



# RAILROAD COMMISSION OF TEXAS

## OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET NO. 03-0273764

THE APPLICATION OF THE MCDANIEL COMPANY, INC. TO CONSOLIDATE VARIOUS HIGHBAUGH FIELDS INTO THE PROPOSED HIGHBAUGH (CONSOLIDATED) FIELD AND TO ADOPT FIELD RULES FOR THE HIGHBAUGH (CONSOLIDATED) FIELD, TYLER COUNTY, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner  
James M. Doherty - Legal Examiner

DATE OF HEARING: January 4, 2012

APPEARANCES:

REPRESENTING:

APPLICANT:

Kerry A. Pollard

The McDaniel Company, Inc.

### EXAMINER'S REPORT AND RECOMMENDATION

#### STATEMENT OF THE CASE

The McDaniel Company, Inc. ("McDaniel") requests that various Highbaugh Fields be consolidated into a new field to be known as the Highbaugh (Consolidated) Field, ID No. 41307 025. The fields proposed for consolidation are as follows:

<u>FIELD NAME</u>	<u>FIELD NUMBER</u>
Highbaugh (Geronimo-Wilcox SD.)	41307 050
Highbaugh (Geronimo LO. WX)	41307 051
Highbaugh (Geronimo Oil)	41307 063
Highbaugh (Gregory)	41307 065
Highbaugh (L. Geronimo E. "A")	41307 067
Highbaugh (Wilcox A-2 Sand)	41307 075
Highbaugh (Wilcox Odom Sand)	41307 081
Highbaugh (Wilcox Rochna Sand)	41307 087
Highbaugh (Wilcox 8700 Sand)	41307 093
Highbaugh (Wilcox 9600 Sand)	41307 100
Highbaugh (Wilcox 9800 Sand)	41307 200

McDaniel requests that the following Field Rules be adopted for the consolidated field:

1. Designated interval from 8,500 feet to 9,900 feet as shown on the log of the Pecos Petroleum Company - Arco Fee Lease, Well No. 3 (API No. 42-457-30466);
2. 330'-933' well spacing;
3. 40 acre units;
4. Allocation based on 100% acres with a 1965 Yardstick Allowable of 142 barrels of oil per day.

McDaniel also requests that the new field be classified as associated-prorated. The application was unopposed and the examiners recommend approval of McDaniel's request for field consolidation and Field Rules.

#### **DISCUSSION OF THE EVIDENCE**

The subject Highbaugh Fields were discovered beginning in March 1991. There are six producing oil wells and no producing gas wells carried on the proration schedules. Five fields operate under Field Rules that provide for 330'-933' well spacing, 80 acre units with optional 40 acre density. The remaining fields operate under Statewide Rules. McDaniel is the only operator in the fields. Cumulative production from the fields through October 2011 is 14.2 BCFG and 1.3 MMBO.

McDaniel proposes that the correlative interval from 8,500 feet to 9,900 feet as shown on the log of the Pecos Petroleum Company - Arco Fee Lease, Well No. 3 (API No. 42-457-30466), I. MC Mahan Survey, A-769, Tyler County, Texas, be considered a single field known as the Highbaugh (Consolidated) Field. This interval includes eleven separate Wilcox sands. The sands have a pressure depletion drive mechanism and are in the late stage of depletion. In addition, the reservoir and fluid properties in all the sands are similar.

McDaniel requests the same 330'-933' well spacing for the consolidated field that currently exist in five of the subject fields. Since all of the fields operate under Statewide Rules or have optional forty acre density, McDaniel also requests 40 acre density for the consolidated field. McDaniel proposes that the consolidated field be classified as associated-prorated, since there are currently no productive gas wells and no other gas wells are expected to be completed.

Consolidation of the various sands into a single field will result in the recovery of additional reserves which would otherwise be uneconomic. McDaniel stated that producing all of the reservoirs simultaneously would reduce the abandonment rate for each zone and

increase the ultimate recovery of hydrocarbons from all of the reservoirs. Assuming an economic limit of 1.5 BOPD and an exponential decline rate of 15% per year, McDaniel calculated the incremental reserves to be recovered from each additional reservoir completed in a wellbore to be 3,650 BO.

### FINDINGS OF FACT

1. Notice of this hearing was sent to all persons legally entitled to notice at least ten days prior to the date of hearing.
2. The subject Highbaugh Fields were discovered beginning in March 1991.
  - a. There are six producing oil wells and no producing gas wells carried on the proration schedules.
  - b. Five fields operate under Field Rules that provide for 330'-933' well spacing, 80 acre units with optional 40 acre density. The remaining fields operate under Statewide Rules.
  - c. McDaniel is the only operator in the fields.
3. The Highbaugh (Consolidated) Field should be designated as the correlative interval from 8,500 feet to 9,900 feet as shown on the log of the Pecos Petroleum Company - Arco Fee Lease, Well No. 3 (API No. 42-457-30466).
  - a. This interval includes eleven separate Wilcox sands.
  - b. The sands have a pressure depletion drive mechanism and are in the late stage of depletion.
    - a. The reservoir and fluid properties in all the sands are similar.
4. Field Rules that provide for 330'-933' well spacing, 40 acre density and a classification as associated-prorated are appropriate for the consolidated field.
5. Consolidation of the various sands into a single field will result in the recovery of additional reserves which would otherwise be uneconomic.
  - a. Producing all of the reservoirs simultaneously will reduce the abandonment rate for each zone and increase the ultimate recovery of hydrocarbons from all of the reservoirs.
  - b. Assuming an economic limit of 1.5 BOPD and an exponential decline rate of 15% per year, the incremental reserves to be recovered from each additional reservoir completed in a wellbore is 3,650 BO.

**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 various Highbaugh Fields is necessary to prevent waste and protect correlative rights.
4. Adopting the proposed Field Rules for the Highbaugh (Consolidated) Field will prevent waste, protect correlative rights, and promote development of the field.

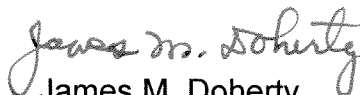
**EXAMINER'S RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission approve the field consolidation and adopt Field Rules for the Highbaugh (Consolidated) Field, as requested by The McDaniel Company, Inc.

Respectfully submitted,



Richard D. Atkins, P.E.  
Technical Examiner



James M. Doherty  
Legal Examiner