

THE APPLICATION OF SETEX OIL AND GAS COMPANY TO CONSIDER FIELD CONSOLIDATION OF THE LEONA RIVER (OLMOS) AND LEONA RIVER (OLMOS SECOND) FIELD, ZAVALA COUNTY, TEXAS

Heard by: Donna K. Chandler, Technical Hearings Examiner

Hearing Date: May 3, 2001

Appearances:

Stephen Schoppe
Mark Petter

Representing:

Setex Oil and Gas Company

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Setex Oil and Gas Company requests that the Leona River (Olmos Second) Field be consolidated into the Setex (Olmos) Field. Setex also requests that the existing field rules for the Leona River (Olmos) Field be rescinded and that the field operate under Statewide Rules.

This application was unopposed and the examiner recommends approval of the field consolidation as requested by Setex and rescission of the field rules for the Leona River (Olmos) Field.

DISCUSSION OF THE EVIDENCE

The Leona River (Olmos) Field was discovered in 1945 at a depth of 4,200 feet. The field operates under rules providing for 660'-,2,640' well spacing and 640 acre density. The Leona River (Olmos Second) Field was discovered in 1956 at a depth of 4,266 feet. This field operates under Statewide Rules.

Both fields produce from low pressure sands that were developed through the 1950's. In this field area, the uppermost Olmos sand was developed to the east while the middle, or second, sand was developed to the west. This development showed that the Olmos Second sand shaled out to the east and the uppermost Olmos sand thinned significantly to the west.

The Leona River (Olmos) Field was produced by three wells with cumulative production of 6.5 BCF of gas. The Leona River (Olmos Second) Field was produced by five wells with cumulative production of 6.0 BCF. All the wells were plugged and abandoned by the 1970's. In the last two

years, two wells were successfully re-entered by Texaco, and recently taken over by Setex. One of the wells, the West No. 10, is believed to be producing from both the upper and second Olmos sands even though only the upper Olmos is perforated. The communication is a result of fracture stimulation on the well to enhance production. The two sands are only separated by ten feet of shale. Setex has identified four additional re-entry locations which are expected to encounter both sands in the middle area of the field. Consolidation of the fields will make additional production from both fields economically feasible.

Setex believes that Statewide Rules will allow maximum ultimate recovery from the two fields. The numerous existing wellbores can be re-entered without obtaining exceptions to Rules 37 and 38 for these mostly depleted sands.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and there were no protests.
2. The Leona River (Olmos) Field was discovered in 1945 at a depth of 4,200 feet. The field operates under rules providing for 660'-,2,640' well spacing and 640 acre density.
3. The Leona River (Olmos Second) Field was discovered in 1956 at a depth of 4,266 feet. This field operates under Statewide Rules.
4. Both fields produce from low pressure sands that were developed through the 1950's. There has been no production from either field since the 1970's.
5. Both sands are present in the middle area of the field.
 - a. The uppermost Olmos sand was developed to the east and shales out to the west.
 - b. The middle, or second, sand was developed to the west and thins significantly to the east.
6. A recent re-entry in the West No. 10 resulted in production from both sands as a result of fracture stimulation. The two sands are only separated by ten feet of shale.
7. Consolidation of the fields will make additional production from both fields economically feasible. Setex plans to re-enter four additional wells which have pay in both sands.

8. Statewide Rules will provide maximum flexibility in use of existing wellbores for re-entries.

CONCLUSIONS OF LAW

1. Proper notice was given as required by all applicable codes and regulatory statutes.
2. All things have occurred and been accomplished to give the Commission jurisdiction to decide this matter.
3. The proposed field consolidation and rescission of field rules will prevent waste and protect correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the Leona River (Olmos Second) Field be consolidated into the Leona River (Olmos) Field and that the field rules for the Leona River (Olmos) Field be rescinded.

Respectfully submitted,

Donna K. Chandler
Technical Hearings Examiner