

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0297506

THE APPLICATION OF BLACKBRUSH OIL & GAS, LLC FOR CANCELLATION OF OVERPRODUCTION FOR THE HEISER LEASE, LEASE ID NUMBER, 16963 AND LEASE NUMBER 17926, WELL NO. 1H, PEARSALL (BUDA LIME) AND PEARSALL (BUDA, S) FIELDS, FRIO COUNTY, TEXAS

HEARD BY: Richard Eyster, P. G. - Technical Examiner
Ryan Larson - Administrative Law Judge

DATE OF HEARING: September 23, 2015

CONFERENCE DATE: February 3, 2016

APPEARANCES: REPRESENTING:

APPLICANT: BlackBrush Oil & Gas, LLC

Clard Jobe
Robert Dreyling

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

This is the application of BlackBrush Oil & Gas, LLC (BlackBrush) to cancel the overproduction of its Heiser Lease (Lease No. 16963) and (Lease no. 17926) Well No. 1H, in the Pearsall (Buda Lime) and Pearsall (Buda, S) Fields, Frio County, Texas. The Applicant contends the well has not exceeded the production limits established by the Commission, but is in a technically overproduced status due to the sequence in which the completion reports for the well were processed. The application is unopposed. The Examiners recommends approval of Blackbrush's request to cancel the overproduction.

DISCUSSION OF EVIDENCE

The Heiser No. 1H was originally drilled as a horizontal well into the Austin Chalk formation, under Permit No. 712015, issued in March 2011. The Austin Chalk was not productive in this wellbore. The Austin Chalk was subsequently plugged off and a second lateral was drilled into the Buda formation, under the authority of Permit No. 723361,

issued in September 2011.

A Form W-2 completion report with an initial potential test was filed in October 2011 showing a completion in the Pearsall (Buda Lime) Field. Before that completion report was approved by the Commission, an amended completion report was filed which requested assignment to the Pearsall (Buda, S.) Field. The Commission staff approved the first completion report without considering the amended report. Subsequently, the staff moved the well to the Pearsall (Buda, S.) Field, following a demonstration that assignment to that field was reasonable. However, because of the sequence in which the reports were approved, the well remains technically overproduced in the Pearsall (Buda Lime) Field.

The cumulative production of the well during the time it was assigned to the Pearsall (Buda Lime) Field was only 32 percent of the top allowable for the field. Since assignment to the Pearsall (Buda, S.) Field, the cumulative production of the well is only 3 percent of the top allowable in that field. Accordingly, the well has not produced in excess of the Commission's established production limits for either field.

The Pearsall (Buda Lime) Field is an associated field that was discovered in October 1961, at a depth of 5,930 feet. This Field is on Statewide Rules for spacing and density. In 2008, the casinghead gas limit in the field was raised to 800 Mcfd in Oil and Gas Docket No. 01-0258759. Cumulative production in this field through August 2015 is 728,060 BO.

The Pearsall (Buda, S.) Field was discovered in August 1967 at a depth of 5,993 feet. The Pearsall (Buda, S.) Field rules provide for 467-foot lease line spacing, 660-foot between well spacing, 160-acre density with 80-acre optional density and 40-acre tolerance. The allocation formula is based on 100% acreage, and the top allowable is 353 BOPD. Cumulative production from the Pearsall (Buda, S.) Field through August 2015 is 2.4 MMBO. The Pearsall (Buda, S.) Field was defined in Oil & Gas Docket No. 01-0278062 as the subsurface depths of 6,996 to 7,130 feet as shown on the log of the Dan A. Hughes Company - Heitz 304 Lease, Well No. 1H (API No. 42-507-32828) in Zavala County, Texas.

The Heiser 1H well is currently listed on the Proration Schedule for the Pearsall (Buda, S.) Field. In that field, it is not currently in an overproduced status. As the well is closer to other Pearsall (Buda, S.) wells than it is to Pearsall (Buda Lime) wells, assignment to the Pearsall (Buda, S.) Field is reasonable. In addition, the special horizontal rules that have recently been adopted in this field will encourage additional horizontal development.

Cancellation of the technical overproduction from the Heiser 1H well will not cause waste or harm the correlative rights of the respective interest owners. On that basis, the Examiners recommend approval.

FINDINGS OF FACT

1. Notice of hearing was sent to all operators currently listed on the proration schedules for the Pearsall (Buda Lime) Field and the Pearsall (Buda, S.) Field. No protests were filed.
2. The Heiser 1H well was originally drilled into the Austin Chalk formation in Frio County in 2011, under the authority of Permit No. 712015.
3. A Form W-2 well record only completion was filed for this well on August 30, 2011, reporting a dry completion.
4. The Austin Chalk Formation was plugged off and a second lateral extended down into the Buda formation under the authority of Permit No. 723361.
5. A well test performed on October 15, 2011 showed the well to be productive in the Buda formation. A Form W-2 completion report was submitted on October 27, 2011 under Tracking No. 30321. The report requested assignment to the Pearsall (Buda Lime) Field.
6. Before the W-2 submitted under Tracking No. 30321 was approved by the Commission, an amended report was filed on August 13, 2013, requesting assignment to the Pearsall (Buda, S.) Field, instead. This report was assigned Tracking No. 82451.
7. On September 6, 2013, the Commission staff approved the W-2 completion report under Tracking No. 30321 and assigned the well to the Pearsall (Buda Lime) Field, without regard to the amended report that had been filed under Tracking No. 82451.
8. The Commission staff subsequently approved the W-2 completion report in Tracking No. 82451 and assigned the well to the Pearsall (Buda, S.) field
9. The change in field assignment has left the well with a residual overproduction status in the Pearsall (Buda Lime) Field. The amount of overproduction is 2,808 BO and 14,012 Mcf of gas.
10. The Heiser 1H well is currently carried on the proration schedule for the Pearsall (Buda, S.) Field. The schedule shows that the last W-10 well test submitted for the well indicated a production rate of 8.3 BOPD. The top allowable in this field is 353 BOPD. The cumulative production history for this well since it has been assigned to the Pearsall (Buda, S.) Field is 3 percent of the top allowable
11. During the time that the well was carried on the Pearsall (Buda Lime) proration schedule, the well produced at a rate that was only 32 percent of the top allowable in that field.

CONCLUSIONS OF LAW

1. Notice of this hearing was given as specified in the provisions of all regulatory codes.
2. All things have occurred or been accomplished to give the Commission jurisdiction in this matter.
3. Cancellation of the overproduction for the BlackBrush Oil & Gas, LLC Heiser Lease (Lease No.16963) and (Lease no. 17926) Well No. 1H, in the Pearsall (Buda Lime) and Pearsall (Buda, S) Fields, Frio County, Texas will not harm correlative rights and will prevent waste.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission cancel the overproduction for the BlackBrush Oil & Gas, LLC, Heiser Lease, (Lease No.16963) and (Lease no. 17926), Well No. 1H, in the Pearsall (Buda Lime) and Pearsall (Buda, S) Fields, Frio County, Texas, as requested by BlackBrush Oil & Gas, LLC.

Respectfully submitted,


Richard Eyster, P.G.
Technical Examiner


Ryan Larson
Administrative Law Judge