

THE APPLICATION OF XTO ENERGY, INC. TO CONSOLIDATE VARIOUS SHERIDAN FIELDS INTO THE SHERIDAN (WILCOX CONSOLIDATED) FIELD, COLORADO COUNTY, TEXAS

Heard by: Donna K. Chandler on August 21, 2008

Appearances:

David Gross
Jeff Daniels
Zane Anderson

Representing:

XTO Energy, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

XTO Energy, Inc. requests that the Sheridan (Wilcox), Sheridan (Wilcox H), Sheridan (Wilcox S) and Sheridan (Wilcox T) Fields be consolidated into a new field called the Sheridan (Wilcox Consolidated) Field. XTO also requests that the following rules be adopted for the Sheridan (Wilcox Consolidated) Field:

1. Designation of the field as the correlative interval from 8,054 feet to 11,751 feet as shown on the log of the Sheridan Gas Unit Well No. 127;
2. 330'-0' well spacing;
3. 20 units with 10% tolerance;
4. Allocation based on 95% acreage and 5% deliverability, with AOF status.

This application was unopposed and the examiner recommends approval of the requested field consolidation and field rules.

DISCUSSION OF THE EVIDENCE

The Sheridan (Wilcox) Field was formed in 1975 as a result of consolidation of the Wilcox A thru Q sands, excluding the Wilcox H sand. There are 64 gas wells carried on the current proration schedule for the field. All of the active wells are on the Sheridan Gas Unit (10,336 acres) which is operated by XTO Energy.

The Sheridan (Wilcox S) Field was discovered in 1978 and the Sheridan (Wilcox T) Field was discovered in 1979. Both fields currently have no wells and both operate under Statewide Rules.

The Sheridan Field is a large northeast-southwest trending anticlinal structure with 4-way closure. Cumulative production from the field is 1.9 TCF of gas and 6.8 million BC.

XTO took over operations of the Unit in 2007 and has plans to further develop the R, S and T sands, which are tighter and more heterogeneous sands than the shallower Wilcox sands. XTO has recently completed four wells in the S and T sands, none of which are yet on the Commission's proration schedule. These recent wells have found the R sand to have little or no depletion and additional completions are necessary to maximize reserves from all three zones. Consolidation of the R, S and T sands into the Sheridan (Wilcox) Field will allow recompletions to all zones simultaneously. The fluids produced from the various sands have similar properties and no incompatibility problems are expected.

XTO estimates that recoverable gas beneath 20 acres in the S Sand are 188 MMCF. This estimate is based on 32 feet of pay, 12% average porosity and 65% average water saturation. Estimated ultimate recovery for a well in the S Sand is 117 MMCF. For the T Sand, XTO estimates that recoverable reserves beneath 20 acres are 298 MMCF. This estimate is based on 27 feet of pay, 12% average porosity and 50% average water saturation. Estimated ultimate recovery for a well in the T sand is only 134 MMCF. These calculations indicate that develop on no more than 20 acres per well is appropriate for both the S and T Sands.

XTO requests that the Sheridan (Wilcox Consolidated) Field be designated as the correlative interval from 8,054 feet to 11,751 feet as shown on the log of the Sheridan Gas Unit Well No. 127. This interval includes the Wilcox A thru T sands. Because the consolidated interval for the field includes multiple sands, a two factor allocation formula is required by statute. XTO requests that allocation be based on 95% acreage and 5% deliverability. XTO also requests that the allocation formula for the field be suspended, as there is a market for all gas produced from the field.

XTO is not clear as to why the Wilcox H Sand was omitted from the original field consolidation, but sees no need to eliminate the sand from this current consolidation. The field was discovered in 1956 and there has been no production from the H Sand since 1998.

A spacing rule providing for a minimum of 330 feet from lease lines with no minimum between-well spacing requirement is requested in conjunction with the 20 acre density rule. This spacing will allow for optimum use of existing wellbores to develop all sands within the consolidated field.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and there were no protests.
2. The Sheridan (Wilcox) Field was formed in 1975 as a result of consolidation of the Wilcox A thru Q sands, excluding the Wilcox H sand. There are 64 gas wells carried on the current proration schedule for the field. All of the active wells are on the Sheridan Gas Unit (10,336 acres) which is operated by XTO Energy.
3. The Sheridan (Wilcox S) Field was discovered in 1978 and the Sheridan (Wilcox T) Field was discovered in 1979. Both fields currently have no wells and both operate under Statewide Rules.
4. The Sheridan Field is a large northeast-southwest trending anticlinal structure with 4-way closure.
5. XTP is currently developing the S and T sands in the field. Consolidation of the R, S and T sands into the Sheridan (Wilcox) Field will allow recompletions to all zones simultaneously. The fluids produced from the various sands have similar properties and no incompatibility problems are expected.
6. Development on 20 acre density is appropriate for the consolidated field.
 - a. Recoverable gas beneath 20 acres in the S Sand are 188 MMCF.
 - b. Estimated ultimate recovery for a well in the S Sand is 117 MMCF.
 - c. For the T Sand, XTO estimates that recoverable reserves beneath 20 acres are 298 MMCF.
 - d. Estimated ultimate recovery for a well in the T sand is only 134 MMCF.
7. The Sheridan (Wilcox Consolidated) Field should be designated as the correlative interval from 8,054 feet to 11,751 feet as shown on the log of the Sheridan Gas Unit Well No. 127. This interval includes the Wilcox A thru T sands.
8. Because the consolidated interval for the field includes multiple sands, a two factor allocation formula is required by statute. Allocation be based on 95% acreage and 5% deliverability is a reasonable formula which will protect correlative rights.

9. There is a market for all gas produced from the field.
10. A spacing rule providing for a minimum of 330 feet from lease lines with no minimum between-well spacing requirement is requested in conjunction with the 20 acre density rule. This spacing will allow for optimum use of existing wellbores to develop all sands within the consolidated field.

CONCLUSIONS OF LAW

1. Proper notice of this hearing was given to all persons legally entitled to notice.
2. All things have occurred or been accomplished to give the Railroad Commission jurisdiction in this matter.
3. Consolidation of the Sheridan (Wilcox), Sheridan (Wilcox H), Sheridan (Wilcox S) and Sheridan (Wilcox T) Fields into a new field called the Sheridan (Wilcox Consolidated) Field and adopting the field rules as proposed by XTO is necessary to prevent waste and protect correlative rights.
4. The Sheridan (Wilcox Consolidated) Field meets the requirements for Rule 31(j) to suspend the allocation formula.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the Sheridan (Wilcox), Sheridan (Wilcox H), Sheridan (Wilcox S) and Sheridan (Wilcox T) Fields be consolidated into a new field called the Sheridan (Wilcox Consolidated) Field. and that field rules requested by XTO be adopted for the Sheridan (Wilcox Consolidated) Field.

Respectfully submitted,

Donna K. Chandler
Technical Examiner