



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 10-0294694

THE APPLICATION OF 4P ENERGY TEXAS, LLC TO CONSOLIDATE THE FELDMAN (BASAL TONKAWA) FIELD INTO THE FELDMAN (TONKAWA) FIELD AND TO AMEND THE FIELD RULES FOR THE FELDMAN (TONKAWA) FIELD, HEMPHILL & LIPSCOMB COUNTIES, TEXAS

HEARD BY: Brian Fancher, P.G. – Technical Examiner
Cecile Hanna – Legal Examiner

HEARING DATE: February 2, 2015

RECORD CLOSED: February 2, 2015

SUBMISSION DATE: March 10, 2015

CONFERENCE DATE: March 24, 2015

APPEARANCES:

REPRESENTING:

APPLICANT:

James M. Clark, P.E.

4P Energy Texas, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

4P Energy Texas, LLC ("4P") seeks to consolidate the Feldman (Basal Tonkawa) ("Basal Field") Field into the Feldman (Tonkawa) Field ("Tonkawa Field"), and to amend the existing special field rules for the Tonkawa Field. 4P proposes the following field rule amendments:

1. A designated correlative interval that defines the Tonkawa Field from 7,654 feet to 7,795 feet, as shown on the log of the EOG Resources, Inc. – Lockhart 57 Lease, Well No. 3 (API No. 42-211-32498), Hemphill County, Texas;

The subject application is unopposed and the examiners recommend that it be approved, as requested by 4P.

DISCUSSION OF THE EVIDENCE

Mr. James Clark, a consulting professional engineer, testified on behalf of 4P in the captioned docket.

The Tonkawa Field was discovered (*i.e.*, designated as a Commission-regulated field) in October 1959, and is classified as an associated field. In other words, there are oil and gas wells completed in the Field. The Tonkawa Field's cumulative production through January 2015 is roughly 5.2 million barrels of oil and 24.6 billion cubic feet of natural gas.

The Basal Field was discovered in September 2001, and is also classified as an associated field.¹ The Basal Field's cumulative production through January 2015 is roughly 204,424 barrels of oil and 2.1 billion cubic feet of gas.

Mr. Clark stated that 4P has entered into a joint-venture operation with Enervest Operating, LLC ("Enervest") in the subject fields, where 4P drills and completes horizontal wells and Enervest subsequently assumes the wells in the function of operator. Mr. Clark testified that several horizontal wells have been established in the Tonkawa Field by 4P and later liberated by Enervest.

Several of the existing wells in the Tonkawa Field are down-hole commingling production with the Basal Field. Mr. Clark testified that both 4P and Enervest consider the subject fields to be a horizontal-well play. Although the Tonkawa Field has been an active field since 1959, it was developed only with roughly 100 vertical wells until about 2009. Mr. Clark testified that the Tonkawa Field was not defined by a designated correlative interval until 2009, which was presented through a separate oil and gas docket by Mr. Clarke on behalf of Chesapeake Operating.² At that time, however, Mr. Clark was unaware the the Basal Field existed. Nonetheless, Mr. Clark contends that the two subject fields' independent designated correlative intervals overlap one another by inclusion of the Basal Field.³ The special field rules for the subject fields define each in the following manner:

- The correlative interval from 7,606 feet to 7,652 feet, as shown on the log of the Mobil Producing TX & NM, Inc. – Olive T. Jones Lease, Well No. 3 (API No. 42-295-80377), Lipscomb County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Feldman (Tonkawa) Field.
- The entire correlative interval from 7,728 feet to 7,795 feet, as shown on the log of the Lockhart 57 Lease, Well No. 3 (API No. 42-211-32498), Hemphill County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Feldman (Basal Tonkawa) Field.

Mr. Clarke testified that the original plan to develop the Basal Field was for secondary recovery purposes; however, that plan has been abandoned. Instead, 4P and Enervest seek the subject field consolidation to develop the subject fields with horizontal well drilling.⁴ Furthermore, Mr. Clark alleged that the two fields produce from a common reservoir. Accordingly, 4P believes that the subject fields should be consolidated into the Tonkawa Field and defined as the following designated correlative interval:

¹ 4P Exh. No. 2 – Feldman (Basal Tonkawa) Field Proration Schedule.

² Testimony at 2:25 of audio recording.

³ Testimony at 2:41.

⁴ Testimony at 4:40.

- The entire correlative interval from 7,654 feet to 7,795 feet, as shown on the log of EOG Resources – Lockhart 57 Lease, Well No. 3 (API No. 42-211-32498), Hemphill County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Feldman (Basal Tonkawa) Field.

FINDINGS OF FACT

1. 4P Energy Texas, LLC (“4P”) seeks to consolidate the Feldman (Basal Tonkawa) (“Basal Field”) Field into the Feldman (Tonkawa) Field (“Tonkawa Field”), and to amend the existing special field rules for the Tonkawa Field.
2. The Tonkawa Field was discovered (*i.e.*, designated as a Commission-regulated field) in October 1959, and is classified as an associated field.
3. The Tonkawa Field’s cumulative production through January 2015 is roughly 5.2 million barrels of oil and 24.6 billion cubic feet of natural gas.
4. The Basal Field was discovered in September 2001, and is also classified as an associated field.
5. The Basal Field’s cumulative production through January 2015 is roughly 204,424 barrels of oil and 2.1 billion cubic feet of gas.
6. The Tonkawa Field and Basal Field produce from a common reservoir.
7. Consolidating the Basal Field into the Tonkawa Field is appropriate.
8. Amending the existing field rules for the Tonkawa Field, as proposed by 4P, is consistent with consolidating the Tonkawa and Basal Fields into one field.

CONCLUSIONS OF LAW

1. Resolution of the subject application is a matter committed to the jurisdiction of the Railroad Commission of Texas – Tex. Nat. Res. Code §81.051.
2. Legally sufficient notice has been provided to all affected persons.
3. Consolidating the Feldman (Tonkawa) Field into the Feldman (Basal Tonkawa) Field, and amending the special field rules for the Feldman (Tonkawa) Field, as proposed by 4P Energy Texas, LLC, will prevent waste and protect correlative rights.

EXAMINERS’ RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the proposed field consolidation of the Feldman (Basal Tonkawa) Field into the Feldman

(Tonkawa) Field be approved. Furthermore, the examiners recommend that the special field rules for the Feldman (Tonkawa) Field be amended, as proposed by 4P.

Respectfully submitted,



Brian Fancher, P.G.
Technical Examiner



Cecile Hanna
Legal Examiner