details of the three fields proposed for consolidation are identified in Attachment A to this Examiner's Report. The criteria to consolidate into the Hainesville (Cons.) Field is based on similar stratigraphic conditions which result in the correlative interval laterally communicating for the purpose of recovery of hydrocarbons. Also, consolidation takes in consideration the distance between fields and field development to maximize efficiency of hydrocarbon recovery. It should be noted that Blackwell initially sought consolidation of six fields under the Hainesville (Cons.) Field. Evidence presented at the hearing resulted in three fields being proposed for consolidation due to lateral communication, etc. Blackwell requested to adopt the following Field rules for the proposed consolidated Field:

- Correlative interval: The correlative interval is from 9,138 feet to 11,609 feet. The designated interval for the Hainesville (Cons.) Field is the entire correlative stratigraphic interval from the top of the Travis Peak formation, which is also the base of the Pettet formation, to the top of the Buckner formation, which is the base of the Cotton Valley formation. This interval is mostly represented by the correlative interval on the Platform Express log from 9,138 feet to 11,609 feet in the Energy Production Corp. Thurman Williams No. 3 (API No. 4249931983). This entire correlative stratigraphic interval is designated as a single reservoir for proration purposes.
- Lease line spacing to be 467 feet and no between well spacing for wells on the same lease;
- 40-acre drilling unit and proration unit for the Field;

- 20-acre tolerance acreage;
- Gas Allocation formula of 95% Deliverability and 5% per well;
- Allocation formula suspended for gas wells;
- Oil well top allowable of 212 barrels (1965 Yardstick for 10,500 feet)
- Oil Allocation formula of 95% across and 5% per well.

The requested rule changes will be protective of correlative rights, increase recovery of resources and prevent waste. The Examiners recommend granting the request in the proposed Final Order.

At the hearing, Blackwell agreed on the record that the Final Order in this case is to be final and effective when the Master Order relating to the Final Order is signed.

FINDINGS OF FACT

1. Blackwell Exploration & Development, LLC ("Blackwell") seeks to consolidate existing fields identified in the subject docket. Evidence presented at the hearing resulted in the three fields in the subject docket being proposed for consolidation under the Hainesville (Cons.) Field ("Field"). The proposed consolidated Field is in Wood County, Texas.
2. The three subject fields proposed for consolidation based on the evidence are as follows:
 - Hainesville (Travis Peak) Field (No. 38040600), (gas);
 - Hainesville, North (CV-Marine) Field (No. 38056100), (gas);
 - Hainesville (Cotton Valley, U.) Field (No. 38040125), (oil).
3. The details of the three fields proposed for consolidation are identified in Attachment A to this Examiner's Report.
4. Consolidation into the Hainesville (Cons.) Field is based on similar stratigraphic conditions which result in the correlative interval laterally communicating for the purpose of recovery of hydrocarbons.
5. Blackwell initially sought consolidation of six fields under the Hainesville (Cons.) Field. Evidence presented at the hearing resulted in three fields being proposed for consolidation due to lateral communication to maximize efficiency of hydrocarbon recovery.
6. Notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of the hearing and no protests were received.

7. Blackwell requested to adopt the following Field rules for the proposed consolidated field. As a result of evidence in the hearing held on April 2, 2019, the proposed Hainesville (Cons.) Field was proposed with the following Field rules requested by Blackwell:
 - a. The correlative interval from 9,138 feet to 11,609 feet. The designated interval for the Hainesville (Cons.) Field is the entire correlative stratigraphic interval from the top of the Travis Peak formation, which is also the base of the Pettet formation, to the top of the Buckner formation, which is the base of the Cotton Valley formation. This interval is mostly represented by the correlative interval on the Platform Express log from 9,138 feet to 11,609 feet in the Energy Production Corp. Thurman Williams No. 3 (API No. 4249931983). This entire correlative stratigraphic interval is designated as a single reservoir for proration purposes.
 - b. Lease line spacing to be 467 feet and no between well spacing for wells on the same lease;
 - c. 40-acre drilling unit and proration unit for the Field;
 - d. 20-acre tolerance acreage;
 - e. Gas Allocation formula of 95% Deliverability and 5% per well;
 - f. Allocation formula suspended for gas wells;
 - g. Oil well top allowable of 212 barrels (1965 Yardstick for 10,500 feet)
 - h. Oil Allocation formula of 95% across and 5% per well.
8. The requested rule changes will be protective of correlative rights, increase recovery of resources and prevent waste.
9. At the hearing, Blackwell agreed on the record that the Final Order in this case is to be final and effective when the Master Order relating to the Final 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 requested amendment to the Field Rules will prevent waste.
4. Pursuant to § 2001.144 (a)(4)(A) of the Texas Government Code and the agreement of the applicant, this Final Order is final and effective when a Master Order relating to the Final Order is presented at Commission conference and signed by the Commissioners.

EXAMINER'S RECOMMENDATION

Based on the above findings of facts and conclusions of law, the Examiners recommend the Commission enter an order regarding the Application of Blackwell Exploration & Development, LLC adopting the Field rules for the Hainesville (Cons.) Field as set out in the proposed Final Order.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "R Musick".

Robert Musick
Technical Hearings Examiner

A handwritten signature in blue ink, appearing to read "Kristi M. Reeve".

Kristi M. Reeve
Administrative Law Judge

Attachment A – Proposed Hainesville (Cons.) Field

Field Criteria	Proposed Consolidation Docket	Hainesville (Travis Peak) Field	Hainesville (North CV-Mercury) Field	Hainesville (Cotton Valley, U) Field
Discovered	NA	12/03/2012	03/25/1993	05/12/1993
Depth	12,000 feet	9,130 feet	9,818 feet	9,621 feet
Reservoir Type	Oil and Gas	Primarily Gas	Primarily Gas	Primarily Oil
Correlative Interval		9,130 feet to 9,576 feet	None	None
Drilling Unit	40 Acres	40 Acres	80 Acres	40 Acres
Tolerance Acres	20 Acres	20 Acres	8 Acres	20 Acres
Lease Line Boundary	467 feet	467 Feet	467 Feet	467 Feet
Between Well Spacing	0 between well spacing	1,200 Feet	1,200 Feet	1,200 Feet
Diagonal	Not Applicable	0 Feet	3,250 Feet	0 Feet
Oil Allocation	95% Acres and 5% Well	Not Identified	Not Identified	100% Land
Gas Allocation	95% Gas with 5% Well	Statewide Rule	Statewide Rule	NA
Oil Top Allowable	212 barrels by 1947 Yard Stick	1,333	Not Identified	172 bbl..
Well in Field Top/Bottom		9,220 feet to 9,532 feet	Not Identified	9,544 feet to 10678 feet
Field No.	38040120	38040600	38056100	38040125

Note: NA is Not Applicable