



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 03-0287400

THE APPLICATION OF BBX OPERATING, LLC TO AMEND FIELD RULES FOR THE
MAGNOLIA SPRINGS (AUSTIN CHALK) FIELD JASPER COUNTY, TEXAS

HEARD BY: Karl Caldwell - Technical Examiner
Laura Miles-Valdez - Legal Examiner

HEARING DATE: March 19, 2014

APPEARANCES: REPRESENTING:

APPLICANT:

Andres Trevino

BBX Operating, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Temporary Field Rules for the Magnolia Springs (Austin Chalk) Field, Jasper County, Texas were adopted in Final Order No. 03-0256485, effective July 15, 2008, and amended in Final Order No. 03-0269786, effective June 27, 2011 and are summarized as follows:

1. The correlative interval from 13,685 feet to 14,108 feet measured depth as shown on the log of the Anadarko E&P Company LP, Black Stone Isaacs A-316 Lease Well No. 1 (API No. 42-241-30728), Jasper County, Texas, be designated as the Magnolia Springs (Austin Chalk) Field.
2. 467'-1,200' well spacing for vertical wells; horizontal rules which provide for 100 feet from lease line for penetration point and terminus and 1,200'-1,200' well spacing; an exception to Statewide Rule 11 when drilling the last 1,000 feet of a horizontal well; directional survey shot points shall not be more than 500 feet apart for that portion of the horizontal well within 1,000 feet of the permitted total depth of any lateral;
3. 320 acre density, with special provisions for assignment of additional acreage

to horizontal wells;

4. An allocation formula based on 100% acreage.

BBX Operating, LLC ("BBX") requests to amend the current field rules for the Magnolia Springs (Austin Chalk) Field Jasper County, Texas by adopting a rule granting an exemption for gas wells completed in the field from Statewide Rule 3.28 (c) that requires a 24-hour shut-in wellhead pressure measurement filed on Form G-10. BBX also requests permanent gas well classification for all wells completed in the Magnolia Springs (Austin Chalk) Field.

The application is unopposed and the examiners recommend that the Field Rules be amended for the Magnolia Springs (Austin Chalk) Field, Jasper County, Texas as requested by BBX.

DISCUSSION OF THE EVIDENCE

The Magnolia Springs (Austin Chalk) Field was discovered by completion of the Anadarko E&P Company LP, Black Stone Isaacs A-316 Lease Well No. 1 on January 25, 2007. The well potential was 20,020 MCF/GPD, 185 BCPD and 2,802 BWPD. Prior to the new field designation of the Magnolia Springs (Austin Chalk) Field, the discovery well was placed in the Brookeland (Austin Chalk 8800) Field. In Oil & Gas Docket No. 03-0256485 a well log, production and gas analysis data differentiated the proposed Magnolia Springs (Austin Chalk) Field from the Brookeland (Austin Chalk, 8800) Field. The Brookeland (Austin Chalk, 8800) Field contains both oil and gas wells. The oil wells are located in northern Jasper and Newton Counties, as well as San Augustine and Sabine Counties.

There is evidence of a fault that runs in an east-west direction across Tyler, Jasper, and Newton Counties. Wells drilled south of the fault are gas wells, and the Austin Chalk formation occurs at a depth approximately 5,000 feet deeper south of the fault as compared to north of the fault. Wells completed in the Brookeland (Austin Chalk 8800) Field, Tyler County only, have been permanently classified as gas wells in Final Order No. 06-0243382, effective February 7, 2006. Similarly, wells completed in the Double A, N (Austin Chalk) Field have been permanently classified as gas wells in Final Order No. 03-0253429, effective April 24, 2008. The Magnolia Springs (Austin Chalk) Field is on strike and wells produce from the same Austin Chalk formation as the Double A, N (Austin Chalk) Field in Polk County, and the Brookeland (Austin Chalk 8800) Field in Tyler County.

The high liquid content of the produced hydrocarbons requires operators in the Magnolia Springs (Austin Chalk) Field to perform a G-5 test on nearly all wells. Approximately 30% of the wells fail the G-5 criteria necessary to demonstrate the wells are gas wells. A failed G-5 test requires an operator to perform a heptanes (C7+) plus moles percent test to determine if the well qualifies as a gas well. All wells to-date in the subject field have either passed the G-5 test, or the heptanes plus test to qualify as a gas well.

The Magnolia Springs (Austin Chalk) Field has been fairly extensively drilled and all wells have been classified as gas wells.

BBX additionally requests that wells completed in the Magnolia Springs (Austin Chalk) Field be exempt from Rule 3.28 (c) that requires wells to be shut-in for 24 hours to obtain a shut-in wellhead pressure for purposes of filing Form G-10. The wells in the subject field produce various amounts of water and condensate. Shutting a well in for the purposes of obtaining a shut-in wellhead pressure may cause economic damage to the well, jeopardizing future production, with the potential to cause waste. Shutting in the well to perform the test often causes problems when trying to get the well back on-line for production. The fluids load up in the well, and re-starting production may require swabbing units to bring the wells back into production. A similar rule has been adopted in other lower pressured gas fields that produce high volumes of liquids. For example, a Field Rule was adopted for the Trawick, N. (Pettit 7750) Field in Final Order No. 06-0281976.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. Field Rules for the Magnolia Springs (Austin Chalk) Field, Jasper County, Texas were adopted in Final Order No. 03-0256485, effective July 15, 2008, and amended in Final Order No. 03-0269786, effective June 27, 2011
3. The correlative interval from 13,685 feet to 14,108 feet measured depth as shown on the log of the Anadarko E&P Company LP, Black Stone Isaacs A-316 Lease Well No. 1 (API No. 42-241-30728), Jasper County, Texas, is designated as the Magnolia Springs (Austin Chalk) Field.
4. The Magnolia Springs (Austin Chalk) Field is on strike and wells produce from the same Austin Chalk formation as the Double A, N (Austin Chalk) Field in Polk County, and the Brookeland (Austin Chalk 8800) Field in Tyler County.
5. Wells completed in the Brookeland (Austin Chalk 8800) Field, Tyler County only, have been permanently classified as gas wells in Final Order No. 06-0243382, effective February 7, 2006.
6. Wells completed in the Double A, N (Austin Chalk) Field have been permanently classified as gas wells in Final Order. No. 03-0253429, effective April 24, 2008.
7. The high liquid content of the produced hydrocarbons requires operators in the Magnolia Springs (Austin Chalk) Field to perform a G-5 test on nearly all

wells.

8. All wells to-date in the subject field have either passed the G-5 test, or the heptanes plus test to qualify as a gas well.
9. The wells in the subject field produce various amounts of water and condensate.
10. Shutting a well in for the purposes of obtaining a shut-in wellhead pressure may reduce future production, with the potential to cause waste.

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. Amending the Field Rules for the Magnolia Springs (Austin Chalk) Field will prevent waste, will not harm correlative rights and will promote development of the field.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission amend the Magnolia Springs (Austin Chalk) Field Rules as requested by BBX Operating, LLC.

Respectfully submitted,


Karl Caldwell
Technical Examiner


Laura Miles-Valdez
Legal Examiner