OIL AND GAS DOCKET NO. 08-0325026

APPLICATION OF ELEVATION RESOURCES LLC FOR FIELD TRANSFER OF CERTAIN WELLS FROM THE EMMA (MISSISSIPPIAN) FIELD, ANDREWS COUNTY, TEXAS TO THE EMMA (BARNETT SHALE) FIELD, ANDREWS COUNTY, TEXAS

HEARD BY: Austin Gaskamp – Technical Examiner
Charles Zhang – Administrative Law Judge

PROCEDURAL HISTORY:
Application Filed: January 13, 2020
Notice of Hearing: April 6, 2020
Hearing: April 23, 2020
Conference Date: September 1, 2020

APPEARANCES:
APPLICANT: Frank Muser, P.E.
REPRESENTING: Elevation Resources LLC

EXAMINERS’ REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Elevation Resources LLC (247756) (“Elevation” or “Applicant”) requests field transfer of certain wells in the Emma (Mississippian) Field, Andrews County, Texas to the Emma (Barnett Shale) Field, Andrews County, Texas (collectively, “Subject Fields”). Elevation also requested transfer of a number of wells operated by Zarvona Energy (“Zarvona”) into the Emma (Barnett Shale) Field (the “Field”), but the Zarvona wells were subsequently withdrawn by Applicant. Elevation is targeting the Emma (Barnett Shale) Field with horizontal development.

Notice of the application was sent to the P-5 address for operators in the field and the application is unprotested. The Examiners recommend approval of the application for the requested field transfer.
DISCUSSION OF THE EVIDENCE

On May 6, 2019, the Railroad Commission of Texas ("Commission") issued final orders (Oil and Gas Docket No. 08-0318613 and 08-0322585) relating to the Subject Fields. Elevation was the applicant in these dockets. Elevation requested separation of the Emma (Mississippian) Field into two fields: the existing Emma (Mississippian) and the newly designated Emma (Barnett Shale) Field. Additionally, Elevation requested transfer of certain wells into the Emma (Barnett Shale) Field and requested permanent gas well classification for certain wells applicable to the field rules of 3000:1 standard cubic feet per barrel ("scf/bbl"), or above, gas to oil ratio ("GOR") within 180 days of initial completion. Not all applicable wells were transferred at that time. Elevation comes now to request the transfer of the remainder of the applicable wells into the Emma (Barnett Shale) Field. The Field Rules for the Emma (Barnett Shale) Field are as follows:

1. Designating the correlative interval from 10,430' to 10,920'.

2. No oil or gas well shall be drilled nearer than 330' to any property line, lease line, or subdivision line. No horizontal well will be drilled with first and last take point nearer than 100' to any property line or subdivision line.

3. There will be no minimum between well spacing requirement.

4. There will be no maximum diagonal for this field.

5. The standard proration unit for an oil or gas well is 40 acres, with tolerance of 10% (4-acre) for gas wells and 50% (20-acre) for oil wells.

6. The allocation formula for gas wells shall be 95% deliverability and 5% per well. The allocation formula for oil wells shall be 1947 Yardstick.

7. There is no requirement for an operator to file proration plats for this field.

Elevation requested separation of the Emma (Mississippian) Field into two fields because of a difference in lithology, and the need for field rules that would accommodate unconventional development in the stratigraphically upper part of the Emma (Mississippian) Field. The Emma (Barnett Shale) Field is a shale that transitions to a limestone interbedded with shale. The Emma (Mississippian) Field is a clean limestone above the Woodford Shale with limited porosity and production.

Applicant provided the type log for the Emma (Barnett Shale) Field, confirming the correlative interval of 10,430 to 10,920 ft. Both fields are mainly being developed with horizontal wells. Applicant provided cross-sections and log correlations of the field between the UL G 1-28 Unit 2H well and the type log for the Emma (Barnett Shale) Field from the University 30 Cobra 3033 well. Applicant used these correlations to demonstrate
that the subject wells are landed in the interval correlating to the Emma (Barnett Shale) Field.

During the period of applying for field separation, for which the final orders were issued, wells were still being planned and permitted for the Emma (Mississippian) Field. These wells should have been permitted in the Emma (Barnett Shale) Field but the final orders had not yet been issued and field rules consistent with horizontal development had not yet been established. Elevation has begun permitting new wells in the Emma (Barnett Shale) and the subject wells are left as “clean up” due to a lag in final orders.

The wells Elevation is requesting transferred to the Emma (Barnett Shale) Field are listed in Attachment A.

The administrative law judge and technical examiner (collectively, “Examiners”) recommend the transfer of these wells to the Emma (Barnett Shale) Field be approved.

Elevation agreed that, pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), the Final Order in this case shall be effective on the date a Master Order relating to the Final Order is signed.

**FINDINGS OF FACT**

1. Elevation Resources LLC (247756) (“Elevation”) seeks transfer of various wells from the Emma (Mississippian) Field to the Emma (Barnett Shale) Field (collectively “Subject Fields”) in Andrews County, Texas, District 08.

2. Elevation sent a letter dated December 12, 2019, requesting a hearing to transfer certain wells from the Emma (Mississippian) Field to the Emma (Barnett Shale) Field.

3. Notice of Hearing for the application was issued by the Commission on April 6, 2020 and sent to all operators of record in the Subject Fields at least 10 days prior to the hearing held for the application.

4. The application is unprotested.

5. A hearing was held, via Zoom Software, on April 23, 2020.

6. Elevation was the applicant in Oil and Gas Docket Nos. 08-0318613 and 08-0322585, which formed the Emma (Barnett Shale) Field.

7. The Emma (Barnett Shale) Field is being developed by Elevation using horizontal completions.

8. The Emma (Mississippian) and Emma (Barnett Shale) have differing geology, requiring different development strategies, field separation, and well transfers.
9. Elevation is now transferring various wells permitted in the Emma (Mississippian) Field during the time the Commission considered granting field separation in the original field separation docket.

10. The transfer of certain wells to the Emma (Barnett Shale) Field will allow Elevation to horizontally develop the field and will be protective of correlative rights, increase recovery of resources and prevent waste.

11. Elevation agreed, that, pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), the Final Order in this case shall be effective on the date a Master Order relating to the Final Order is signed.

CONCLUSIONS OF LAW


3. Approval of Elevation’s application is necessary to 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 consent of Elevation, the Final Order in this case is effective when a Master Order relating to the Final Order is signed.

EXAMINERS’ RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission approve the transfer of certain wells, as proposed by Elevation Resources, LLC.

Respectfully submitted,

[Signatures]

Austin Gaskamp
Technical Examiner

Charles Zhang
Administrative Law Judge
Attachment A – Wells to be Transferred to the Emma (Barnett Shale) Field

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