

OIL AND GAS DOCKET NO. 04-0228444

THE APPLICATION OF LEWIS PETRO PROPERTIES, INC., FOR A NEW FIELD DESIGNATION AND TEMPORARY FIELD RULES, (PROPOSED) SAN AMBROSIA (SAN MIGUEL-OLMOS) FIELD, WEBB COUNTY, TEXAS

Heard by: Margaret Allen, Technical Hearings Examiner

Procedural history

Application received: May 22, 2001

Hearing held: June 12, 2001

Appearances

Keith Masters

Representing

Lewis Petro Properties

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Lewis Petro Properties first proposed the new field designation of Janie Brisco (San Miguel-Olmos) Field for its San Ambrosia "A" Lease Well No. 1. There is no field number available for that name and the name of the new field will be the San Ambrosia (San Miguel-Olmos). The applicant also proposed the following temporary field rules for the new field:

1. Designated interval from 2550 to 4122 feet as shown on the log of the Enron Oil & Gas Company (now Lewis Petro Properties, Inc.) San Ambrosia "A" Lease Well No. 1;
2. 467-933' well spacing;
3. 40-acre proration units with 20-acre tolerance for the last well on an oil lease, and 10% tolerance for gas wells, with maximum diagonals of 2100 feet'; and
4. allocation for oil wells based on acreage, and allocation for gas wells based 5% per well and 95% on deliverability.

Lewis Petro is also seeking to have any overproduction canceled for this field. There are no oil wells in the field and the examiner suggested that only gas field rules be adopted though the spacing rule could be modified to govern both oil and gas wells. The examiner also suggested that the gas field rules be made permanent as they are so similar to Statewide Rules. The applicant agreed with both suggestions.

DISCUSSION OF THE EVIDENCE

The new field was discovered in 1994, by the San Ambrosia "A" Lease Well No. 1, drilled by Enron Oil & Gas. This well is four and a half miles from the nearest field and there was no pipeline connection until recently. Lewis Petro filed the completion forms for the discovery well March 17, 2001. The discovery well was perforated from 3221 to 3234 feet in only a small portion of the Olmos.

Two additional wells have recently been drilled and completed in different parts of the Olmos/San Miguel section.

None of the reservoir lenses in either formation appears very productive and the applicant is requesting the option to combine all the productive Olmos and San Miguel lenses within one wellbore. The nearest fields in Webb County also produce from both the Olmos and San Miguel Formations. The Olmos Formation is a thick sand/shale section with small channel sands that were deposited in fluvial and deltaic environments. The sandstone lenses do not correlate between wells and many are wet. The individual Olmos reservoir sandstones have very small areal extents. The underlying San Miguel Formation comprises a 50-foot sandstone that is classified as a tight gas sand. The sandstone was extensively bioturbated, and diagenesis has further reduced the permeability.

The Olmos Formation extends from 2550 to 4067 feet and the San Miguel Formation extends from 4067 feet to 4122 feet in the discovery. The highest gas rate during the G-1 test of the discovery well was 451 MCF/D. The well produced 27 MMCF and 78 BC from February through May, 2001. Lewis Petro plans to add perforations in the San Miguel. The second well in the field, the San Ambrosia 104 A No. 2 was perforated in the San Miguel in February of 2001 and perforations in the Olmos were added in late March. Cumulative production is only 3 MMCF and 231 BC. The third well is the San Ambrosia 104 A No. 3 and it is perforated only in the San Miguel Formation. It produced 1151 MCF and 65 BC during May of 2001.

The gravity of the liquid from the San Miguel Formation is relatively low and the San Miguel may be a volatile oil rather than gas reservoir. Petro Lewis requested oil field rules that were similar to the proposed gas field rules but there are no oil wells to establish rules for. All of the producing wells are now classified as gas wells.

The requested proration unit size of 40 acres is the same as under Statewide Rules. The requested spacing of 467-933 feet is standard for 40 acre density. The requested allocation formula, based 95% on deliverability and 5% per well, is very close to the Statewide Rule for gas wells which bases allocation on deliverability. A two-factor allocation formula is required by statute, due to the multiple reservoirs in the designated interval.

It is unnecessary to review these rules in 18 months because of the similarity to Statewide Rules. Because of the length of time required to ask for a new field designation through the hearing process, these wells have been producing without an allowable. As there are no other operators to be harmed, the applicant requested that the accumulated overproduction be canceled.

FINDINGS OF FACT

1. Notice of this hearing was given to all operators in the field and to all offset operators to the discovery tract on May 30, 2001.
2. The new field was discovered in 1994, by the San Ambrosia "A" Lease Well No. 1, drilled by Enron Oil & Gas.
3. The field has only recently been reached by a pipeline and Lewis Petro, who took over operations, filed the completion forms for the discovery well March 17, 2001.

4. The discovery well was perforated from 3221 to 3234 feet in only a small portion of the Olmos, but two additional wells have been completed in different parts of the Olmos and/or San Miguel sections.
5. The proposed designated interval in the discovery well extends from the top of the Olmos at 2550 feet to the base of the San Miguel Formation at 4122 feet.
6. Each of the three completions in the proposed field produces less than 250 MCF/D and the various lenses in the Olmos and San Miguel Formations could not economically be developed separately.
7. There are no completions in the proposed new field that are classified as oil, and therefore no reason to adopt oil rules.
8. The proposed gas proration units of 40 acres are the same as Statewide Rules.
9. Well spacing of 467-933 feet is standard for 40-acre density.
10. Allocation based 95% on deliverability and 5% per well will satisfy the statutory requirement for two factors in multiple-reservoir fields.

CONCLUSIONS OF LAW

1. Proper notice was given as required by statute.
2. All things have been done or occurred to give the Railroad Commission jurisdiction to resolve this matter.
3. The requested new field designation and field rules will prevent waste, protect correlative rights within the field, and promote orderly development of the reservoirs.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the Enron Oil & Gas Company (now Lewis Petro Properties, Inc.) San Ambrosia "A" Lease Well No. 1 be designated as a new field discovery to be known as the San Ambrosia (San Miguel-Olmos) Field. The requested gas rules should be approved on a permanent basis.

Respectfully submitted,

Margaret Allen
Technical Hearings Examiner

Date of Commission Action: July 24, 2001