

May 3, 2007

OIL AND GAS DOCKET NO. 10-0251157

APPLICATION OF MEWBOURNE OIL CO. TO CONSIDER AN EXCEPTION TO STATEWIDE RULE 10 FOR THE KELLN "94" LEASE WELL NO. 1, IN THE LIPSCOMB (ATOKA 9200), LIPSCOMB (ATOKA), LIPSCOMB (CLEVELAND) AND WILDCAT TONKAWA FIELDS, LIPSCOMB COUNTY, TEXAS

HEARD BY: Thomas H. Richter, P.E.

DATE OF HEARING: April 30, 2007

APPEARANCES:

James M. Clark

REPRESENTING:

Mewbourne Oil Co.

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unprotested application of Mewbourne Oil for Commission approval to downhole commingle its Kelln "94" Lease Well No.1 in the Lipscomb (Atoka 9200), Lipscomb (Atoka), Lipscomb (Cleveland) Fields and a Tonkawa Wildcat Field. A public hearing was required because there are different mineral interest ownerships because of a depth separation. The examiner recommends approval.

DISCUSSION OF THE EVIDENCE

The Lipscomb (Atoka 9200) Field was discovered in 1985 at 9,198' subsurface depth. The field rules provide for 660'/1320' minimum well spacing, 640/optional 320 acre density and the allocation formula is suspended. The Lipscomb (Atoka) Field was discovered in 1957 at 9,006' subsurface depth. The field rules provide for 1250'/2500' minimum well spacing, 640 acre density and the allocation formula is suspended. The Lipscomb (Cleveland) Field was discovered in 1959 at 7,966' subsurface depth. The field rules provide for 660'/1320' minimum well spacing, 320/optional 160 acre density and the allocation formula is suspended.

The Mewbourne Oil, Kelln "94" Lease Well No.1 was completed in the Lipscomb (Atoka 9200) Field through perforations from 10,133' to 10,140' in 1986. In September 1986 the well was re-completed in the Lipscomb (Atoka) Field and permitted for downhole commingling. The well last produced at 30 MCFD, 3 BOPD and 1 BWPD flowing. In October 1986 a CIBP was placed over the perforations and the well was re-completed in the Lipscomb (Cleveland) Field through perforations from 8,382' to 8,458'. The well last produced at 20 MCFD, 2 BOPD and 1 BWPD flowing. The well produced from the Cleveland until January 2007 when the Cleveland perforations were isolated by a CIBP and a Wildcat Tonkawa Sand was perforated from 7,286' to 7,294'. The well is producing at 10 MCFD, 2 BOPD and 7 BWPD flowing. The Atoka and Cleveland zones were classified as gas, but the Tonkawa is classified as oil.

Downhole commingling will provide for the recovery of reserves that would otherwise not be recovered. It is proposed that the CIBP's be removed. The estimated commingled production rate is 60 MCF, 7 BOPD and 9 BWPD. Commingling will optimize the recovery from each zone and save on operating costs. All zones will share in reaching an individual lower economic limit as one rather than a higher economic limit per zone. It is estimated that an additional 100 MMCF of gas will be recovered. The well is a Rule 37 exception location (Case No. 0247781), however, there are no offsetting wells. It is proposed the well be placed in the in the Lipscomb (Cleveland) Field if downhole commingling is approved.

A fair and reasonable allocation is necessary as there is a 100% royalty ownership difference between the Atoka/Cleveland zones and the Tonkawa zone. The working interest ownership is the same in all the subject fields. The proposed allocation is based on the gas rate of 50 MMCF for the Atoka/Cleveland and 10 MCFD for the Tonkawa for an 83% and 17% allocation respectively. The proposed allocation for liquid hydrocarbons is based on the rate of 5 BOPD for the Atoka/Cleveland and 2 BOPD for the Tonkawa for a 71% and 29% allocation respectively.

FINDINGS OF FACT

1. Notice of this hearing was sent to all person entitled to notice at least ten (10) days prior the subject hearing.
2. There was no protest at the call of the hearing.
3. The Lipscomb (Atoka 9200) Field was discovered in 1985 at 9,198' subsurface depth. The field rules provide for 660'/1320' minimum well spacing, 640/optional 320 acre density and the allocation formula is suspended.
4. The Lipscomb (Atoka) Field was discovered in 1957 at 9,006' subsurface depth. The field rules provide for 1250'/2500' minimum well spacing, 640 acre density and the allocation formula is suspended.
5. The Lipscomb (Cleveland) Field was discovered in 1959 at 7,966' subsurface depth. The field rules provide for 660'/1320' minimum well spacing, 320/optional 160 acre density and the allocation formula is suspended.
6. The Mewbourne Oil, Kelln "94" Lease Well No.1 was completed in the Lipscomb (Atoka 9200) Field through perforations from 10,133' to 10,140' in 1986.
 - a. The well was re-completed in the Lipscomb (Atoka) Field and permitted for downhole commingling. The well last produced at 30 MCFD, 3 BOPD and 1 BWPD flowing.

- b. In October 1986 a CIBP was placed over the perforations and the well was re-completed in the Lipscomb (Cleveland) Field through perforations from 8,382' to 8,458'. The well last produced at 20 MCFD, 2 BOPD and 1 BWPD flowing.
 - c. In January 2007 the Cleveland perforations were isolated by a CIBP and a Wildcat Tonkawa Sand was perforated from 7,286' to 7,294'. The well is producing at 10 MCFD, 2 BOPD and 7 BWPD flowing.
7. Downhole commingling will result in the recovery of 100 MMCF of incremental hydrocarbon reserves.
- a. Commingling will optimize the recovery from each zone and save on operating costs.
 - b. All zones will share in reaching an individual lower economic limit as one rather than a higher economic limit per zone.
8. A fair and reasonable allocation is necessary as there is a 100% royalty ownership difference between the Atoka/Cleveland zones and the Tonkawa zone.
- a. The working interest ownership is the same in all the subject fields.
 - b. The proposed allocation is based on the gas rate of 50 MMCF for the Atoka/Cleveland and 10 MCFD for the Tonkawa for an 83% and 17% allocation respectively.
 - c. The proposed allocation for liquid hydrocarbons is based on the rate of 5 BOPD for the Atoka/Cleveland and 2 BOPD for the Tonkawa for a 71% and 29% allocation respectively.
9. The subject well should be placed and prorated in the Lipscomb (Cleveland) Field.

CONCLUSIONS OF LAW

- 1. Notice of this hearing and application was provided in accordance with all applicable and regulatory statutes and rules.
- 2. All things have occurred or have been accomplished to afford the Commission jurisdiction to decide this matter.
- 3. Consideration of approval of this application for exception to Statewide Rule 10 is a matter properly within the statutory jurisdiction of the Commission to foster conservation and prevent waste.

4. Approval of Mewbourne Oil to downhole commingle its Kelln "94" Lease Well No.1 in the Lipscomb (Atoka 9200), Lipscomb (Atoka), Lipscomb (Cleveland) Fields and a Tonkawa Wildcat Field will prevent waste, foster conservation, and protect correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval for downhole commingling of the Mewbourne Oil, Kelln "94" Lease Well No.1 in the Lipscomb (Atoka 9200), Lipscomb (Atoka), Lipscomb (Cleveland) Fields and a Tonkawa Wildcat Field.

Respectfully submitted,

Thomas H. Richter, P.E.
Technical Examiner
Office of General Counsel