

THE APPLICATION OF MCCLURE OIL COMPANY, INC. FOR NEW FIELD DESIGNATION AND ADOPTION OF TEMPORARY FIELD RULES FOR THE (PROPOSED) VETERANS (UPPER LEONARD) FIELD, GLASSCOCK COUNTY, TEXAS

Heard by: Andres J. Trevino, P.E. on July 29, 2009

Appearances:

Representing:

Richard P. (Dick) Marshall, Jr.
Roy Williamson

McClure Oil Company, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

McClure Oil Company, Inc. requests a new field designation called the Veterans (Upper Leonard) Field be approved for its Archer No. 1. McClure also requests that the following temporary rules be adopted for the new field:

1. Designation of the Veterans (Upper Leonard) Field as the correlative interval from 4,886 feet to 5,028 feet as shown on the Compensated Neutron Photo Density Gamma Ray log of the Archer No. 1;
2. 467' - 933' well spacing;
3. 80 acre proration units with optional 40 acre units and a maximum diagonal of 3,250 and 2,100 feet respectively;
4. Allocation based on 100% acreage.

There were no protests to this application and the examiner recommends approval of the new field designation and adoption of temporary field rules.

DISCUSSION OF EVIDENCE

McClure completed its Archer No. 1 in June 2007 with perforations into the Upper Leonard Formation between 4,896 and 5,024 feet. The Archer No. 1 was originally completed in the Lower Leonard formation at a depth of 7,021 feet. The well was placed into the St. Lawrence, NE. (Leonard) Field. The well was later recompleted into the current perforations in the Upper Leonard formation. On initial test, the well produced at a rate of 20 BOPD, 3 MCFPD and 64 BWPD.

The new field designation should be approved for the subject well. There are 24 other wellbores within a 2 ½ mile radius of the Archer No. 1 which have penetrated the Upper Leonard Formation. All wells within the 2 ½ mile radius were drilled to deeper objectives such as the Lower Leonard, Strawn or Wolfcamp. The Lower Leonard formation is found at a depth of 7,045 feet in the area. The St. Lawrence, NE. (Leonard) Field has a designated interval of 7,045 feet to 7,095 feet which only includes the Lower Leonard. The nearest Upper Leonard production is 1,867 feet to the southwest from the Archer No. 1 in the St. Lawrence NE. Field. There are five wells including the Archer No.1 that are completed in the Upper Leonard and are currently placed in the St. Lawrence, NE. (Leonard) Field. McClure requests that all wells completed in the Upper Leonard be transferred to the proposed Veterans (Upper Leonard) Field. The wells include the Archer (38784) No. 1 (discovery well) and No. 2 and the Glass "46" (38785) Nos. 1, 2, and 3. There are no other wells currently producing from the Upper Leonard Formation with in a 2 ½ mile radius of the Archer No. 1.

McClure requests that the entire correlative interval between 4,886 feet to 5,028 feet in the Archer No. 1 be considered a single field. The interval includes only the Upper Leonard Formation. The Upper Leonard has heterogenous porosity development that varies significantly from well to well. The production history for the wells completed in the Upper Leonard is short and McClure was unable to perform accurate decline curve analysis. Preliminary drainage estimates for the wells estimate that some wells will drain 80 acres while wells with less porosity development will only drain 40 acres. McClure requests 80 acre oil units with optional 40 acre units and 467' - 933' spacing. McClure requests that allocation for wells in the field be based on 100% acreage.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice at least ten days prior to the date of hearing.
2. McClure Oil Company, Inc. completed its Archer No. 1 in June 2007 with perforations in the Upper Leonard between 4,896 and 5,024 feet.
3. On initial test, the well produced at a rate of 20 BOPD, 3 MCFPD and 64 BWPD.
4. The Archer (38784) No. 1 (discovery well) and No. 2 and the Glass "46" (38785) Nos. 1, 2, and 3 are completed in the Upper Leonard Formation and are currently place in the St. Lawrence, NE. (Leonard) Field.
5. The St. Lawrence, NE. (Leonard) Field has a designated interval of 7,045 feet to 7,095 feet which only includes the Lower Leonard Formation.
6. The Upper Leonard and Lower Leonard Formations form separate reservoirs.
7. The Archer No. 1 is entitled to a new field as there is no other comparable Upper Leonard production within 2 ½ miles of the Archer No. 1, besides the wells to be transferred.
8. The entire correlative interval between 4,886 feet to 5,028 feet as shown on the Compensated Neutron Photo Density Gamma Ray log of the Archer No. 1 should be designated as the Veterans (Upper Leonard) Field.
9. The Archer (38784) Nos. 1 (discovery well) and 2 and the Glass "46" (38785) Nos. 1, 2, and 3 are completed in the Upper Leonard and should be transferred to the proposed Veterans (Upper Leonard) Field.
10. The Upper Leonard has heterogenous porosity development that varies significantly from well to well.
11. Preliminary drainage estimates estimate some wells may drain 80 acres while wells with less porosity development will drain only 40 acres. A density of 80 acre oil units with optional 40 acre units with 467' - 933' well spacing is appropriate.
12. Allocation based on 100% acreage meets statutory requirements.

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. Approval of the requested new field designation and adoption of temporary field rules will prevent waste, protect correlative rights and promote the orderly development of the field.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the new field designation and adoption of temporary field rules for the Veterans (Upper Leonard) Field.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner