

OIL AND GAS DOCKET NO. 10-0248788

THE APPLICATION OF HOLMES EXPLORATION, LLC TO AMEND THE FIELD RULES FOR THE LIPSCOMB, S.E. (CLEVELAND) FIELD, LIPSCOMB COUNTY, TEXAS

OIL AND GAS DOCKET NO. 10-0248352

COMMISSION CALLED HEARING REGARDING THE ASSIGNMENT OF ASSOCIATED 49(B) GAS WELL ALLOWABLES, LIPSCOMB, S.E. (CLEVELAND) FIELD, LIPSCOMB COUNTY, TEXAS

Heard by: Donna K. Chandler on October 26, 2006

Appearances:

Clark Jobe
Daniel Hawe

Representing:

Holmes Exploration, LLC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field rules for the Lipscomb, S.E. (Cleveland) Field were adopted in Final Order No. 10-82,048, effective May 21, 1984, as amended. The rules are summarized as follows:

1. 660'-1,320' well spacing;
2. 80 acre oil units with 40 acre tolerance and maximum diagonal of 3,250 feet;
3. 100% acreage allocation.

The first gas well was recently completed in the field and the Commission proposed assignment of gas well allowables based on Rule 49(b). Holmes requests that the gas field be designated as associated-prorated and that the existing rules for the field be amended as follows:

1. Designation of the field as the correlative interval from 8,100 feet to 8,139 feet as shown on the log of the R. B. Tyson "B" No. 1

2. 330' - 933' well spacing for vertical and horizontal wells;
3. 160 acre oil and gas units with a maximum diagonal of 4,500 feet; optional 40 acre units with a maximum diagonal of 2,100 feet; additional acreage assignments for horizontal wells;
4. 100% acreage allocation.

This application was unopposed and the examiner recommends that the field rules for the Lipscomb, S.E. (Cleveland) Field be adopted as proposed by Holmes Exploration, LLC and that the gas field be classified as associated-prorated.

DISCUSSION OF EVIDENCE

The Lipscomb, S.E. (Cleveland) Field was discovered as an oil field in 1983 and there are currently six producing oil wells in the field, five of which are operated by Holmes Exploration, LLC. Holmes recently completed its Saint No. 5202 well in the field as a gas well and the Commission proposed assignment of gas well allowables based on Rule 49(b).

Most Cleveland wells in Lipscomb County are classified as gas wells. There are numerous overlapping field designations of the Cleveland in Lipscomb County. Some localized areas, including the Lipscomb, S.E. (Cleveland) Field area, oil wells are prevalent. Within the gross Cleveland interval, there are many variations in the deposition of the layers. Cores of the Cleveland demonstrate the different depositions, laminations and grain size within the gross interval. The reservoir is heterogeneous, both vertically and horizontally.

The Saint No. 5202 is completed down-dip of at least two oil wells in the field. The wells produce from the same correlative interval, but the individual sands are obviously not in communication. There is no oil column/gas cap in the Cleveland and therefore no reason to restrict gas well production. Other Cleveland fields in the area are associated-prorated.

Holmes has drilled some horizontal wells in the field in an effort to encounter as many of the "compartments" within the Cleveland as possible. Initial potentials of the horizontal wells have been significantly higher than previously drilled vertical wells. Additional horizontal wells are planned for the field and the proposed horizontal rules are consistent with those adopted previously by the Commission for many other fields.

Holmes calculated drainage areas for vertical oil wells completed in the Cleveland in this immediate area, though some are carried in other Commission designated fields. Estimated ultimate recoveries range from less than 5,000 BO to over 65,000 BO. Net pay ranges from 10 feet to 30 feet. The calculated drainage areas range from less than 5 acres to 63 acres. As an analogy, Holmes used a nearby vertical gas well to predict the performance of the Saint No. 5202 gas well. The nearby Case Ivon No. 1515 is projected to recover 860 MMCF of gas. With 15 feet of pay, the calculated drainage area for the well is 153 acres. Holmes requests 160/optional 40 acre rules for both gas and oil wells because

there is no way to predict how a well will be classified.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. The Lipscomb, S.E. (Cleveland) Field was discovered in 1983 as an oil field. There are currently six producing oil wells in the field, several of which are recent horizontal completions made by Holmes Exploration, LLC.
3. Field rules provide for 660'-1,320' well spacing, 80 acre density, and 100% acreage allocation for oil wells.
4. The Saint No. 5202 was recently completed by Holmes and is classified as a gas well.
5. The Cleveland Formation is heterogeneous, both vertically and horizontally. There is no way to predict whether a well will be classified as an oil well or gas well.
6. Assignment of gas allowables pursuant to Statewide Rule 49(b) is not necessary. There is no oil column/gas cap in the field as demonstrated by the Saint No. 5202 being structurally low to oil wells.
7. Wells in the field have varying reservoir properties and drainage capabilities.
 - a. Calculated drainage areas for vertical Cleveland oil wells in the field range from less than 5 acres to 63 acres.
 - b. The calculated drainage area for a nearby vertical gas well in the Cleveland is 153 acres.
8. Well spacing a minimum of 330 feet from lease lines and 933 feet between wells will provide flexibility in developing this field using horizontal drainhole wells.
9. Designation of the Lipscomb, S.E. (Cleveland) Field as the correlative interval from 8,100 feet to 8,139 feet as shown on the log of the R. B. Tyson "B" No. 1 will promote orderly development of the field.

CONCLUSIONS OF LAW

1. Proper notice of this hearing was issued.

2. All things have been accomplished or have occurred to give the Commission jurisdiction in this matter.
3. Amending the field rules for the Lipscomb, S.E. (Cleveland) Field is necessary to prevent waste, protect correlative rights and promote development of the field.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends that the Commission amend the field rules for the Lipscomb, S.E. (Cleveland) Field as proposed by Holmes Exploration, LLC.

Respectfully submitted,

Donna K. Chandler
Technical Examiner