

THE APPLICATION OF BLACKWELL BMC, LLC TO ESTABLISH THE BIG MINERAL CREEK (UV SAND UNIT) FIELD AND TO ADOPT FIELD RULES FOR THE NEW FIELD, GRAYSON COUNTY, TEXAS

Heard by: Donna Chandler, Technical Examiner

Hearing Date: August 13, 2010

Appearances:

Mimi Winetroub

Representing:

Blackwell BMC, LLC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Blackwell BMC, LLC requests that the Commission set up a new field called the Big Mineral Creek (UV Sand Unit) Field and that the Big Mineral Creek (UV Sand Unit) be transferred from the Big Mineral Creek (Consolidated) Field into the new field. Blackwell also proposes the following field rules for the new field:

1. Designation of the field as the correlative interval from 6,178 feet to 6,691 feet as shown on the log of the T. D. Green lease Well No. 11;
2. 150'-300' well spacing;
3. 40 acre density with optional 20 acre density;
4. Allocation based on 75% acreage and 25% per well.

This application was unopposed and the examiner recommends approval.

DISCUSSION OF THE EVIDENCE

In 1993, the Commission approved consolidation of the Big Mineral Creek (U Sand) Field and the Big Mineral Creek (V Sand) Field into the Big Mineral Creek (UV Sand) Field. At the same time, the Commission approved secondary recovery authority and unitization of the Big Mineral Creek (UV Sand) Unit. In 1997, the Commission consolidated 7 fields into the Big Mineral Creek (Consolidated) Field, including the Big Mineral Creek (UV Sand) Field.

In 2000, the Commission approved the consolidation of four existing units into a single Unit in the Big Mineral Creek (Consolidated) Field. One of the four units consolidated was the Big Mineral Creek (UV Sand) Unit. This consolidated Unit is called the Super Unit.

In 2007, Blackwell purchased properties in the field from Venoco, Inc. Venoco had been the applicant in the 1997 and 2000 hearings. After Blackwell's purchase of the properties, Blackwell determined that the UV Sand Unit royalty interests had not agreed to the field consolidation and the Big Mineral Creek (UV Sand) Field should have not been included in the 1997 field consolidation. Further, the UV Sand Unit should have never been included in the Super Unit. Blackwell has worked with Commission staff to sever the UV Sand Unit from the Super Unit in the Big Mineral Creek (Consolidated) Field. However, the wells on the UV Sand Unit must be placed in another field because the Super Unit acreage and the UV Sand Unit acreage are almost identical, resulting in double assignment of acreage. The UV Sand Unit cannot be returned to the Big Mineral Creek (UV Sand) Field because that field is inactive. Blackwell therefore requests that a new field be established for the UV Sand Unit and that all wells on the UV Sand Unit be transferred into the new field.

Blackwell requests that the Big Mineral Creek (UV Sand Unit) Field be designated as the correlative interval from 6,178 feet to 6,691 feet as shown on the log of the T. D. Green No. 11 well. This interval is exactly the interval which was unitized in 1993.

Additionally, Blackwell requests that field rules be adopted for the new field because development of the UV sands is ongoing. There are currently 20 wells on the Unit. In 1997, there was only one well in the UV Sand Field. Blackwell requests 150-300' well spacing, 40 acre/optional 20 acre density and allocation based on 75% acreage and 25% per well. These are the identical rules in effect for the Big Mineral Creek (Consolidated) Field.

One well, the No. 523, has been drilled and completed in the UV Sand. This well has not yet been built on the Commission's proration schedule, but the well had been permitted on the Super Unit. This well should be properly placed in the new field along with the wells currently on the proration schedule for the UV Sand Unit.

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 hearing.
2. In 1993, the Commission approved consolidation of the Big Mineral Creek (U Sand) Field and the Big Mineral Creek (V Sand) Field into the Big Mineral Creek (UV Sand) Field. At the same time, the Commission approved secondary recovery authority and unitization of the Big Mineral Creek (UV Sand) Unit.
3. In 1997, the Commission consolidated 7 fields into the Big Mineral Creek (Consolidated) Field, including the Big Mineral Creek (UV Sand) Field.

4. In 2000, the Commission approved the consolidation of four existing units into a single Unit in the Big Mineral Creek (Consolidated) Field, including the Big Mineral Creek (UV Sand) Unit. This consolidated Unit is called the Super Unit.
5. In 2007, Blackwell purchased properties in the field and determined that the UV Sand Unit royalty interests had not agreed to the field consolidation and the Big Mineral Creek (UV Sand) Field should have not been included in the 1997 field consolidation.
6. The UV Sand Unit should have not been included in the Super Unit and has now been separated from the Super Unit on Commission records.
7. Creation of the Big Minera Creek (UV Sand Unit) Field is necessary to correctly reflect the proper field designation for the UV Sand Unit.
 - a. The UV Sand Unit cannot be returned to the Big Mineral Creek (UV Sand) Field because that field is inactive.
 - b. The Big Mineral Creek (UV Sand Unit) Field be designated as the correlative interval from 6,178 feet to 6,691 feet as shown on the log of the T. D. Green No. 11 well. This interval is exactly the interval which was unitized in 1993.
8. Rules providing for 150-300' well spacing, 40 acre/optional 20 acre density and allocation based on 75% acreage and 25% per well is appropriate for the Big Mineral Creek (UV Sand Unit) Field.
 - a. Development of the UV sands is ongoing.
 - b. These are the identical rules in effect for the Big Mineral Creek (Consolidated) Field.
9. The UV Sand Unit Well No. 523 should be properly classified in the Big Mineral Creek (UV Sand Unit) along with all other wells currently on the proration schedule for the UV Sand Unit in the Big Mineral Creek (Consolidated) Field.

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.
3. Creation of the Big Mineral Creek (UV Sand Unit) Field and transfer of wells into the new field is necessary to prevent waste and protect correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that a new field be established called the Big Mineral Creek (UV Sand Unit) Field and that all wells on the UV Sand Unit in the Big Mineral Creek (Consolidated) Field be transferred to the new field. It is further recommended that field rules be adopted for the new field as proposed by Blackwell.

Respectfully submitted,

Donna K. Chandler
Technical Examiner