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DANA AVANT LEWIS, *DIRECTOR*

RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 8A-0325698

APPLICATION OF WALSH PETROLEUM, INC. (894720) TO CONSOLIDATE THE BRAHANEY, EAST (SAN ANDRES) AND WBD (SAN ANDRES) FIELDS INTO THE PLATANG (SAN ANDRES) FIELD, YOAKUM COUNTY, TEXAS; DISTRICT 8A

HEARD BY: Petar Buva – Technical Examiner
Kristi M. Reeve – Legal Examiner

DATE OF HEARING: May 22, 2020
CONFERENCE DATE: September 1, 2020

APPEARANCES:

REPRESENTING:

APPLICANT:

Barry Hagemann – Consultant Walsh Petroleum, Inc.
Nguyen B. Ngoc - Consulting Engineer

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Walsh Petroleum, Inc. (894720) ("Walsh" or "Applicant") seeks to consolidate the Brahaney, East (San Andres) and the WBD (San Andres) Fields into the Platang (San Andres) Field in Yoakum County, Texas. The consolidation of the three fields is requested to address the geographic overlap of the three fields resulting in possible double assignment of acreage for wells in their respective Field. Notice was given to operators in all three affected fields. The application is unopposed, and the Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of the field consolidation as requested by Walsh.

DISCUSSION OF THE EVIDENCE

Walsh requested a hearing on February 12, 2020, to consolidate two fields, the Brahaney, East (San Andres) Field and the WBD (San Andres) Fields into the Platang

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(San Andres) Field located in Yoakum County, Texas. On March 18, 2020, the Hearings Division of the Commission sent a Notice of Hearing ("Notice") to the Applicant and operators in both Fields. On May 5, 2020, an amended hearing request was submitted to add the WBD (San Andres) Field. The amended application affected 1 party, Osborn Heirs Company (627140) which submitted a waiver to the RRC on May 15, 2020 waiving any objection. The amended Notice scheduled a hearing for May 22, 2020, to consolidate the Brahaney, East (San Andres) and WBD (San Andres) Fields into the Platang (San Andres) Field in Yoakum County, Texas. The Notice contains (1) a statement of the time, place, and nature of the hearing; (2) a statement of the legal authority and jurisdiction under which the hearing is to be held; (3) a reference to the particular sections of the statutes and rules involved; and (4) a short and plain statement of the matters asserted. The application is unopposed.

The Brahaney, East (San Andres) Field, WBD (San Andres) Field, and Platang (San Andres) Field, are currently governed by field rules summarized below:

Brahaney, East (San Andres) Field Rules

- Rule 1 – No designated interval is defined.
- Rule 2 - 467 feet lease line spacing; 1200 feet between well spacing.
- Rule 3 - 40-acre standard unit size, no optional acreage.
- Rule 4 - 102 bbl of oil per day allowable; 100% acreage yardstick allowable.

WBD (San Andres) Field Rules

- Rule 1 – No designated interval is defined.
- Rule 2 - 467 feet lease line spacing; 1200 feet between well spacing.
- Rule 3 - 40-acre standard unit size, no optional acreage.
- Rule 4 - 102 bbl of oil per day allowable; 100% acreage yardstick allowable.

Platang (San Andres) Field Rules

- Rule 1 - Designated interval is from 4,533 feet to 5,981.
- Rule 2 - 330 feet lease line spacing; 0 feet between well spacing.
- Rule 3 - 40-acre standard unit size; 80-acre optional and 20-acre tolerance acreage.
- Rule 4 - 102 Barrels of Oil Per Day Allowable; 95% Acreage/5% Yardstick Allowable.
- Rule 5 - Provisions for stacked lateral wells.
- Rule 6 - Flowing oil wells through casing (also Rule 13(b)(4)(A)).
- Rule 7 - Backdating of Allowables (also Rule 51(a)).

The Platang (San Andres) Field was discovered on May 15, 1955, and is classified as an oil field. Since its discovery, the Platang (San Andres) Field has experienced periods of inactivity. From 1967 through 1980, and 1983 through 2005, no hydrocarbons

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were produced from the Field. The current Platang rules were adopted May 20, 2020 in Oil & Gas Final Order No. 19-00002099. Walsh does not request any changes to the current field rules for the Platang (San Andres) Field.

According to the evidence presented at the hearing, the three subject fields have merged and are currently commingled in the western and central side of Yoakum County, Texas. The Brahaney, East (San Andres) and WBD (San Andres) fields have been encompassed by horizontal wells being drilled in the Platang (San Andres) Field. The current development of the San Andres formation is through horizontal wells. In recent years, horizontal wells have been completed in all three fields, causing the fields to merge.

The San Andres formation is part of the Central Basin Platform in Yoakum County, Texas, and is a dolomitized carbonate formation that is laterally continuous throughout the field with a consistent thickness. Evidence in the hearing established that horizontal wells in the field typically target a residual oil zone ("ROZ") within the San Andres formation created by the natural water movement in the San Andres over geologic time. Evidence in the hearing indicated the ROZ is designated from about 5,140 feet depth to the base of the San Andres formation at about 5,981 feet depth, depending on the location. It is noted that historic vertical wells in the three fields may be in shallower portions of the San Andres formation, but horizontal wells typically target the ROZ in the hydrocarbon reservoir.

The field is stratigraphically defined as the entire San Andres formation, with the top of the San Andres formation overlain by the Grayburg formation and the base defined as the lithologic contact between the San Andres formation and the Glorietta formation.

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

FINDINGS OF FACT

1. Walsh Petroleum Inc. requested a hearing on February 12, 2020, to consolidate the Brahaney, East (San Andres) and the Platang (San Andres) Field in Yoakum County, Texas. Walsh submitted an amended application on May 5, 2020 to add the WBD (San Andres) Field.
2. On March 18, 2020, the Hearings Division of the Commission sent a Notice of Hearing to the Applicant and operators in the Brahaney, East (San Andres) and Platang (San Andres) Fields. The Notice identified a hearing scheduled for April 20, 2020 to consolidate the two Fields located in Yoakum County, Texas. The Notice contains (1) a statement of the time, place, and nature of the hearing; (2) a statement of the legal authority and jurisdiction under which the hearing is to be held; (3) a reference to the particular sections of the statutes and rules involved; and (4) a short and plain statement of the matters asserted. Amended notice was sent adding the WBD Field and changing the hearing date to May

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22, 2020, this notice also included all operators in the WBD (San Andres) Field. No protest was received from either of the Notices.

3. No permanent field rules have been adopted for the Brahaney, East (San Andres) Field. The field operates under Statewide Rule spacing and density, with the designated interval of the entire San Andres formation, 467 feet lease line spacing, 1,200 feet well spacing, 40-acre standard unit size, no optional acres, and 102 bbl of oil allowable with 100% acreage yardstick allowable.
4. No permanent field rules have been adopted for the WBD (San Andres) Field. The field operates under Statewide Rule spacing and density, with the designated interval of the entire San Andres formation, 467 feet lease line spacing, 1,200 feet well spacing, 40-acre standard unit size, with no optional acres, and 102 bbl of oil allowable with 100% acreage yardstick allowable.
5. The Platang (San Andres) Field was discovered on May 15, 1955 and is classified as an oil field. The current Platang rules were adopted in Oil & Gas Final Order No. 19-00002099 on May 20, 2020. The rules include a designated interval is from 4,533 feet to 5,981, 330 feet lease line spacing with 100 feet/300 feet horizontal well spacing, 40-acre standard unit size with 80-acre optional and 20-acre tolerance acreage, 102 bbl of oil allowable, 95% acreage/5% yardstick allowable, flowing oil wells through casing, and backdating of allowables. Walsh did not request any changes to the current field rules for the Platang (San Andres) Field.
6. Adoption of the requested field consolidation will promote future development of oil and gas formations and will prevent waste in the Platang (San Andres) Field.
7. Walsh Petroleum Inc. agreed in writing or on the record that, pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), this Final Order can be final and effective on the date a Master Order relating to this Final Order is signed.

CONCLUSIONS OF LAW

1. Proper notice was issued as required by all applicable statutes and regulatory codes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.

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3. Consolidating the Brahaney, East (San Andres) Field and the WBD (San Andres) Fields into the Platang (San Andres) Field and adopting field rules for the Platang (San Andres) Field will prevent waste.
4. Pursuant to §2001.144(a)(4)(A) of the Texas Government Code and by agreement of the parties in writing or on the record, the Final Order can be final and effective when a Master Order relating to this Final Order is signed.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission approve consolidation of the Brahaney, East (San Andres) and the WBD (San Andres) Fields into the Platang (San Andres) Field, Yoakum County, Texas, as requested by Walsh Petroleum Inc.

Respectfully submitted,

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Petar Buva
Technical Examiner

DocuSigned by:

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Kristi M. Reeve
Administrative Law Judge