



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 04-0299807

THE APPLICATION OF LAREDO ENERGY OPERATING, LLC AMENDING AND ADOPTING PERMANENT FIELD RULES FOR THE HAWKVILLE (AUSTIN CHALK) FIELD, DIMMIT, AND WEBB COUNTIES, TEXAS

HEARD BY: Richard Eyster, P.G. – Technical Examiner
Jennifer Cook – Administrative Law Judge

HEARD DATE: March 24, 2016

CONFERENCE DATE: November 15, 2016

APPEARANCES:

REPRESENTING:

James M. Clark
Lori Walters

Laredo Energy Operating, LLC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

The Hawkville (Austin Chalk) Field currently operates under temporary field rules established on March 8, 2011 in Final Order No. 04-0269116. Laredo Energy, LLC. ("Laredo") requests that Field Rule No. 2 be amended to eliminate the 660 ft between well spacing and that the amended field rules be made permanent.

The application is not protested and the Technical Examiner and the Administrative Law Judge (collectively the "Examiners") recommend that Field Rule No. 2 be amended for the Hawkville (Austin Chalk) Field, and the temporary field rules be made permanent as proposed by Laredo.

DISCUSSION OF EVIDENCE

The Hawkville (Austin Chalk) Field was discovered in April 2010 at a depth of 10,230 feet. The field has low porosity (~4.5%) and ultra-low permeability (<.001md). Production is a very dry gas and the field will be developed with horizontal wells with multi-stage hydraulic fracturing.



Laredo requests that Field Rule No. 2 be amended to eliminate the 660 ft between well spacing and that the amended field rules be made permanent.

The current temporary rules are summarized as follows:

1. Designation of the field as the correlative interval from 10,230 feet to 10,795 feet as shown on the log of the Laredo Energy - Rosa Vela Benavides Lease, Well No. 2H (API No. 42-479-40561);
2. 330'-660' well spacing, 100' lease line spacing for the first and last take points, no between well spacing between vertical and horizontal wells, no between well spacing restriction on laterals that overlap by less than 500 feet and special provisions for "take points", a "box rule" and off-lease penetration point for horizontal drainhole wells;
3. 320 acre density, with special provisions for assignment of acreage to horizontal wells and a maximum acreage assigned to a well of 640 acres;
4. Allocation based on 10% acres and 90% deliverability with AOF status.

Laredo believes that in order to efficiently develop the Austin Chalk Formation, between well spacing restrictions should be eliminated. Laredo is requesting amending Rule No. 2 to replace the 330 ft.- 660 ft. lease line and between well spacing with 330 ft. lease line spacing with zero (0) ft. between well spacing and that the amended field rules be made permanent.

Adoption of the proposed field rule amendments will facilitate the orderly development of the field, reduce waste, and protect correlative rights. The Examiners recommend approval of the application as proposed by Laredo.

FINDINGS OF FACT

1. Notice of this hearing Laredo was given to all persons entitled to notice and no protests were received.
2. The Hawkville (Austin Chalk) Field was discovered in April 2010 at a depth of 10,230 feet.
3. The Hawkville (Austin Chalk) Field currently operates under temporary field rules established on March 8, 2011 in Final Order No. 04-0269116.
4. Laredo is requesting amending Rule No. 2 to replace the 330 '- 660 ft. lease line and between well spacing with 330' lease line spacing with zero (0) ft. between well spacing.

5. Laredo is requesting to make the amended field rules permanent.
6. Adoption of the proposed field rule amendments will facilitate the orderly development of the field, reduce waste, and protect correlative rights.

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. All notice requirements have been satisfied. 16 Tex. Admin. Code § 1.45.
3. The proposed field rules will prevent waste and promote the orderly development of the Hawkville (Austin Chalk) Field.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission amend the Field Rules for the Hawkville (Austin Chalk) Field, as requested by Laredo Energy, LLC.

Respectfully submitted,



Richard Eyster, P.G.
Technical Examiner



Jennifer Cook
Administrative Law Judge